

Corrective Action Plan and Impact of Material Weakness

The following table lists the corrective actions for the control weaknesses, the related corrective action date, and the Impact of the material weakness on the Financial Statements.

Material Weakness and Corrective Action Plan	Corrective Action Date	Impact of Control Weakness on Financial Statements
(1) Medicare Advantage and Prescription Drug Benefit Payments —Develop procedures to review and process payments, document procedures which determine eligibility of organizations, and improve oversight of providers.	Continuing throughout FY 2007	The risk level has been reduced by identifying and applying mitigating controls and new processes which have improved the effectiveness of internal controls in this area.
(2) Financial Systems and Processes— Complete implementation of UFMS.	Continuing throughout FY 2007, FY 2008 and FY 2009	The risk level has been reduced with compensating manual effort and controls.
(3) Medicare Electronic Data Processing (EDP) Operations—Implement a comprehensive strategy by focusing efforts on both short and mid-term actions to correct findings.	Continuing throughout FY 2007 and FY 2008	The risk level is reduced with the corrective action that has and is being implemented in connection with the Department’s Medicare error rate determination and other activities engaged in to reduce risk.

Legal Compliance

Improper Payments Information Act of 2002

The Improper Payments Information Act of 2002 requires that the Department annually review all programs and activities that it administers and identify all such programs and activities that may be susceptible to significant improper payments. For high risk programs, the Act requires that the Department report improper payment estimates and various other related data. During FY 2006, the Department conducted reviews of its programs and activities, continued to engage in recovery auditing activity and made progress in developing and/or implementing methodologies for estimating improper payments for its seven high risk programs. However, since the Department is continuing to work on methodologies to estimate improper payments for several of its programs, it does not yet comply with the Act. Detailed information on the Department’s activities to comply with the Improper Payments Information Act can be found in Section IV.

Federal Financial Management Improvement Act (FFMIA)

The FFMIA requires agencies to have financial management systems that substantially comply with the Federal financial management systems requirements, standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the U.S. Standard General Ledger at the transaction level. Financial management systems shall have general and application controls in place in order to support management decisions by providing timely and reliable data. The agency head shall make a determination annually about whether the agency’s financial management systems substantially comply with the FFMIA. If the systems are found not to be compliant, management shall develop a remediation plan to bring those systems into substantial compliance. Management shall determine whether noncompliances with FFMIA should also be reported as nonconformances with Section 4 of FFMIA.

As reported in the Department’s management assurance letter, the Department does not comply with FFMIA.