DEPARTMENT of HEALTH and HUMAN SERVICES

Fiscal Year

2010

Office of Inspector General

Justification of Estimates for Appropriations Committees

The FY 2010 Congressional Justification is one of several documents that fulfill the Department of Health and Human Services' (HHS) performance planning and reporting requirements. HHS achieves full compliance with the Government Performance and Results Act of 1993 and Office of Management and Budget Circulars A-11 and A-136 through the HHS agencies' FY 2010 Congressional Justifications and Online Performance Appendices, the Agency Financial Report, and the HHS Citizens' Report. These documents are available at http://www.hhs.gov/asrt/ob/docbudget/index.html.

The FY 2010 Congressional Justifications and accompanying Online Performance Appendices contain the updated FY 2008 Annual Performance Report and FY 2010 Annual Performance Plan. The Agency Financial Report provides fiscal and high-level performance results. The HHS Citizens' Report summarizes key past and planned performance and financial information.

Message from the Inspector General

I am pleased to present the U.S. Department of Health and Human Services (HHS), Office of Inspector General's (OIG) fiscal year (FY) 2010 Justification of Estimates for Appropriations Committees. This budget request supports the President's priorities and reflects the goals and objectives in the HHS FY 2007-2012 Strategic Plan, and includes the FY 2010 Annual Performance Plan and FY 2008 Annual Performance Report as required by the Government Performance and Results Act of 1993.

Additionally, in accordance with new reporting requirements established by the Inspector General Reform Act of 2008 (Public Law 110-409), this budget request represents my office's aggregate requirements for meeting its responsibility to protect HHS beneficiary well-being and program integrity by detecting and preventing fraud, waste, and abuse. It would fund expenses necessary to meet OIG's training needs; and required expenses associated with the Council of Inspectors General on Integrity and Efficiency.

Since its establishment in 1976, this office has consistently achieved commendable results in fulfilling its mission to protect the integrity of HHS programs and the health and welfare of HHS program beneficiaries. OIG's staff of more than 1,500 professionals carries out this mission through a nationwide network of audits, evaluations, investigations, and enforcement and compliance activities.

In conformance with the terms of our mandatory funding streams, we direct the majority of our resources toward safeguarding the integrity of the Medicare and Medicaid programs and the health and welfare of their beneficiaries. Consistent with our responsibility to oversee all departmental programs, we direct our discretionary resources to ensure the efficiency and effectiveness of HHS's other programs and management processes, focusing on key issues such as food and drug safety, conflict of interest and financial disclosure policies, oversight of HHS discretionary programs, the awarding and administration of contracts, and grants management.

As HHS programs and operating divisions grow in size, scope, and complexity, it is essential that they are simultaneously protected against threats of fraud, waste, and abuse. In fact, since FY 2000, total HHS outlays related to the Department's more than 300 non-Medicare and non-Medicaid programs have increased 63 percent, from $70 billion in FY 2000 to $114 billion in FY 2008. During the same period, resources available to OIG for conducting oversight of those programs have increased only by roughly the rate of inflation. Given OIG's past positive returns-on-investments, I am confident that the funding requested in this justification of estimates will ensure similar future benefits for American taxpayers and their families.

Daniel R. Levinson

Daniel R. Levinson
Inspector General

OFFICE OF INSPECTOR GENERAL
FY 2010 PERFORMANCE BUDGET SUBMISSION

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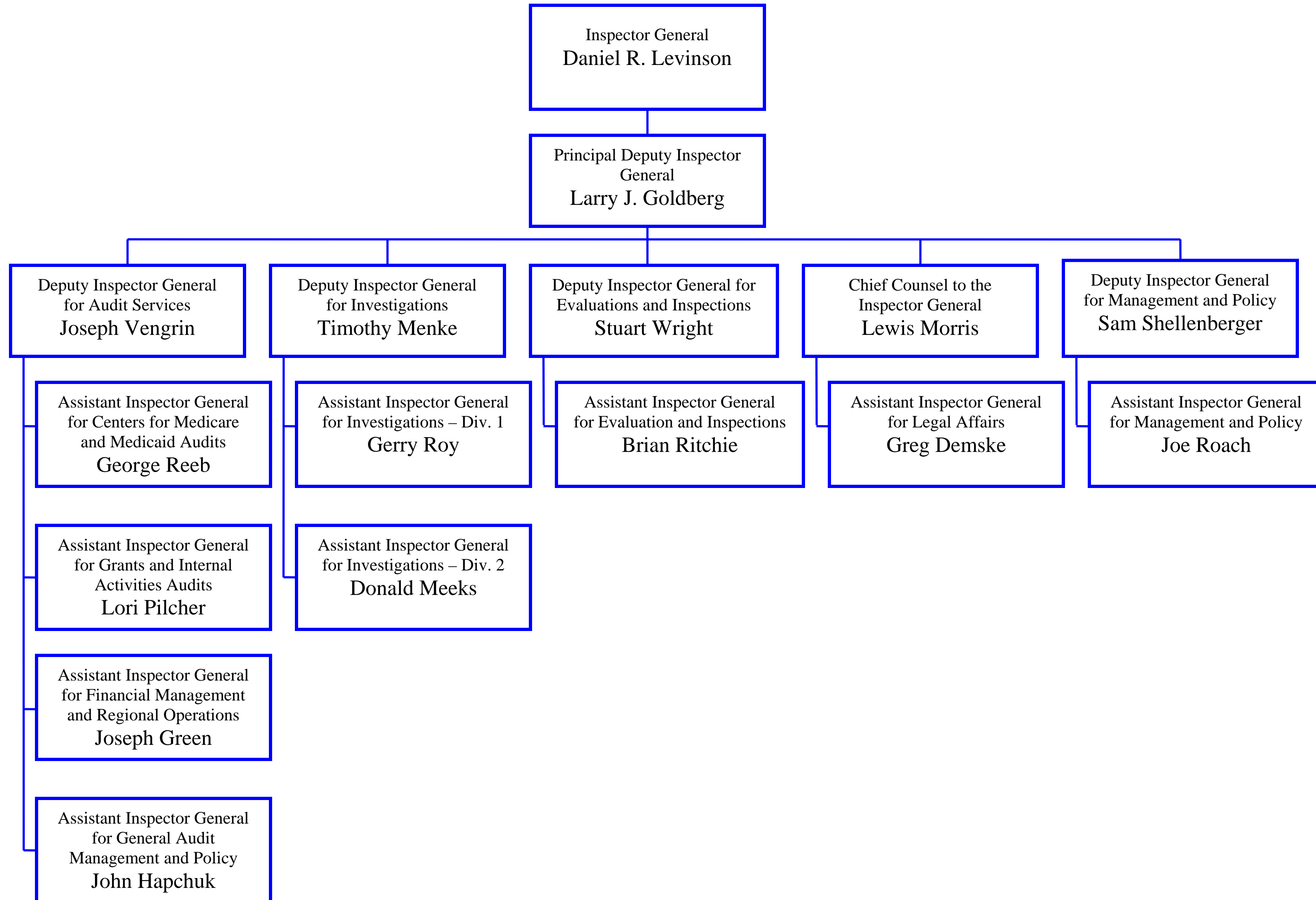
Department of Health and Human Services
Office of Inspector General
Organizational Chart



Introduction and Mission

Agency Overview

The Office of Inspector General (OIG) is an independent and objective oversight organization within the U.S. Department of Health and Human Services (HHS) that promotes economy, efficiency, and effectiveness through the elimination of waste, fraud, and abuse. In furtherance of its mission, OIG:

- conducts and supervises audits, investigations, inspections, and evaluations relating to HHS programs and operations;
- identifies systemic weaknesses giving rise to opportunities for fraud and abuse in HHS programs and operations and makes recommendations to prevent their recurrence;
- leads and coordinates activities to prevent and detect fraud and abuse in HHS programs and operations;
- detects wrongdoers and abusers of HHS programs and beneficiaries so that appropriate remedies may be brought to bear;
- keeps the Secretary and the Congress fully and currently informed about problems and efficiencies in the administration of HHS programs and operations and about the need for and progress of corrective action, including imposing sanctions against providers of health care under Medicare and Medicaid who commit certain prohibited acts.

The OIG's oversight priorities and annual allocation of budgeted resources are significantly influenced both by statutory mandates requiring OIG to conduct specified oversight activities and by requirements embedded in OIG's various budget authorities. Further detail about the composition of OIG's budget is included in the "Overview of Budget Request" section of this document.

Agency Vision

OIG envisions accomplishing many notable advances in program savings, integrity and efficiency, and quality of care by continuing to focus on an expanding docket of audits, investigations, and evaluations.

Agency Mission

The mission of the Office of Inspector General (OIG), within the U.S. Department of Health and Human Services (HHS), as mandated by the Inspector General Act of 1978 (Public Law 95-452, as amended), is to:

(1) conduct and supervise audits and investigations relating to the programs and operations of [HHS];
(2) provide leadership and coordination and recommend policies for activities designed to promote economy, efficiency, and effectiveness in the administration of, and to prevent and detect fraud and abuse, in such programs and operations; and,
(3) provide a means for keeping the [Secretary] and Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action.

FY 2010 Budget Overview

The fiscal year (FY) 2010 President's Budget request for OIG is $50,279,000, which is an increase of $5,000,000 above the FY 2009 funding level. This budget request will enable OIG to maintain the FY 2009 President's Budget authorized level of 260 Full-time Equivalent (FTE) staff, and includes funding for three state component error rate reviews for Temporary Assistance for Needy Families (TANF) as part of its Improper Payments Information Act of 2002 (P.L. 107-300, "IPIA") monitoring activities.

Composition of the HHS OIG Budget

OIG's budget is comprised of multiple funding streams, including discretionary and mandatory (i.e., statutorily required) budget authorities. OIG's discretionary budget authority, which is requested through the President's Budget and appropriated through the annual Departments of Labor, Health and Human Services, and Education and Related Agencies Appropriations Act, provides funding for oversight of HHS' more than 300 programs and operations administered in the following HHS operating and staff divisions:

- Administration for Children and Families (ACF),
- Agency for Health Care Research and Quality (AHRQ),
- Agency for Toxic Substances and Disease Registry (ATSDR),
- Administration on Aging (AoA),
- Centers for Disease Control and Prevention (CDC),
- Food and Drug Administration (FDA),
- Health Resources and Services Administration (HRSA),
- Indian Health Service (IHS),
- National Institutes of Health (NIH),
- Substance Abuse and Mental Health Services Administration (SAMHSA), and
- Office of the Secretary (OS), which includes staff divisions dedicated to departmental management and coordination such as the Assistant Secretary for Preparedness and Response (ASPR) and the Office of the National Coordinator (ONC) for Health Information Technology.

OIG also receives separate funding for oversight activities related to the Centers for Medicare and Medicaid Services (CMS), and the Medicare and Medicaid programs specifically. OIG's FY 2010 mandatory budget authorities are provided through the Health Care Fraud and Abuse Control (HCFAC) Program[1], which was created by the Health Insurance Portability and Accountability Act of 1996 (P.L. 104-191, "HIPAA"), and the Medicaid Integrity Program, which was created by the Deficit Reduction Act of 2005 (P.L. 109-171, "DRA").

HHS OIG Oversight Priorities for Funds Provided through the Discretionary Appropriation

As noted above, OIG's oversight of the more than 300 non-Medicare and non-Medicaid HHS programs and operations is currently funded through the annual discretionary appropriation. OIG prioritizes its discretionary resources according to various performance planning processes, including identifying and reporting to the Secretary and Congress the top management and performance challenges facing HHS.[2] In FY 2008, the most recently completed year for which OIG identified and documented top management and performance challenges facing HHS, the following key areas were identified:

- *Oversight of Food, Drugs, and Medical Devices and Biomedical Research* – The Food and Drug Administration (FDA) is responsible for protecting and promoting public health by

ensuring the safety, efficacy, and security of human and veterinary drugs, biological products, medical devices, the Nation's food supply, cosmetics, and products that emit radiation. FDA is also responsible for protecting the rights, safety, and well-being of human subjects who participate in clinical trials conducted for the products it regulates. Concurrently, the National Institutes of Health (NIH) is responsible for acquiring knowledge through medical science that can help prevent, diagnose, and treat disease and disability. There are significant risks to public health and safety if the critical mandates assigned to FDA and NIH are not properly met. OIG will continue to conduct focused efforts to review and monitor the adequacy and effectiveness of FDA and NIH policies and programs.

- *Grants Management* – HHS is the largest grant-awarding agency in the Federal Government. During FY 2008, the Department issued grants totaling $265 billion ($41billion discretionary and $224 billion mandatory). The size and scope of HHS grant expenditures, coupled with unique vulnerabilities associated with the very nature of grants, have made grants management a significant area of focus for OIG. OIG, through its audits, evaluations, and investigations, will continue to conduct oversight activities that ensure that HHS' grant moneys are used for their intended purposes and are overseen in an efficient and effective manner.

- *Integrity of Information Systems and the Implementation of Health Information Technology* – The Department faces the related challenges of ensuring the integrity of its information systems and developing a strategy and framework for advancing the development and adoption of a new interoperable nationwide Health Information Technology (HIT) infrastructure. This infrastructure will help to ensure reliability, confidentiality, privacy, and security when exchanging, storing, and using electronic health information. OIG will evaluate information systems controls and provide oversight of Federal information security programs, including oversight of HHS financial systems as well as systems used by HHS operating divisions, Medicare contractors and providers, and State Medicaid agencies.

- *Ethics Program Oversight and Enforcement* – OIG's oversight of the Department's ethics program includes activities ranging from evaluating agency ethics programs at selected operating divisions to determining whether agency programs comply with regulations issued by the Office of Government Ethics (OGE) and HHS, to investigating allegations of criminal ethics violations by current and former HHS employees. Since 2005, ethics program oversight has been identified as one of the Department's top management challenges.

<u>HHS OIG Oversight Priorities for Funds Provided through Mandatory Appropriations</u>

OIG receives multiple mandatory appropriations dedicated to overseeing the integrity of CMS's Medicare and Medicaid programs. OIG prioritizes how it uses resources provided through its mandatory appropriations according to its statutory requirements and performance planning processes. In FY 2008, the most recently completed year for which OIG identified and documented top management and performance challenges facing HHS, the following key areas were identified for oversight of Medicare and Medicaid:

- *Oversight of Medicare Part D* – According to the "2008 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds," Part D expenditures for 2007 totaled $49.5 billion.[3] OIG experts believe that the magnitude of expenditures and the impact of this benefit on beneficiaries make it critical that Medicare Part D operate efficiently and effectively and be protected from fraud and

abuse. Therefore, ensuring adequate oversight of the Part D program continues to be a significant priority.

- *Medicare Integrity* – In FY 2007, Medicare benefit payments totaled about $413 billion for services provided to approximately 44 million beneficiaries. The "2008 Annual Report of the Board of Trustees" projects that by the year 2017, Medicare expenditures will have more than doubled to $881 billion, and the number of Medicare beneficiaries will have grown to close to 57 million. To ensure both the solvency of the Trust Fund and beneficiaries' continued access to quality services, OIG will continue examining such areas as: payment error rates, durable medical equipment fraud, the Part B prescription drug program, inpatient services and other important areas.

- *Medicaid and State Children's Health Insurance Program (SCHIP) Integrity* – Medicaid is a joint Federal-State program that provides medical assistance to an estimated 50 million Americans with low incomes or disabilities. In 2007, the Medicaid program accounted for nearly $350 billion in government health care spending, of which the Federal share was almost $191 billion. SCHIP provides coverage to uninsured low-income children who do not qualify for Medicaid. The magnitude and growth of health care expenditures, combined with the health and financial impacts of Medicaid and SCHIP on vulnerable populations, make it critical that these programs operate efficiently and effectively and be protected from fraud and abuse. Among the specific areas that OIG identified in FY 2008 as particularly noteworthy were: payment error rates, home-based and community-based care fraud, prescription drugs fraud, and the appropriateness of Federal and State cost-sharing formulas and arrangements.

- *Quality of Care* – Ensuring the quality of care provided to beneficiaries of Federal health care programs continues to be a high priority of OIG. Much of OIG's enforcement work is focused on ensuring that resources are not improperly diverted from patient care, as well as preventing providers from withholding needed care or rendering unnecessary or even harmful services. OIG works with Department of Justice (DOJ), State Medicaid Fraud Control Units (MFCUs), and other State and local law enforcement offices to investigate and prosecute instances of substandard care that lead to patient harm.

OIG will continue to address these issues and their root causes as oversight priorities in FY 2010. Additional details about these top management and performance challenges are available at http://oig.hhs.gov/publications/challenges.asp.

All Purpose Table

	FY 2008 Actual	FY 2009 Omnibus	FY 2009 Recovery Act	FY 2010 President's Budget Request
Appropriated:				
Discretionary	43,231,000	45,279,000	17,000,000	50,279,000
Total, Appropriated	43,231,000	45,279,000	17,000,000	50,279,000
Not Separately Appropriated:				
(in legislation)				
HCFAC	169,736,000	177,205,000	-	177,205,000
Medicaid Integrity Program (DRA)	25,000,000	25,000,000	-	25,000,000
Trust Fund (Caps Proposal)	-	18,967,000	-	29,790,000
HIPPA Collections/Cost Reimbursements	10,000,000	10,000,000	-	10,000,000
Medicaid Fraud and Abuse Supplemental 1	-	25,000,000	-	-
Medicaid Fraud and Abuse Supplemental 2	-	-	31,250,000	-
Total, Not Separately Appropriated	204,736,000	256,172,000	31,250,000	241,995,000
Total Funding All Sources	247,967,000	301,451,000	48,250,000	292,274,000
Full Time Equivalent Employment				
Appropriated:				
Discretionary	271	260	60	260
Total, Appropriated	271	260	60	260
Not Separately Appropriated:				
(in legislation)				
HCFAC	1,026	1,034	-	1,087
Medicaid Integrity Program (DRA)/MFA 1/ MFA 2	203	205	-	208
Trust Fund (Caps Proposal)	-	26	-	26
HIPPA Collections/Cost Reimbursements	10	10	-	10
Never Event	8	3	-	-
Total, Not Separately Appropriated	1,247	1,278	-	1,331
Total FTE All Sources	1,518	1,538	60	1,591

Note: Excludes discretionary reimbursable funding as follows: FY 2008 actual $17,259,000; FYs 2009 and 2010 estimate $18,000,000.

Note: Discrepancies between this table and the FY 2010 Budget Appendix are due to the exclusion of $10,000,000, and associated carryover, in HIPPA collections from the Budget Appendix in FYs 2008 through 2010.

Appropriation Language

For expenses necessary for the Office of Inspector General, including the hire of passenger motor vehicles for investigations, in carrying out the provisions of the Inspector General Act of 1978, **[**$45,279,000**]** $50,279,000: Provided, That of such amount, necessary sums shall be available for providing protective services to the Secretary of Health and Human Services and investigating non-payment of child support cases for which non-payment is a Federal offense under 18 U.S.C. Section 228: Provided further, That at least forty percent of the funds provided in this Act for the Office of Inspector General shall be used only for investigations, audits, and evaluations pertaining to the discretionary programs funded in this Act.

(P.L. 111-8 Omnibus Appropriations Act, 2009)

Amounts Available for Obligation

	FY 2008 Actual	FY 2009 Omnibus	FY 2009 Recovery Act	FY 2010 President's Budget
Discretionary Appropriation:				
Appropriation	$44,000,000	$45,279,000	$17,000,000	$50,279,000
Reduction Pursuant P.L. 110-161	-$769,000	--	--	--
Subtotal, adjusted appropriation	$43,231,000	$45,279,000	$17,000,000	$50,279,000
Unobligated balance lapsing	-$176,000	--	--	--
Subtotal, discretionary obligations	$43,055,000	$45,279,000	$17,000,000	$50,279,000
Total, Discretionary Appropriation	**$43,055,000**	**$45,279,000**	**$17,000,000**	**$50,279,000**
Mandatory Appropriations:				
HIPAA/HCFAC (P.L 104-191, 109-432)	$169,736,000	$177,205,000	--	$177,205,000
Medicaid Integrity Program (P.L. 109-171)	$25,000,000	$25,000,000	--	$25,000,000
SAA, Medicaid Fraud and Abuse (P.L. 110-252)	--	$25,000,000	--	--
Discretionary Caps - HCFAC (P.L. 111-8)	--	$18,967,000	--	$29,790,000
Medicaid Oversight (P.L. 111-5)	--	--	$31,250,000	--
Subtotal, mandatory appropriations	$194,736,000	$246,172,000	$31,250,000	$231,995,000
Total Obligations	**$237,791,000**	**$291,451,000**	**$48,250,000**	**$282,274,000**

Note: Excludes discretionary reimbursable funding as follows: FY 2008 actual $17,259,000; FYs 2009 and 2010 estimate $18,000,000.

Note: Discrepancies between this table and the FY 2010 Budget Appendix are due to the exclusion of $10,000,000, and associated carryover, in HIPPA collections from the Budget Appendix in FYs 2008 through 2010.

Summary of Changes – Discretionary Appropriation

2009

Total estimated budget authority (Obligations)......... .... $45,279,000

2010

Total estimated budget authority (Obligations)......... .... $50,279,000

Net Change (Obligations).................................... ....+$5,000,000

	2009 Estimate		Change from Base	
	FTE	Budget Authority	FTE	Budget Authority
Increases:				
A. Built In:				
1. Annualization of January 2009 pay raise	(260)	$32,378,000	(0)	+316,000
2. Effect of January 2010 pay raise	(260)	$32,378,000	(0)	+$1,950,000
3. Effect of rate changes for various mandatory charges (rent, SSF, IT & HHS initiatives, etc.)		$12,901,000	(0)	+$2,734,000
Subtotal, Built-In Increases			(0)	+$5,000,000
Decreases:				
A. Program				
1. Reduction in Other Administrative Expenses				--
Subtotal, Decreases				--
Net Change				+$5,000,000

Budget Authority by Activity

	FY 2008 Actual		FY 2009 Omnibus		FY 2010 President's Budget	
	FTE	Amount	FTE	Amount	FTE	Amount
Discretionary	271	$43,231	260	$45,279	260	$50,279
HCFAC (Mandatory)	1,026	$169,736	1,034	$177,205	1,087	$177,205
Discretionary Caps (HCFAC)	--	--	26	$18,967	26	$29,790
Medicaid Integrity Program/ Medicaid Supplemental 1&2	203	$25,000	205	$81,250	208	$25,000
HIPAA Collections	10	$10,000	10	$10,000	10	$10,000
Never Event [4]	8	[$1,931]	3	[$1,052]	--	--
Total	1,518	$247,967	1,538	$332,701	1,591	$292,274

Note: Excludes discretionary reimbursable funding as follows: FY 2008 actual $17,259,000; FYs 2009 and 2010 estimate $18,000,000.

Note: Discrepancies between this table and the FY 2010 Budget Appendix are due to the exclusion of $10,000,000, and associated carryover, in HIPPA collections from the Budget Appendix in FYs 2008 through 2010.

Authorizing Legislation

	FY 2009 Amount Authorized	FY 2009 Appropriation	FY 2010 Amount Authorized	FY 2010 President's Budget
Office of Inspector General:				
Inspector General Act of 1978 (P.L. 95-452, as amended)	Indefinite	$45,279,000	Indefinite	$50,279,000
Health Insurance Portability and Accountability Act of 1996 (P.L. 104-191, P.L. 109-432), Mandatory HCFAC	Indefinite	$177,204,551	Indefinite	$177,204,551
Omnibus Appropriations Act of 2009 (P.L. 111-8), Discretionary Caps - HCFAC	Indefinite	$18,967,000	Indefinite	$29,790,000
Deficit Reduction Act of 2005 (P.L. 109-171), Medicaid Integrity Program...	$25,000,000	$25,000,000	$25,000,000	$25,000,000
Supplemental Appropriations Act of 2008 (P.L. 110-252), Medicaid Fraud and Abuse	$25,000,000	$25,000,000	$25,000,000	--
American Recovery and Reinvestment Act of 2009 (P.L. 111-5), Medicaid Oversight	--	$31,250,000	--	--
American Recovery and Reinvestment Act of 2009 (P.L. 111-5), General Oversight............	--	$17,000,000	--	--

Appropriations History Table

	Budget Estimate to Congress	House Allowance	Senate Allowance	Net Enacted Appropriation
FY 2000				
Discretionary Direct	31,500,000	29,000,000	35,000,000	31,500,000
Rescission	--	--	--	-106,000
HCFAC	119,250,000	--	--	119,250,000
FY 2001				
Discretionary Direct	33,849,000	31,394,000	33,849,000	33,849,000
Rescission	-151,000	--	--	-63,000
HCFAC	130,000,000	120,000,000	130,000,000	130,000,000
FY 2002				
Discretionary Direct	35,786,000	35,786,000	35,786,000	35,786,000
Rescission	--	–	–	-228,000
HCFAC	150,000,000	130,000,000	150,000,000	145,000,000
FY 2003				
Discretionary Direct	39,497,000	39,497,000	39,497,000	39,300,000
Rescission	--	--	–	-242,450
HCFAC	160,000,000	160,000,000	160,000,000	160,000,000
FY 2004				
Discretionary Direct	39,497,000	39,497,000	39,497,000	39,094,000
Rescission	--	--	--	-403,000
HCFAC	160,000,000	160,000,000	160,000,000	160,000,000
FY 2005				
Discretionary Direct	40,323,000	40,323,000	40,323,000	39,930,000
Rescission	--	--	--	-393,000
HCFAC	160,000,000	160,000,000	160,000,000	160,000,000
Medicare Modernization Act	--	--	--	25,000,000
FY 2006				
Discretionary Direct	39,813,000	39,813,000	39,813,000	39,813,000
Rescission	--	--	--	-398,000
HCFAC	160,000,000	160,000,000	160,000,000	160,000,000
Medicaid Integrity Program	25,000,000	25,000,000	25,000,000	25,000,000
FY 2007				
Discretionary Direct	43,760,000	41,415,000	43,760,000	39,808,000
Discretionary Caps (HCFAC)	11,336,000	--	--	--
HCFAC	160,000,000	160,000,000	160,000,000	165,920,000
Medicaid Integrity Program	25,000,000	25,000,000	25,000,000	25,000,000
Never Events	--	--	--	3,000,000

Appropriations History Table (continued)

	Budget Estimate to Congress	House Allowance	Senate Allowance	Net Enacted Appropriation
FY 2008				
Discretionary Direct	44,687,000	44,687,000	45,687,000	44,000,000
Rescission	--	--	--	-769,000
Discretionary Caps (HCFAC)	17,530,000	36,680,000	36,690,000	--
HCFAC	169,736,000	169,736,000	169,736,000	169,736,000
Medicaid Integrity Program	25,000,000	25,000,000	25,000,000	25,000,000
FY 2009				
Discretionary Direct	46,058,000	44,500,000	46,058,000	45,279,000
Discretionary Caps (HCFAC)	18,967,000	--	--	18,967,000
HCFAC	174,998,000	174,998,000	174,998,000	177,205,000
Medicaid Integrity Program	25,000,000	25,000,000	25,000,000	25,000,000
Medicaid Fraud & Abuse Supplemental	25,000,000	25,000,000	25,000,000	25,000,000
Medicaid Oversight Supplemental	--	--	--	31,250,000
FY 2010				
Discretionary Direct	50,279,000			
Discretionary Caps (HCFAC)	29,790,000			
HCFAC	177,205,000			
Medicaid Integrity Program	25,000,000			

Activity Header Table

	FY 2008 Appropriation	FY 2009 Omnibus	FY 2009 Recovery Act	FY 2010 President's Budget Request	FY 2010 +/- FY 2009 Omnibus
Budget Authority	$43,231,000	$45,279,000	$17,000,000	$50,279,000	+$5,000,000
FTE	271	260	60	260	0

Authorizing Legislation: Inspector General Act of 1978 (P.L. 95-452)

FY 2009 Authorization .... Indefinite

Allocation Method .... Direct Federal

Program Description and Accomplishments

Program Description

OIG's discretionary appropriation is used for conducting oversight of the Department's more than 300 non-Medicare and non–Medicaid programs and operations.

OIG accomplishes its mission of promoting economy, efficiency, and effectiveness in HHS programs and operations by conducting audits, investigations, and inspections; by providing industry guidance to HHS program participants; and, when appropriate, with the imposition of civil monetary penalties, assessments, and administrative sanctions against individuals and entities that violate program requirements.

OIG is organized into five offices to carry out these activities, including the Office of Audit Services, Office of Investigations, Office of Evaluation and Inspections, Office of Counsel to the Inspector General, and Office of Management and Policy. OIG maintains a headquarters office in Washington, D.C. and has a nation-wide network of approximately 75 regional and field offices staffed by auditors, investigators, and program evaluators, with more than 80 percent of the workforce working outside the Washington, DC metropolitan area. At all levels, OIG staff work in close cooperation with the Department and its operating and staff divisions, the Department of Justice (DOJ) and other agencies in the Executive Branch, the Congress, and the States to bring about systemic changes, successful prosecutions, negotiated settlements, and recovery of funds to protect the integrity of HHS programs and expenditures and the well-being of beneficiaries.

Accomplishments

OIG uses three performance measures to express the organization's progress in accomplishing its mission of combating fraud, waste, and abuse and promoting economy, efficiency, and effectiveness in HHS programs and operations. These performance measures are:

(1) a 3-year moving average of expected recoveries from investigative receivables and audit disallowances
(2) a 3-year moving average of the return on investment from investigative receivables and audit disallowances
(3) the number of accepted quality and management improvement recommendations

OIG is a collaborative organization, and performance measures of its effectiveness reflect joint successes and interdependence with a network of oversight and enforcement partners at all levels of government. For example, OIG's investigators and attorneys work closely with the DOJ, State Medicaid Fraud Control Units, and local law enforcement to develop cases and pursue appropriate enforcement actions. As a result of these close working relationships, OIG's performance measures for expected recoveries and return on investment are affected by the external factors impacting our partner agencies. For example, the DOJ's resource constraints and prosecutorial discretion affect the pursuit of criminal and civil enforcement actions in cases investigated and referred by OIG. Similarly, OIG's impact in improving the economy, efficiency, and effectiveness of HHS programs and operations through audits and evaluations depends on the implementation of OIG recommendations by program managers and policymakers. Although OIG's audit and evaluation reports include findings and recommendations intended to achieve cost savings or program improvements, OIG does not have the authority to implement the corrective actions it recommends. Instead, OIG recommendations inform Congress and the HHS program officials of the potential corrective actions that may be taken to address the vulnerabilities OIG observed.

Because of this division of responsibilities for recommending and implementing program improvements, OIG reports in this justification the number of quality and management improvement recommendations accepted by HHS program managers for implementation. When OIG makes a recommendation to disallow costs or pursue administrative or policy improvements, HHS program managers have a fixed period of time to concur or nonconcur with each recommendation. However, some OIG recommendations are accepted by program managers but not implemented since the implementation of recommendations may be affected by the availability of resources and other factors.

Summaries of OIG's implemented and unimplemented recommendations are reported in the Semiannual Report to Congress and the Compendium of Unimplemented OIG Recommendations reports. These reports are available in the Publications section of the OIG Web site.

Performance Measures and Reporting for "Expected Recoveries" and "Return on Investment"

The OIG performance measure for expected recoveries expresses one important aspect of the direct financial benefits to the Government that result from OIG's work. Expected recoveries are composed of financial recoveries expected to result from:

- audit disallowances that HHS program management has agreed to recoup;

- investigative returns as a result of successful prosecutions, court-ordered restitution, and out-of-court settlements; and
- administrative enforcement actions during a given reporting period.

Once OIG determines expected recoveries for a reporting period, various return-on-investment estimates are calculated. The return-on-investment measures are calculated as the ratio of expected recoveries to OIG's annual operating budget, with the result being an expression of the financial benefit to the Government for funding OIG oversight activities. For example, a return on investment of $10:$1 would indicate that for every $1 provided to the OIG, the Government expects to receive $10 in direct financial recoveries.

For both performance measures, expected recoveries and return on investment, performance is reported using a 3-year moving average. This methodology accounts for the inherent unpredictability in audit and investigations outcomes and the multiple years between the initiation of an OIG audit, evaluation, or investigation, and the resolution of those actions and recovery of funds. As a result of the multiyear duration and effects of external factors inherent in OIG's oversight activities, there are often significant year-to-year variances in reported program outcomes. The 3-year moving average accounts for this variability and provides a more accurate depiction of results over time.

OIG's performance measures for expected recoveries and return on investment are reported at three levels: (1) OIG oversight of all HHS programs, (2) OIG oversight of Medicare and Medicaid only, and (3) OIG oversight of all HHS non-Medicare and non-Medicaid programs.

The expected recoveries resulting from OIG investigative and audit oversight activities averaged $3.41 billion per year for the 3-year period from FY 2006 through FY 2008 and exceeded all previous reporting periods and exceeded the prior reporting period by 8.5 percent. These results include an average of more than $2.05 billion in investigative receivables and $1.36 million in audit disallowances. The corresponding return on investment for the OIG's oversight of all programs and operations for the same 3-year reporting period was $14.5:$1.[5]

In HHS and OIG, approximately 80 percent of annual expenditures are related to the Medicare and Medicaid programs, which are administered by CMS. At OIG, oversight efforts dedicated to Medicare and Medicaid are enabled through funding provided by two sources: the HCFAC program, which was established by the Health Insurance Portability and Accountability Act of 1996, and the Medicaid Integrity Program, which was established by the Deficit Reduction Act of 2005. Both programs were created with the purpose of strengthening Government efforts to combat fraud, waste, and abuse in the Medicare and Medicaid programs.

The significant majority of OIG's expected recoveries are composed of audit disallowances and investigative receivables resulting from Medicare and Medicaid oversight. For the 3-year period from FY 2006 through FY 2008, OIG's expected investigative receivables and audit disallowances resulting from Medicare and Medicaid oversight averaged $2.04 billion and $1.22 billion per year, respectively. The result was a Medicare and Medicaid specific return on investment for OIG oversight of $16.8:$1.

The remaining approximately 20 percent of OIG's budget comes from a single annual discretionary budget appropriation. In addition to using these discretionary funds for fulfilling OIG's overall oversight mission in HHS, OIG also uses these resources to perform the growing number of required roles it fulfills within the Department. Among these important contributions

are investigating cases of interstate nonpayment of child support, conducting the annual financial statement audits and Federal Information Security Management Act of 2002 compliance audits, and providing physical security for the HHS Secretary. As a result of OIG's efforts in these areas, during the period from FY 2006 through FY 2008, the OIG investigative receivables and audit disallowances averaged $4 million and $139 million per year, respectively. The result was a return on investment of $3.4:$1 for OIG's oversight and program integrity efforts related to a HHS' non–Medicare and non-Medicaid programs and operations.

Summaries of the audits and investigations that reached resolution during FY 2008 and contributed to these performance measures are included in the OIG semiannual reports to Congress, which are located at http://www.oig.hhs.gov/publications.asp.

Samples of the outcome-oriented descriptions contained in the Semiannual Reports to Congress follow.

Examples of Health Care Expected Recoveries:

- *Cephalon to Pay $425 Million Plus Interest for Marketing Three of its Drugs for Uses Not Approved by the Food and Drug Administration.* As part of a global criminal, civil, and administrative settlement, Cephalon, Inc., agreed to pay $375 million plus interest to resolve its False Claims Act liability for the off-label marketing (that is, marketing for uses not approved by the Food and Drug Administration) of the drugs Actiq, Gabitril, and Provigil; to plead guilty to a misdemeanor violation of the Federal Food, Drug, and Cosmetic Act; and to pay a $50 million criminal fine. Cephalon also agreed to enter a comprehensive five year corporate integrity agreement (CIA) that contains several unique provisions, including a requirement that Cephalon notify doctors about the settlement and establish a way for doctors to report questionable conduct by sales representatives.

- *Hospital Agrees to Pay $88.9 Million in One of the Largest Civil Fraud Recoveries Ever Against an Individual Hospital.* Staten Island University Hospital agreed to pay nearly $89 million to resolve allegations that it defrauded Medicare, Medicaid, and TRICARE (the military's health insurance program). The settlement resolves two separate lawsuits filed in the U.S. District Court for the Eastern District of New York under the qui tam provisions of the False Claims Act and two investigations conducted by the United States, including one initiated under OIG's Self-Disclosure Protocol. As part of the settlement, the hospital entered into a 5-year CIA.

Example of Oversight of HHS' Non–Medicare and Medicaid Programs:

- *Philadelphia County's Foster Care Claims.* After reviewing Pennsylvania's claims for Title IV-E reimbursement on behalf of Philadelphia County children in foster care for whom the per diem rates were $300 or less, OIG estimated that from October 1997 through September 2002, the State improperly claimed at least $56.5 million of the total $562.3 million (Federal share) claimed. As a result, OIG recommended that the State refund $56.5 million and work with the Administration for Children and Families to determine the allowability of $100 million related to claims that included both allowable and unallowable services. The State disagreed with the recommendations.

Performance Measure and Reporting for "Number of Accepted Quality and Management Improvement Recommendations"

In addition to the direct financial recoveries described above, OIG reports the number of accepted quality and management improvement recommendations that resulted from audit and evaluation reports during a reporting period. This performance measure captures an important aspect of OIG's efforts to identify and recommend corrections to systematic weaknesses in program administration and policy implementation. The measure also reflects a significant aspect of OIG's contribution to improving the efficiency and effectiveness of the Department's programs and operations.

When OIG completes a report that includes recommendations for program managers to disallow costs or pursue administrative or policy improvements, HHS program managers have a fixed period of time to concur or nonconcur with each recommendation. The implementation of those recommendations may be affected by the availability of resources for implementation and other factors. As a result, some OIG recommendations are accepted by program managers but not implemented.

During FY 2008, HHS Operating and Staff Divisions accepted 85 of OIG's quality and management improvement recommendations. This result exceeded the annual target of 75 by 13 percent.

Summaries of the audits and evaluations that reached resolution during FY 2008 and contributed to this performance measure are included in the OIG semiannual reports to Congress, which are located at http://www.oig.hhs.gov/publications.asp.

Samples of the outcome-oriented descriptions contained in the Semiannual Reports to Congress follow.

Example of "Accepted Quality and Management Improvement Recommendations:"

- *National Cancer Institute's Monitoring of Research Project Grants.* In a review of grants funded by the National Cancer Institute (NCI) for at least 1 year during FY 2004 through FY 2006, we found that all grant files had the required progress reports and evidence of agency review; however, 41 percent of the progress reports were not received within the required timeframes. NCI, which is part of the National Institutes of Health (NIH), funded more than 4,500 grants totaling $3 billion during the period of our review to support research into the causes, diagnosis, prevention, or treatment of cancer. NCI is responsible for monitoring grants, and grantees are required to submit progress and financial reports. We also found the following:

    - Grantee financial reports were not monitored at the same level as the progress reports.
    - Five of the nine grant closeouts in our sample were not completed within the timeframes specified in departmental guidelines.
    - Grant files did not always have the required documentation for third-party monitoring of research grants.

  We recommend that NIH initiate earlier and more frequent followup with grantees to obtain required documents, improve grant monitoring by annually verifying grantees' self-reported

fund balances with external sources, develop an approach for financial reviews that is not based solely on exception, and consistently document grantee correspondence and organize grant files to assist NCI staff and third-party reviewers in following grantees' actions from inception of the grant to closeout. In its written comments to the report, NIH generally agreed with our recommendations and described actions it planned to take to improve its monitoring of research grants.

American Recovery and Reinvestment Act of 2009 (P.L. 111-5, "Recovery Act")

In FY 2009, OIG received $48 million in funding related to the Recovery Act. The amount is available for OIG's discretionary oversight of HHS programs and operations that received supplemental funding through the Recovery Act. These funds, which expire at the end of FY 2012, will be used primarily to conduct financial oversight activities that ensure that Recovery Act funds are used by HHS agencies and grantees for the intended purpose and in accordance with established requirements.

Funding History

FY 2005	$39,930.000
FY 2006	$39,813,000
FY 2007	$39,808,000
FY 2008	$43,231,000
FY 2009	$45,279,000

Budget Request

The FY 2010 budget request is $50,279,000, which is an increase of $5,000,000 above the FY 2009 President's Budget request. The request is comprised of mandatory pay and other inflationary increases, including the Service and Supply Fund, and other Departmental initiatives. The discretionary funding also supports OIG's obligation to perform financial statement audits for the Department, to conduct Federal Information Security Management Act of 2002 (FISMA) compliance audits, and to provide the security detail for the HHS Secretary, each of which involves costs that are increasing at a greater rate than OIG's discretionary appropriation. The OIG's FY 2010 budget request will enable OIG to maintain an FTE level of 260.

Outputs and Outcomes Tables

The following outcome and output tables reflect key aspects of organizational achievement towards accomplishing OIG's mission.

FY 2010 performance targets for key outcome measures 1.1.1 and 1.1.2 will be revised when two of the three years in the reporting period are completed (e.g., FY 2010 targets will be developed once FY 2009 data is validated). Likewise, the FY 2010 performance target for 1.1.3 may be revised when OIG completes the FY 2010 work planning process in September, 2009; at which point, OIG management will have sufficient planning information to estimate expected performance levels and related performance outcomes.

The estimated performance targets for expected recoveries and return on investment for FY 2010 are lower than FY 2009 as a result of increases in OIG funding related to the American Recovery and Reinvestment Act of 2009. The estimated targets, which will be adjusted at the beginning of FY 2010, are lower than prior year outcomes because the Recovery Act funds that OIG received are designated for specific oversight activities that are not likely to contribute significantly to expected recoveries.

Key Outcomes Table

Measure [6]	Most Recent Result	FY 2009 Target	FY 2010 Est. Target	FY 2010 +/- FY 2009
1.1.1: Three-year moving average of expected recoveries resulting from OIG's health care oversight. (Dollars in millions) *(Outcome)*	FY 2008: $3,268 (Target Exceeded)	$3,470	$3,020	N/A
1.1.2: Three-year moving average of the return on investment resulting from OIG's health care oversight *(Outcome)*	FY 2008: $16.8 (Target Exceeded)	$16.6	$15.5	N/A
1.1.3: Number of quality and management improvement recommendations accepted *(Outcome)*	FY 2008: 85 (Target Exceeded)	73	73	N/A
Discretionary Program Level Funding ($ in millions)	$42.3	$45.3	$50.3	+$5
Mandatory Program Level Funding ($ in millions)	$204.7	$246.2	$241.9	-$4.3
Recovery Act Level Funding ($ in millions)	N/A	$48.3	N/A	N/A

Key Outputs Table

Measure	Most Recent Result	FY 2009 Target	FY 2010 Est. Target	FY 2010 +/- FY 2009
Number of final evaluation reports issued	45	45	45	--
Timeliness – Percentage of draft evaluation reports issued within 1 year of start [7]	57%	45%	45%	--
Number of final audit reports issued	381	245	265	20
Timeliness – Percentage of audit reports issued within 1 year of start	60%	60%	60%	--
Number of complaints received for investigation	4,832	N/A	N/A	N/A
Number investigative cases opened	2,121	1,938	N/A	N/A
Number investigative cases closed	1,922	1,736	1,736	--
Discretionary Program Level Funding ($ in millions)	42.3	$45.3	$50.3	+$5
Mandatory Program Level Funding ($ in millions)	204.7	$246.2	$241.9	-$4.3
Recovery Act Level Funding ($ in millions)	N/A	$48.3	N/A	-$48.3

Note: The performance information reported in these tables represents the outcomes and outputs that resulted from OIG's total oversight effort, not just the efforts funded through the discretionary appropriation. Furthermore, target estimates for FY 2010 are subject to change depending on final FY 2009 data.

Note: OIG funding provided through the Recovery Act will be expended during FYs 2009 through 2012. This table reflects OIG's Recovery Act budget authority, not the spending plan.

Budget Authority by Object Class

	2009 Estimate	2010 Estimate	Increase or Decrease
Personnel Compensation:			
Full-time Permanent (11.1)	$23,825,000	$25,495,000	+$1,670,000
Other than Full-time Permanent (11.3)	389,000	416,000	+27,000
Other Personnel Compensation (11.5)	337,000	361,000	+24,000
Military Personnel (11.7)	65,000	68,000	+3,000
Subtotal Personnel Compensation	**$24,616,000**	**$26,340,000**	**+$1,724,000**
Civilian Personnel Benefits (12.1)	7,739,000	8,280,000	+541,000
Military Benefits (12.2)	23,000	24,000	+1,000
Benefits to Former Personnel (13.0)	0	0	0
Total Pay Costs	**$32,378,000**	**$34,644,000**	**+$2,266,000**
Travel (21.0)	1,685,000	1,886,000	+201,000
Transportation of Things (22.0)	529,000	591,000	+62,000
Rental Payments to GSA (23.1)	3,308,000	3,701,000	+393,000
Rental Payments to Others (23.2)	102,000	114,000	+12,000
Communications, Utilities, & Misc. Charges (23.3)	598,000	669,000	+71,000
Printing and Reproduction (24.0)	37,000	42,000	+5,000
Other Contractual Services			
Advisory and Assistance Services (25.1)	77,000	87,000	+10,000
Other Services (25.2)	217,000	243,000	+26,000
Purchases of Goods and Services from Other Government Accounts (25.3)	5,021,000	6,817,000	+1,796,000
Operations and Maintenance (25.7)	195,000	218,000	+23,000
Subtotal Contractual Services	**$5,510,000**	**$7,365,000**	**+$1,855,000**
Supplies and Materials	256,000	286,000	+30,000
Equipment	876,000	981,000	+105,000
Total Non-pay Costs	**$12,901,000**	**$15,635,000**	**+$2,734,000**
Total BA by Object Class	**$45,279,000**	**$50,279,000**	**+$5,000,000**

Salaries and Expenses

	2009 Estimate	2010 Estimate	Increase or Decrease
Personnel Compensation:			
Full-time Permanent (11.1)	$23,825,000	$25,495,000	+$1,670,000
Other than Full-time Permanent (11.3)	389,000	416,000	+27,000
Other Personnel Compensation (11.5)	337,000	361,000	+24,000
Military Personnel (11.7)	65,000	68,000	+3,000
Subtotal Personnel Compensation	**$24,616,000**	**$26,340,000**	**+$1,724,000**
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Total Pay Costs	**$32,378,000**	**$34,644,000**	**+$2,266,000**
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Transportation of Things (22.0)	529,000	591,000	+62,000
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Printing and Reproduction (24.0)	37,000	42,000	+5,000
Other Contractual Services:			
Advisory and Assistance Services (25.1)	77,000	87,000	+10,000
Other Services (25.2)	217,000	243,000	26,000
Purchases of Goods and Services from Other Government Accounts (25.3)	5,021,000	6,817,000	+1,796,000
Operations and Maintenance (25.7)	195,000	218,000	+23,000
Subtotal Contractual Services	**$5,510,000**	**$7,365,000**	**+$1,855,000**
Supplies and Materials (26.0)	256,000	286,000	+30,000
Total Non-pay Costs	**$8,717,000**	**$10,953,000**	**+$2,236,000**
Total Salary and Expense	**$41,095,000**	**$45,597,000**	**+$4,502,000**
Direct FTE	**260**	**260**	**0**

Detail of Full Time Equivalent Employment

	2008 Actual Civilian	2008 Actual Military	2008 Actual Total	2009 Est. Civilian	2009 Est. Military	2009 Est. Total	2010 Est. Civilian	2010 Est. Military	2010 Est. Total
Discretionary									
Direct	256	1	257	245	1	246	245	1	246
Reimbursable	14	0	14	14	0	14	14	0	14
Subtotal	270	1	271	259	1	260	259	1	260
HCFAC									
Direct	0	0	0	0	0	0	0	0	0
Reimbursable	1,026	0	1,026	1,034	0	1,034	1,087	0	1,087
Subtotal	1,026	0	1,026	1,034	0	1,034	1,087	0	1,087
Medicaid Integrity Program/ Medicaid Supplemental									
Direct	203	0	203	205	0	205	208	0	208
Reimbursable	0	0	0	0	0	0	0	0	0
Subtotal	203	0	203	205	0	205	208	0	208
HIPPA Collections									
Direct	10	0	10	10	0	10	10	0	10
Reimbursable	0	0	0	0	0	0	0	0	0
Subtotal	10	0	10	10	0	10	10	0	10
Discretionary Caps - HCFAC									
Direct	0	0	0	0	0	0	0	0	0
Reimbursable	0	0	0	26	0	26	26	0	26
Subtotal	0	0	0	26	0	26	26	0	26
Never Event									
Direct	8	0	8	3	0	3	0	0	0
Reimbursable	0	0	0	0	0	0	0	0	0
Subtotal	8	0	8	3	0	3	0	0	0
Total	1,517	1	1,518	1,537	1	1,538	1,590	1	1,591

Detail of Positions

	2008 Actual	2009 Estimate	2010 Estimate
Executive Level IV	1	1	1
Total – Executive Level Salaries	$149,000	$167,232	$174,757
ES-10	$2,208,117	$2,466,967	$2,577,981
Total – Executive Service Positions	14	15	15
Total – Executive Service Salaries	$2,357,117	$2,634,199	$2,752,738
GS-15	84	84	85
GS-14	183	185	190
GS-13	550	550	566
GS-12	383	384	395
GS-11	109	122	130
GS-10	1	1	1
GS-9	118	121	128
GS-8	9	9	9
GS-7	50	50	55
GS-6	5	5	5
GS-5	6	6	6
GS-4	2	2	2
GS-3	1	1	1
GS-2	1	1	1
GS-1	0	0	0
Total – General Schedule Positions	1,502	1,521	1,574
Total – General Schedule Salary	$183,566,555	$196,132,959	$202,409,214
Average ES Level			
Average ES Salary	$157,723	$164,464	$171,865
Average GS Grade	12.2	12.2	12.2
Average GS Salary	$122,215	$128,950	$128,595
Average Comm. Corp Level	1	1	1
Average Comm. Corp Salary	$86,093	$88,676	$92,223

Average GS Grade

FY 2004	11.9
FY 2005	12.1
FY 2006	12.0
FY 2007	12.0
FY 2008	12.2
FY 2009 (est.)	12.2

Programs Proposed for Elimination

The Office of Inspector General's (OIG) plans to improve the efficiency of its health care fraud and abuse operations, and redirect personnel to high-volume fraud areas.

OIG plans to consolidate offices for two reasons. First, OIG seeks to focus its health care fraud and abuse resources in certain geographic areas based on population trends, the number of Medicare and Medicaid beneficiaries, and the volume of identified health care fraud. These focus areas are Texas, southern California, and southern Florida. Second, the consolidation is cost effective. In the field offices listed below, some have been staffed by one agent and none currently has more than two. In total, only 17 agents have been employed in the 11 offices. Thus, it is inefficient to continue to incur overhead for offices that have so few staff.

All affected personnel were given the option to be reassigned to other OIG offices and will be reimbursed for their relocation expenses within existing OIG budgets. As these agents request and receive transfers to other OIG offices, the above offices will close no later than April 2010 (specific closure dates are not yet available). The affected OIG field offices are:

- Concord, New Hampshire
- Essex Junction, Vermont
- Pittsburgh, Pennsylvania
- Wilmington, Delaware
- Rockville, Maryland
- Knoxville, Tennessee
- El Paso, Texas
- Billings, Montana
- Fargo, North Dakota
- Cheyenne, Wyoming
- Anchorage, Alaska

FY 2010 HHS Enterprise Information Technology Fund/e-Gov Initiatives

The OIG will contribute $160,901 of its FY 2010 budget to support Department enterprise information technology initiatives as well as E-Government initiatives. Operating Division contributions are combined to create an Enterprise Information Technology (EIT) Fund that finances both the specific HHS information technology initiatives identified through the HHS Information Technology Capital Planning and Investment Control process and E-Government initiatives. These HHS enterprise initiatives meet cross-functional criteria and are approved by the HHS IT Investment Review Board based on funding availability and business case benefits. Development is collaborative in nature and achieves HHS enterprise-wide goals that produce common technology, promote common standards, and enable data and system interoperability.

Of the amount specified above, $6,272.16 is allocated to support E-Government initiatives for FY 2010. This amount supports the E-Government initiatives as follows:

FY 2010 HHS Contributions to E-Gov Initiatives*	OIG
Line of Business - Human Resources	$3,021.67
Line of Business - Financial	$1,167.14
Line of Business - Budget Formulation and Execution	$776.15
Line of Business - IT Infrastructure	$1,307.20
E-Gov Initiatives Total	**$6,272.16**

Note: The total for all HHS FY 2010 inter-agency E-Government and Line of Business contributions for the initiatives identified above, and any new development items, is not currently projected by the Federal CIO Council to increase above the FY 2009 aggregate level. Specific levels presented here are subject to change, as redistributions to meet changes in resource demands are assessed.

Prospective benefits from these initiatives are:

Lines of Business-Human Resources Management: Provides standardized and interoperable HR solutions utilizing common core functionality to support the strategic management of Human Capital. HHS has been selected as a Center of Excellence and will be leveraging its HR investments to provide services to other Federal agencies.

Lines of Business –Financial Management: Supports efficient and improved business performance while ensuring integrity in accountability, financial controls and mission effectiveness by enhancing process improvements; achieving cost savings; standardizing business processes and data models; promoting seamless data exchanges between Federal agencies; and, strengthening internal controls.

Lines of Business-Budget Formulation and Execution: Allows sharing across the Federal government of common budget formulation and execution practices and processes resulting in improved practices within HHS.

Lines of Business-IT Infrastructure: This initiative provides the potential to leverage spending on commodity IT infrastructure to gain savings; to promote and use common, interoperable architectures that enable data sharing and data standardization; secure data interchanges; and, to grow a Federal workforce with interchangeable skills and tool sets.

Summary of the Health Care Fraud and Abuse Control Program

The Office of Inspector General should include a short statement of information about the Fraud and Abuse Control Program, describing in general terms, the guidelines established for the program and overall program effort.

Efforts to combat fraud in Medicare and Medicaid were consolidated and strengthened under Public Law 104-191, the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The HIPAA established a national Health Care Fraud and Abuse Control Program (HCFAC), under the joint direction of the Attorney General and the Secretary of HHS acting through the Department's Inspector General. The HCFAC program is designed to coordinate Federal, State and local law enforcement activities with respect to health care fraud and abuse. The Act requires HHS and DOJ to detail in an Annual Report the amounts deposited and appropriated to the Medicare Trust Fund, as a result of HCFAC funded activities and the sources of such deposits. Additional details about the report are available at http://www.oig.hhs.gov/publications.html.

The HCFAC program underwent a program assessment in 2002. The assessment cited the program's strong financial practices and demonstrated anecdotal success as strengths and identified the lack of a measurable baseline of health care fraud from which to measure program success as a weakness. To improve upon the identified weakness, OIG is revising its annual performance reporting framework to better communicate the contribution of OIG's various oversight activities towards promoting economy, efficiency, and effectiveness and at combating fraud, waste, and abuse in HHS programs.

FY 2008 HHS-OIG Expenditure of Labor-HHS Appropriations

for Oversight of HHS Operating and Staff Divisions

(Dollars in millions)

HHS Operating Divisions	FY 2008 Spending on Discretionary Programs Oversight	FY 2008 Spending on Mandatory Programs Oversight	FY 2008 Total HHS-OIG
Administration for Children and Families	6.02	12.62	18.64
Agency for Healthcare Research and Quality	0.04		0.04
Administration on Aging	0.13		0.13
Agency for Toxic Substances and Disease Registry	0.02		0.02
Centers for Disease Control and Prevention	7.30		7.30
Food and Drug Administration	2.93		2.93
Health Resources and Services Administration	4.13		4.13
Indian Health Service	0.76		0.76
National Institutes of Health	3.54		3.54
Substance Abuse and Mental Health Services Administration	0.60		0.60
Office of the Secretary of HHS	4.96		4.96
Total	30.43	12.62	43.05

Description of OIG Labor-HHS Appropriations Resource Allocation Based on Risk Assessment

Factors Used To Allocate Resources

OIG allocates the discretionary and mandatory resources described above through its annual work planning process. The Committee requested that we describe this process.

At the beginning of each FY, OIG issues its annual Work Plan, which describes the specific audits and evaluations that OIG has underway or plans to initiate in the FY ahead with its discretionary and statutorily mandated resources. It also provides general focus areas for OIG's investigative, enforcement, and compliance activities. Work planning is an ongoing and dynamic process in OIG, and adjustments are made throughout the year to meet priorities and to anticipate and respond to emerging issues with the resources available. The FY 2009 edition and OIG's Work Plans from previous years are available on the Internet at http://oig.hhs.gov/publications.asp.

OIG's work plan development is guided by OIG's mission and statutory obligations, including those tied to its statutory funding streams mentioned above and its annual assessments of the top management and performance challenges facing HHS, which are described in greater detail in subsequent sections of this document.

To develop proposals for specific projects and activities, OIG undertakes a comprehensive work planning process. OIG engages its stakeholders, including those in HHS Operating and Staff Divisions, the Office of Management and Budget (OMB), and Congress, to identify the issues of greatest priority to its stakeholders and with the greatest potential impact on HHS programs or beneficiaries. In addition, OIG coordinates with and reviews the work of other oversight entities, such as the Government Accountability Office (GAO) and the Medicare Payment Advisory Committee (MedPAC), to identify vulnerabilities that may warrant further attention and to ensure that OIG's work is not duplicative of others' efforts. OIG also offers to meet with congressional staff of committees of jurisdiction once the Work Plan is published. During discussions with staff, OIG frequently receives input that shapes planned work or influences areas OIG develops for future work. OIG also stays attuned to the latest developments and events affecting the Nation's health care, public health, and human services programs and beneficiaries.

In evaluating specific work plan proposals, OIG considers a number of factors, including the following:

- requirements for OIG reviews, as set forth in laws, regulations, or other directives;
- requests made or concerns raised by Congress and HHS's management;
- significant management and performance challenges facing HHS, which OIG identifies as part of HHS's annual agency financial report;
- work performed by partner organizations;
- management's actions to implement OIG recommendations from previous reviews; and
- timeliness (e.g., a program is approaching reauthorization).

Statutorily required reviews are conducted in accordance with the scope prescribed in specific legislation. For reviews that are not specifically required by law, OIG makes assessments of relative risks in the programs for which OIG has oversight authority to identify the areas most in

need of attention, and, accordingly, to set priorities for the sequence and proportion of resources to be allocated. A fundamental component of the work planning process is the assessment of relative Federal risks, which is described in greater detail in the next section, as requested by the subcommittee.

Assessments of Relative Federal Risks

Chief among risk factors are the levels of vulnerability of program funds to fraud, waste, and abuse based on known or possible weaknesses in program and management controls and the effect of HHS program policies and operations on beneficiaries, providers, and others. Accordingly, in assessing risks, OIG evaluates the likelihood of occurrence and the magnitude of impact. For example, weak internal controls may signal a greater likelihood of fraud, waste, or abuse and the number of beneficiaries served by a program may be an indicator of consequential impact.

OIG explores the potential impact of vulnerabilities in new areas (or areas that have not been reviewed in recent years) by examining the extent to which the consequence of mismanagement, noncompliance, or other deficiencies in a specific program area could:

- compound known and inherent financial risks;
- endanger or have negative impacts on public health or quality of care;
- undermine the intent and effectiveness of human service programs; or
- reduce productivity, economy, or efficiency of operations or systems (e.g., contractor selection and performance, information security, and critical infrastructure protection).

It is important to point out that many of the vulnerabilities we study were identified in OIG work conducted in prior years or are inherent to the program environment (e.g., financial vulnerabilities associated with high dollar outlays, newly budgeted or increased outlays, or high or unknown payment error rates). Two OIG publications are particularly useful in identifying the need for additional work with regard to previously identified or inherent vulnerabilities: the "Top HHS Management and Performance Challenges" and the "Compendium of Unimplemented Office of Inspector General Recommendations."

Risk Assessments of Discretionary Programs

In addition to the general assessment of relative Federal risks that OIG conducts regularly, OIG initiated in FY 2008 a specific, formal risk assessment process focused on seven HHS agencies to further ensure effective use of discretionary resources. In April 2008, OIG launched a structured risk assessment process based on an Enterprise Risk Management framework developed by the Committee on Sponsoring Organization's (COSO) Treadway Commission, which is widely used by auditors and management to identify and manage risks.[8] COSO issued its internal control framework to help businesses and other entities assess and enhance their internal control systems (COSO I), which has been incorporated into Federal policies, rules and regulations, including Office of Management and Budget Circular A-123 assessments and Government auditing standards. COSO subsequently developed its enterprise risk management framework (COSO II) to address internal control needs while moving towards a more complete risk management process.

OIG used COSO II to conduct a risk assessment of programs in seven HHS agencies to ensure that OIG's work plan optimizes available discretionary funds. The seven HHS agencies included:

- Administration for Children and Families;
- Centers for Disease Control and Prevention;
- Food and Drug Administration;
- Health Resources and Services Administration;
- Indian Health Service;
- National Institutes of Health; and
- Substance Abuse and Mental Health Services Administration.

For each agency, OIG examined eight common management components:

- Internal Environment. OIG reviewed the organization's risk management philosophy, integrity standards, and ethical values.
- Objectives. OIG determined whether the organization's performance objectives supported and aligned with its mission.
- Event Identification. OIG reviewed how the organization identified internal and external events and distinguished them as either risks or opportunities.
- Risk Assessment. OIG reviewed the organization's analysis of risks for their likelihood and impact and how to manage them.
- Risk Response. OIG reviewed the organization's selection of risk responses—to avoid, accept, reduce, or share the risk.
- Control Activities. OIG assessed the policies and procedures implemented to carry out risk responses.
- Information and Communication. OIG examined how the organization identifies relevant information, captures it, and communicates it in a form and a timeframe that enables people to do their jobs.
- Monitoring. OIG determined whether the organization monitors its programs and processes through customary activities, separate evaluations, or both.

Specific risk factors associated with these eight components were assessed and rated for each agency based on the likelihood of an occurrence and the magnitude of the impact. The results, along with other information obtained during the risk assessment, were used to determine an overall risk rating for the agency (low, moderate, high or critical). The results were then used to analyze discretionary audit proposals and set priorities to ensure that audit resources were being directed to the most critical assignments.

Inspector General Specific Budget Requirements

Pursuant to the Inspector General Reform Act of 2008, section 6 of the Inspector General Act of 1978 (5 U.S.C. App.) was amended by adding:

> "(f)(1) For each fiscal year, an Inspector General shall transmit a budget estimate and request to the head of the establishment or designated Federal entity to which the Inspector General reports. The budget request shall specify the aggregate amount of funds requested for such fiscal year for the operations of that Inspector General and shall specify the amount requested for all training needs, including a certification from the Inspector General that the amount requested satisfies all training requirements for the Inspector General's office for that fiscal year, and any resources necessary to support the Council of Inspectors General for Integrity and Efficiency. Resources necessary to support the Council of Inspectors General on Integrity and Efficiency shall be specifically identified and justified in the budget request.
>
> (2) In transmitting a proposed budget to the President for approval, the head of each establishment or designated Federal entity shall include –
>
> (A) an aggregate request for the Inspector General;
> (B) amounts for Inspector General training;
> (C) amounts for support of the Council of Inspectors General on Integrity and Efficiency; and
> (D) any comments of the affected Inspector General with respect to the proposal.
>
> (3) The President shall include in each budget of the United States Government submitted to Congress –
>
> (A) a separate budget statement of the budget estimate prepared in accordance with paragraph (1);
> (B) the amount requested by the President for each Inspector General;
> (C) the amount requested by the President for training of Inspectors General;
> (D) the amount requested by the President in support for the Council of Inspectors General on Integrity and Efficiency; and
> (E) any comments of the affected Inspector General with respect to the proposal if the Inspector General concludes that the budget submitted by the President would substantially inhibit the Inspector General from performing the duties of the office."

HHS OIG meets the aforementioned reporting requirements established through the IG Reform Act by providing the following information:

HHS OIG Training Requirements

In accordance with requirements established in section (f)(3)(C) of the IG Reform Act, this budget requests $2.5 million in FY 2010 for training expenses, of which a portion of this amount will be funded from the discretionary budget This amount is comprised of OIG's baseline training budget for its entire staff, which includes more than 1,500 criminal investigators, auditors, program evaluators, attorneys, and administrative and management staff.

HHS OIG Financial Support for the Council of Inspectors General on Integrity and Efficiency

In support of the Government-wide Inspector General community, HHS OIG contributes funds to the Council of Inspectors General on Integrity and Efficiency (CIGIE) for such expenses as maintaining www.IGNet.gov, maintaining the awards nomination database, providing legal assistance, and hosting the annual awards ceremony. In accordance with the reporting requirements established by section (f)(3)(D) of the IG Reform Act, this budget requests $834,000 in necessary expenses for the HHS OIG's support of CIGIE, of which a portion of this amount will be funded from the discretionary budget.

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[1] The allocation of available HCFAC program funds to OIG was increased above the initial $160 million per year cap established in HIPAA as a result of the Tax Relief and Health Care Act of 2006 (P.L. 109-492), which provides annual inflationary increases above the cap at the annual level of the CPI for all urban consumers. TRHCA increases occur during FYs 2006 through 2010, at which point the maximum HCFAC allocation to OIG is capped at the FY 2010 level.

The Omnibus Appropriations Act of 2009 (P.L. 111-8) also provides OIG with health care fraud and abuse resources by implementing another cap adjustment to rectify the imbalance between inflationary cost increases that occurred between FY 2000 and FY 2003, when OIG reached its maximum HCFAC allocation of $160 million, and the reduction in spending power that resulted from capped HCFAC funding.

[2] See the FY 2008 HHS Agency Financial Report: http://www.hhs.gov/afr.

[3] See the 2008 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds: http://www.ssa.gov/OACT/TR/TR08/tr08.pdf

[4] The Tax Relief and Health Care Act of 2006 (P.L. 109-432) provided OIG with $3 million to conduct a study on the occurrence of "never events," which are serious, life endangering or costly medical error that should never have occurred. These funds are available for OIG expenditure until January 1, 2010.

[5] This amount represents HHS investigative receivables only; receivables of other Federal agencies, the States, and other entities are not included here.

[6] Performance measures 1.1.1 and 1.1.2 reflect the three year moving average ending in the year indicated by the column heading. OIG does not develop targets for outcome measures 1.1.1 and 1.1.2 until two of the three years included in the reporting period are complete and actual data has been verified.

[7] The timeframe for this measure is the amount of time between an approved evaluation design and a signed draft report (or a signed final report if no draft report was issued).

[8] COSO was formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, an independent private-sector initiative which studied the causal factors that can lead to fraudulent financial reporting. The original chairman of the National Commission was James C. Treadway, Jr.; hence, the popular name "Treadway Commission." See http://www.coso.org.