

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.

Anti-Deficiency Act

The Department has discovered internal control weaknesses in a program managed by one of its operating divisions, which resulted in probable violations of the Anti-Deficiency Act (ADA). These weaknesses occurred over a period of several prior fiscal years and any amounts which could be involved would not be material to any year’s financial statements. The Department is investigating these weaknesses and is committed to promptly resolving the internal control weaknesses in this program, and complying with all aspects of the ADA.

Other Management Information, Initiatives, and Issues

Grants Management

As the largest grant-awarding agency in the Federal Government, the Department plays a key role in Federal grants management. The Department is the lead agency for implementation of Public Law 106-107, the Federal Financial Management Assistance Improvement Act, which calls for grants streamlining across the 26 Federal grant-making agencies. The Department co-manages the government-wide effort with the Office of Management and Budget. Five cross-government workgroups (Pre-Award, Post-Award, Mandatory, Audit Oversight, and Training and Certification) have been established to develop government-wide streamlining policies in their respective areas. One of this year’s accomplishments was to use the interagency process to develop information with respect to the effect of Hurricanes Katrina and Rita on audits conducted under Office of Management and Budget Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Grants.gov, one of the 24 government-wide electronic government initiatives, serves as a mechanism through which Public Law 106-107 policies are implemented in an electronic forum. The Department serves as the managing partner for Grants.gov, which allows applicants for all Federal grants to search and apply for grants in a single location. Since the initiative’s inception in 2002, the Department has worked with the 26 grant-making agencies, the Office of Management and Budget, and the grants community to address long-standing inefficiencies in Federal grants processes. Grant.gov’s Find and Apply accomplishes the mandates of the President’s Management Agenda to provide to the public a unified, citizen-centric website that provides accurate and reliable information in a single location and simplifies the burden of the application process for the grants community.

In addition to conducting grant program stewardship and oversight responsibilities involving a variety of administrative functions, the Department also manages the Tracking Accountability in Government Grants System, which contains Department-wide grants award information. Current policies, regulations, and other pertinent grants-related information are available at <http://taggs.hhs.gov>.

The Department manages an assortment of grant programs in basic and applied science, public health, income support, child development, and health and social services. Through these programs, the Department awarded 76,071 grants totaling more than \$241 billion in FY 2005. These programs are the Department’s primary means to achieving its strategic goals.

