

SECTION VI:
REPORTS AND OTHER INFORMATION

**Department of Health and Human Services
 FY 1998 and 1997 Prompt Payment Report Summary**

Fiscal Years Ending September 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
I. Invoices paid subject to the Prompt Payment Act and OMB Circular A-125:		
A. Dollar value of invoices	\$ 4,407,139,852	\$ 3,860,581,115
B. Number	1,114,740	1,150,361
II. Invoices paid late:		
A. Dollar value	\$ 560,334,680	\$ 406,770,836
B. Number (sum of II.C.2, and II.F.I.b.)	100,781	117,955
C. Late payment interest penalties paid:		
1. Dollar amount	\$ 990,788	\$ 806,195
2. Number	48,561	50,603
3. Relative frequency (II.C.2./I.B.)	4.36%	4.40%
D. Additional penalties paid for failure to pay interest penalties:		
1. Dollar amount	\$ -	\$ -
2. Number	-	-
3. Relative frequency (II.D.2./I.B.)	0.00%	0.00%
F. Interest and other late payment penalties which were due but not paid:		
1. Total: (99.9% were less than \$1)		
a. Interest dollars	\$ 43,821	\$ 49,728
b. Number	52,220	67,352
III. Invoices paid 8 days or more before due date, except where cash discounts taken:		
A. Subject to a determination under section 4.1 of circular A-125:		
1. Dollar amount	\$ 59,869,051	\$ 44,355,711
2. Number	58,298	57,599
3. Relative frequency (II.A.2./I.B.)	5.23%	5.01%

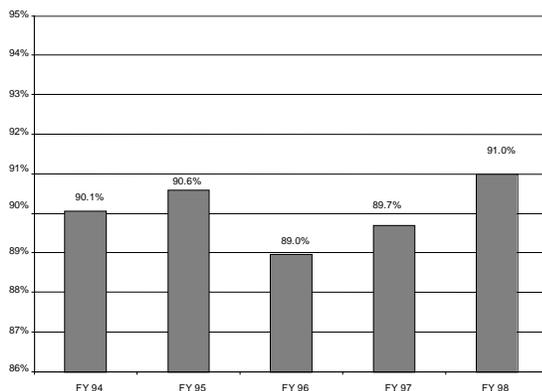
PROMPT PAYMENT

An important part of cash management is the prompt payment of vendor invoices in order to reduce the payment of interest penalties. During FY 1998 HHS:

- Paid 1.1 million vendor invoices valued at \$4.4 billion
- Paid 91% of these invoices on time, compared to 89.7% on time for FY 1997
- Paid interest penalties of \$990,788 on 4.36% of vendor payments
- Paid an average penalty of \$20.40 and an average of \$225 in late payment penalties for every \$1 million in vendor payments.

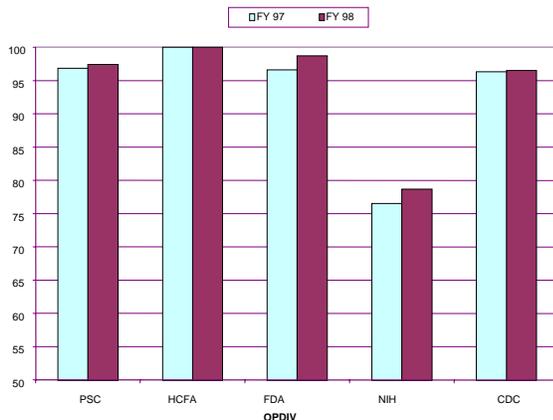
The FY 1998 rate of on time payments was an improvement over FY 1997 and was the best the Department has done in the last five years, as reflected in the chart below.

HHS Percentage Of On Time Payments



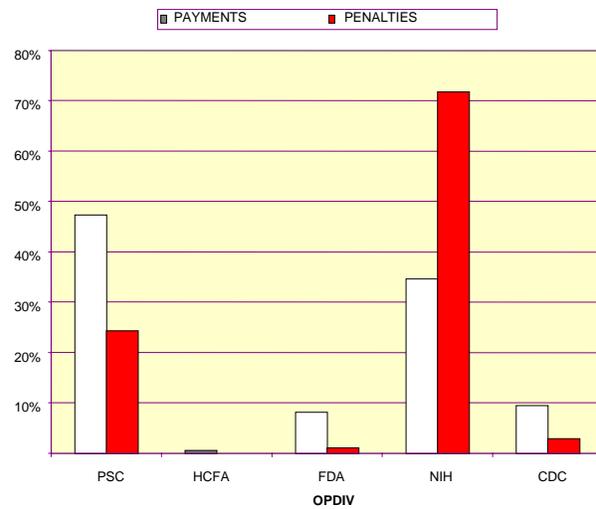
The Department's prompt pay performance is still below the goal of making 95% of all vendor payments on time. However it is expected that continued improvement in automated processes, and an increase in the number of EFT payments, will result in improved prompt pay performance. In FY 1998 all but one of the Department's payment components were able to exceed the 95% on time goal, as shown in the next chart.

PERCENT OF PAYMENTS MADE ON TIME



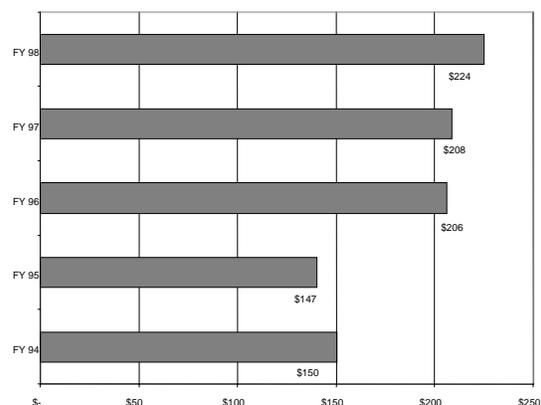
NIH is the second largest vendor payment office, with 34.6% of all HHS invoices, and therefore its performance has a significant impact on the Department. This impact is visually represented in the next chart that shows the percent of HHS payments verses the percent of HHS late payment interest penalties incurred in each payment office in FY 1998.

FY 98 PERCENT OF HHS PAYMENTS VERSES PERCENT OF HHS PENALTIES



Although the dollar value of invoices paid in FY 1998 increased by over 14%, compared to FY 1997, the number of invoices declined by just over 3%. The dollar amount of interest penalties paid increased by about 23% compared to FY 1997, while the number of penalties paid dropped by 4%. While there will always be some late payments, the Department wants to reduce the dollar amount of penalties paid as much as possible. The actual dollar amount of penalties paid is monitored and, to put this in perspective, the amount of penalties paid per each million dollars of invoices paid is also tracked and is reflected below.

Penalties Paid Per Million Dollars of Invoices Paid



CIVIL MONETARY PENALTIES

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 OPDIV that has CMPs. Our FY 1998 CMP Report is summarized below.

FY 1998 Civil Monetary Penalties Report		
Outstanding Receivables	Number	Amount (in Dollars)
Beginning FY 1998 Balances	154	191,413,006
Assessments (+)	306	107,896,520
Collections on Receivables (-)	235	101,997,094
Adjustments	3	12,765,436
Amounts Written Off	0	0
Ending Balance	222	210,077,869
a. Current Receivables	141	75,115,481
b. Noncurrent Receivables	81	134,962,388
Allowance	66	29,885,920
Net Receivables	156	180,191,948
Total Delinquent	93	54,648,021
Total Non-Delinquent	48	20,467,460

HHS FY 1998 FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT COMPLIANCE

FY 1998 is the second year for which 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. In FY 1997, there were instances in which the Department's financial management systems were not substantially compliant with some of the requirements of the FFMIA.

Progress was made in the Department's compliance with FFMIA in FY 1998. Both the CDC and PSC's Division of Payment Management were reviewed and found to be substantially compliant with the requirements of FFMIA. The PSC Human Resources Service's Payroll Error Correction System control problem, which was the only material weakness in Personnel/Payroll in FY 1997, was corrected in FY 1998. Also, the auditors commended the OPDIVs for improvements they made since last year in correcting the FY 1997 findings. However, many of the improvements were not fully implemented and effective by September 30, 1998 and were, therefore, repeat conditions in FY 1998. Also, dedication of resources to the Y2K issue has delayed the OPDIV's corrective actions.

Therefore, HHS concurs with the auditors that the three issues identified in FY 1997 (lack of timely financial statements, HCFA's difficulty in capturing expenditures at the Medicare contractor level, and the EDP control weaknesses at the HCFA central office and Medicare contractors) have not been fully resolved. No additional non-compliances were noted.

The corrective actions to remedy these issues have been developed by the OPDIVs and are included in the HHS' CFO Five Year Plan.

HHS FY 1998 FEDERAL MANAGERS FINANCIAL INTEGRITY ACT REPORT ON SYSTEMS AND CONTROLS

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 using information obtained from management control reviews and systems reviews to ensure the integrity and efficiency of its operations. Consistent with the revised OMB Circular A-123, *Management Accountability and Control*, HHS program managers continue to demonstrate accountability for management control by identifying and correcting management control deficiencies and annually provide assurances on management controls.

The Department's FMFIA program supports a key objective in our 1998 CFO 5 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. In addition to our primary goal of obtaining a clean audit opinion on our 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 management control reviews and systems reviews

Summary of the Report

The details of the Department's FY 1998 Annual FMFIA Report are contained herein and the required FMFIA annual assurance is contained in the Message from the Secretary which appears at the beginning of this Accountability Report. The statistical summary on page VI-4.4 reflects the cumulative total of FMFIA material weaknesses identified and corrected and those that are pending. A list of 6 pending and new FMFIA material weaknesses is shown on VI-4.5, and FMFIA-style exhibits for the 6 weaknesses are on VI-4.6 through VI-4.21. One of the pending FMFIA material weaknesses – Medicare Accounts Receivable — was identified in 1997 and is carried over from the 1997 Report. This material weakness, now also incorporates another the prior year material weakness — *Medicare Secondary Payer* — a component of total Medicare contractor accounts receivable.

The second 1997 FMFIA material weakness – *Development of a Substantive Testing Process For Estimating a National Error Rate for Improper Medicare (fee-for-service) Payments* — is not being reported as a material weakness in the 1998 report. Based on early indications from the auditors of the HCFA FY 1998 financial statements, the audit opinion is not expected to report this as a material weakness. In the auditor's view, HCFA management addressed the lack of an estimating process for the error rate, which was cited by the auditors in 1997, by instituting an error rate estimating process in 1998 as part of HCFA's management control process. In addition, the Memorandum of Understanding (MOU) signed by HCFA and OIG in 1998, which provides for OIG to perform the work necessary to estimate the error rate for FY 1999, 2000 and 2001 ensures that this management control process will remain in place. Therefore, the material weakness is resolved.

A total of two 1998 material weaknesses are reflected in the Department's FMFIA Report. The new weaknesses were identified by the auditors for the HCFA FY 1997 financial statements as non-compliances with the Federal Financial Management Improvement Act (FFMIA) with regard to EDP controls and include: (1) *Improve Application Controls for Medicare Contractors*, and (2) *Improve System Access Controls in HCFA Central Office*.

CFO Financial Statement Audits and the FMFIA

With the exception of the 2 new material weaknesses declared by HCFA which remain uncorrected, HHS believes that the remaining material weaknesses identified in financial statement audits for Department-wide and in OPDIV-level financial statements for the FY 1997 and FY 1998 statements do not reach a level of significance that require reporting to the President and Congress under FMFIA. However, 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. In addition, in response to the May 26, 1998 Presidential Memorandum: "Actions to Improve Financial Management", since July 1998 HHS has reported quarterly to OMB on the status of corrective action for the 5 qualifications on our FY 1997 financial statements. We plan to update our corrective action plan in April to reflect the findings from the FY 1998 financial statement audits which are described elsewhere in this Accountability Report.

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

OMB, in its July 7, 1998 guidance, instructed Departments and agencies to address in their 1998 FMFIA reports any inconsistencies between financial statement audit findings regarding noncompliance with financial systems standards under the Federal Financial Management Improvement Act (FFMIA) and agency reporting for Section 4 of the FMFIA. For HHS, the auditor's opinion on the FY 1997 financial statement audit identified three instances of non-compliance with the FFMIA, which were reported in the HHS Accountability Report for FY 1997, and which included the following areas: (1) financial reporting including the process used by the Department and OPDIVs to prepare financial statements timely and efficiently; (2) financial management controls for Medicare contractors, i.e., HCFA does not have an integrated accounting system for Medicare contractors to capture expenditures at the Medicare contractor level; and (3) the need for EDP controls including material weaknesses at the HCFA central office and the Medicare contractors, as well as weaknesses in the HHS personnel and payroll system.

(1) Financial Reporting

HHS does not believe that financial reporting warrants reporting to the President and Congress under FMFIA. In fact, HHS systems environment has been approved by OMB and the Joint Financial Management Improvement Program (JFMIP) as meeting the governmentwide standards for an integrated financial system for large, de-centralized agencies. Further, HHS uses common accounting standards, which allows accounting information to be easily transferred as data seamlessly passes from one accounting system to another. The problems identified in the CFO financial statement audits are similar to those normally associated with first time audits of Federal entities including HHS OPDIVs, and usually subside as experience is gained. Most of these problems involve the reconciliation of accounting data. For FY 1998, we have begun to institute regular monthly reconciliations and, as a result, we expect to be able to take full advantage of the capabilities of our systems to produce accurate and reliable financial statements.

However, we have learned that we need a better flow of information from our accounting systems in order to prepare financial statements. As a result, we need to automate our financial statement preparation process by more fully utilizing the existing capabilities of our accounting systems, as well as examining software packages available to prepare the statements. We plan to have the automated process in place for preparation of the FY1999 statements.

(2) Financial Management Controls at the Medicare Contractors

Regarding financial management controls for Medicare contractors, HCFA is working with the contractors to develop an integrated accounting system, but implementation has been delayed because of intensive efforts to first resolve Y2K issues. Currently, information collected from the contractors for the standard general ledger as part of the entry into HCFA's accounting system, is validated through reviews performed by central office staff. Therefore, the Department believes that the lack of an integrated accounting system at this time does not constitute an FMFIA Section 4 non-compliance.

(3) EDP Controls

As discussed above, HCFA has declared two new material weaknesses addressing the need for EDP controls including systems access and application controls at the HCFA central office and the Medicare contractors.

Regarding the Payroll/personnel system, the EDP weakness identified in the FY 1997 financial statement audit has been resolved. The remaining issues are expected to be resolved in FY 1999 and are not material with regard to the FFMIA and, therefore, do not meet the criteria for reporting under Section 4 of the FMFIA.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
 Statistical Summary of FMFIA Material Weaknesses and Non-Conformance**

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	344	336	3 ¹
1996 Report	0	0	0
1997 Report	3	2	1
1998 Report	2	0	2
Total	349	338	6¹

Of the total number corrected, how many were corrected in 1998? 1

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
1996 Report	0	0	0
1997 Report	0	0	0
1998 Report	0	0	0
Total	11	8	0²

¹ The number of corrected and pending material weaknesses from prior years do not add to the total pending because: a) excludes 1 pending material weakness formerly reported by HHS for the Social Security Administration (SSA) that is being reported by SSA in their accountability report; b) excludes 3 HCFA deficiencies formerly reported as material weaknesses, 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).

² The number of corrected and pending material non-conformances do 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.

Department of Health and Human Services
1998 Pending and New Material Weaknesses Under FMFIA Reporting

No.	Title and Identification Code	Year First Reported	Target Date for Correction in 1997 FMFIA Report	Current Target Date for Correction
	ADMINISTRATION FOR CHILDREN AND FAMILIES			
1.	Need to Increase Efforts to Promote Improvements in State Controls over Child Support Collections (ACF-90-05)	1990	FY 1999	FY 2000
	HEALTH CARE FINANCING ADMINISTRATION			
2.	Improved Financial Reporting to Properly Account for Medicare Contractor Accounts Receivable and Other Financial Information (HCFA 97-02)	1997	FY 1999	FY 2000
3.	Improve Application Controls for Medicare Contractors (HCFA 98-01)	1998	N/A	FY 1999
4.	Improve System Access Controls in HCFA Central Office (HCFA 98-02)	1998	N/A	FY 2000
	NATIONAL INSTITUTES OF HEALTH			
5.	NIH-Deficiencies in Technology Transfer Activities (PHS-93-02)	1993	FY 1998	FY 1999
	FOOD AND DRUG ADMINISTRATION			
6.	Weak Enforcement in the Import Food Inspection Program (FDA 89-02)	1993	FY 1998	FY 1999

NOTE: The number of material weaknesses reported on in this section is consistent with the number shown on page VI-4.4.

1998 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
 (ACF-90-05)

<p>Title and Description of Material Weakness: Increase OCSE Internal Control Efforts to Promote Improvements in State Financial Controls Over Child Support Collections and Expenditures - ACF-90-05.</p> <p>Increased federal stewardship is needed to promote adequate internal controls and cash management practices states establish to guarantee that child support collections are safeguarded and distributed properly, that unidentified collections are reconciled, and that interest on collections is offset against program expenditures.</p>	<p>Name of Responsible Program Manager: David Ross Source of Discovery: Management assessment report dated August 1990; and recent management reviews by OCSE Audit Division Lead Managerial Contact: Keith Bassett Appropriation/Account #: 75XI501</p>
<p><u>Pace of Corrective Action</u> Year Identified: 1990 Original Targeted Correction Date: FY 1999 Correction Date In Last Year's Report: FY 1999 Current Correction Date: FY 2000 Reason for Change in Dates:</p>	<p>Validation Process Used: Upon request, managers will be held accountable for providing appropriate documentation to the Agency or Department to validate the correction of the material weakness.</p> <p>Results Indicators:</p> <ol style="list-style-type: none"> 1. Staffs in both the ACF Regional Offices and the States should be trained in the area of internal controls and cash collection responsibilities. 2. Potentially inappropriate financial reporting of Child Support Collections and interest earned on these collections should be identified in a more timely manner.

**1998 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
 (ACF-90-05)**

Title of Material Weakness: Need to Increase OCSE Internal Control Efforts to Promote Improvements in State Financial Controls Over Child Support Collections and Expenditures.

Major Milestones	Milestone Dates		
	Original Plan	Revised Plan	Actual Date
<p>(a) Completed actions/events:</p> <ol style="list-style-type: none"> 1. Address Child Support Collections issues at Federal, State, and local child support meetings and conferences. 2. During the course of regular PR/PM audits, OCSE expanded the scope of the internal controls and cash management areas reviewed. In March 1995, we resumed the PR/PM audits because of delays in passage of Welfare Reform legislation. Areas of concern under this FMFIA issue continue to be routinely reviewed as time permits during our on-going audits, as well as our reviews of selected states' undistributed collections balances. In March 1996, a summary report was issued to the states which addressed to a limited degree the need for and importance of these controls. <p>Planned actions/events:</p> <ol style="list-style-type: none"> 1. In 1996, the comprehensive Welfare Reform program created a new role for the Child Support audit function. This new role audit focuses on many aspects of the issues identified under this material weakness. In preparation for this new performance based approach to evaluating the states' child support programs, we have conducted reviews of the reliability of data generated by states' collection, expenditure and statistical reporting systems currently in use. We have completed these initial audits in all states; however, additional work will need to be done due to the number and nature of changes that have been forced upon state systems. These reviews have helped both the states and the Federal Government assess where potential weaknesses exist before actual losses have occurred. 2. Verify at time of certification that all newly developed automated state child support systems contain the necessary management control elements to reduce the risk of misappropriation of collections. With the passage of the Welfare Reform legislation this target date or system certification has slipped. Additional legislation (HR 3130) recently passed, and requires still more changes to states' systems. All of our efforts in this area will continue, but will incorporate the changes brought about by the new legislation. 	<p>Ongoing</p> <p>12/92</p> <p>1/96</p>	<p>Ongoing</p> <p>FY 1999</p> <p>FY 2000</p>	<p>Ongoing</p> <p>March 1996</p>

**1998 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
 (FDA-89-02)**

<p>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.</p>	<p>Name of Responsible Program Manager: Ronald G. Chesemore Source of Discovery: OIG (Report A-15-90-00001) and internal FDA management reviews. Appropriation/Account # 7520600</p>
<p><u>Pace of Corrective Action</u> Year Identified: 1989 Original Targeted Correction Date: 1990 Correction Date in Last Year's Report: FY 1998 Current Correction Date: FY 1999 Reason for Change in Dates:</p>	<p>Validation Process Used: A corrective action review will be completed following correction of the material weakness.</p> <p>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.</p>

**1998 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)

Major Milestones	Milestone Dates		
	Original Plan	Revised Plan	Actual Date
<p>(a) <u>Completed actions/events:</u> 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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. This represents a decrease of 4.3% from FY 1995 accomplishments.</p> <p>The number of foreign inspections planned for FY 1997 was 997. This total includes inspection of 40 food firms. FDA completed 811 foreign inspections during FY 1997. This represents a decrease of 2.2% from FY 1996 accomplishments.</p>			<p>1992/93</p> <p>FY 1994</p> <p>FY 1995</p> <p>FY 1996</p> <p>FY 1997</p>

**1998 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
 (FDA-89-02)**

	Original Plan	Revised Plan	Actual Date
<p>(b) <u>Actions Completed During FY 1998:</u> The number of foreign inspections planned for FY 1998 was 976. Once again, this includes inspection of 40 food firms. FDA completed 938 foreign inspections during FY 1998. This represents a 15.6% increase over FY 1997 accomplishments.</p> <p>Complete the full roll-out of OASIS version 2 to all district offices.</p> <p>The target level of EEPS performance is an annual increase in the percentage of automated "May Proceed" decisions for FDA regulated products from the approximately 60% level in 1995 to approximately 70% in 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.</p> <p>c) <u>Planned/continuing agency actions:</u> All facets of the Revised Imports Strategy will continue to be implemented and evaluated.</p> <p>The number of foreign inspections planned for FY 1999 is 987. This included inspection of 40 food firms.</p> <p>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.</p> <p>The rate of increase in imported entries has been too rapid to maintain the 4% examination rate. In FY 1997, the agency processed 2,765,548 line items of food and performed 47,478 physical examinations. This represents an examination rate of 2%. Further, based on projections from entry data for the first 9 months of FY 1998, there will be approximately 3,348,000 line items of food offered for entry, a 21% increase in entry lines over FY 1997 data.</p> <p>Since maintaining a 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 is a viable alternative to increasing the point of entry examination of FDA regulated products.</p>	<p>FY 1998</p> <p>FY 1998</p> <p>FY 1998</p> <p>FY 1999</p>		<p>1998</p>

**1998 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
 (HCFA-98-01)**

<p>Title and Description of Material Weakness: Improve Application Controls for the Medicare Contractors</p> <p>There are three parts to this material weakness: a) 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; b) 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; and c) The Medicare Carrier System (MCS) is the carrier shared system and the MCS application contains numerous edits and audits. Although the carriers do not have MCS source code, the application, by design, allows them to deactivate almost all of the edits in the application, including mandatory HCFA edits.</p>	<p>Lead Managerial Contact: John Parmigiani, Director, Division of HCFA Enterprise Standards</p> <p>Source of Discovery: FY 1997 financial statement audit by OIG</p> <p>Appropriation/Account #: Bureau of Program Operations, HCFA</p>
<p><u>Pace of Corrective Action</u> Year Identified: 1998 Original Targeted Correction Date: FY 1999 Correction Date in Last Report: NA Current Correction Date: FY 1999</p> <p><u>For Corrected Items Only</u> <u>Validation Process Used:</u></p> <p>Results Indicators:</p>	

**1998 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
 (HCFA-98-01)**

Briefly define (purpose, scope, methodology, resources) the corrective action plan (CAP) that corrects/improves this material weakness

The identified weaknesses related to the FISS and the MCS are currently being addressed. The specific local site that made the changes to the FISS code took actions to formally document the changes. The finding identified for the NCS system related to the exact duplicate edits was fixed in April 1998. As a long term solution, the process will be enhanced to limit overrides and to provide reasonable assurance that only authorized access to source code and programs is permitted. The will require the development and implementation of policies and procedures for safeguarding programs/systems that support claims processing and financial functions. Suggested control objectives have been provided to Medicare contractors for consideration as part of their internal control certification process for FY 1999.

CAP Milestones for FY 98-99

Scheduled Due Date

A. Milestone:

Fiscal Intermediary Shared System (FISS) - local contractor(s) review and document local changes to the PAR.

Feb. 98

- Milestone Status: Complete.

B. Milestone:

Medicare Carrier System (MCS) – Remove control of certain duplicate edit capability at the local level.

Apr. 98

Milestone Status: Complete

C. Milestone:

Form workgroups to develop policies and procedures for safeguarding the integrity of the programs that provide claims processing and financial functions.

July 98

Milestone Status: Complete

D. Milestone:

Internal Control certification Statements from Medicare contractors

In progress

**1998 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
 (HCFA-97-02)**

<p>Title and Description of Material Weakness: Improved financial reporting to properly account for Medicare Accounts Receivable and other financial information.</p> <p>The Office of Inspector General (OIG) has not been able to provide assurance as to the reasonableness and accuracy of the Medicare accounts receivable (A/R) due to lack of documentation to support the FY 1996 and FY 1997 A/R activity reported by the Medicare contractors. The Medicare contractors could not support amounts reported to HCFA and there was inconsistent application of HCFA accounting policies. The contractors are also limited overall in their reporting by the capabilities of the financial systems that provide the financial data resulting from their Medicare business functions, e.g., lack of general ledgers that incorporate double-entry bookkeeping. As a result, the OIG is recommending that HCFA establish an integrated financial management system to promote consistency and reliability in recording and reporting A/R information.</p>	<p>Name of Responsible Program Manager: Ruth Wickham, Director, Division of Accounting, FSG/OFM</p> <p>Source of Discovery:</p> <p>Appropriation/Account #:</p>
	<p>Pace of Corrective Action Year Identified: FY 1997 Original Targeted Correction Date: FY 1999 Correction Date in Last Report: N/A Current Correction Date: FY 2000 Reason For Change in Dates: To focus on resolving Y2K issues.</p>
<p><u>For Corrected Items Only</u> Validation Process Used:</p> <p>Results Indicators:</p>	

**1998 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
(HCFA-97-02)**

Brief Description of the corrective action plan (CAP): The purpose of the CAP is to improve internal controls and financial reporting by the Medicare contractors and to provide an integrated financial management system to record and report consistent, reliable financial data from the Medicare claims processing/financial systems. This plan will include adequate documentation necessary for the OIG to audit Medicare financial data.

The interim strategy includes increased emphasis on good financial reporting through educational activities as well as internal audits and self assessments to improve internal controls. In August 1997, audit liaison coordinators were selected to assist in managing and monitoring the 1997 audit for each regional office and contractor selected by the OIG in the FY 1997 financial statement audit. Central and regional office personnel participate in each entrance and exit conference to ensure all issues are covered and to identify common problems and corrective actions that can be shared with other contractors. In September, 1997, Statement of Accounting Standard Number 70 (SAS 70) auditing contracts were let and a conference describing financial reporting was held for contractors. Also, in the Fall of 1997, the three selected systems were visited by HCFA personnel and an analysis of these systems was begun.

The long-term strategy involves development of an integrated financial management system. The later strategy will begin with a review of the current selected Medicare claims processing/financial systems resulting in the identification of (1) changes needed to current financial reporting from those systems and (2) financial data not incorporated in the current selected systems. Approved changes and new reporting requirements will be prioritized and funded, then programmed into each of the three selected systems i.e., the intermediary, carrier, and durable medical equipment regional carrier (DMERC) systems, to create Chief Financial Officer (CFO) - complaint reporting systems.

Overall Status of Material Weakness at the Close of FY 1998 (global progress toward correcting/improving this weakness over this past fiscal year)

During, FY 1998, efforts to attain millennium compliance had priority and many of the actions HCFA planned to take relating to systems development had to be deferred. Instead, our short-term efforts focused on using subsidiary systems to support AR and to compensate for the lack of integrated general ledger accounting systems at the Medicare contractors. During FY 1998, HCFA has come to a clearer understanding of what the auditors need for documentation, as well as what the contractors and HCFA can provide to meet that need.

In 1998, HCFA organized "Technical Teams" composed of a core group from HCFA central office, and additional participants from the regional offices, the Office of Inspector General, and the General Accounting Office. The technical teams visited six of the Medicare contractors selected for the 1998 CFO audit to gather information and prepare review protocols to determine how to provide adequate supporting documentation for the HCFA 750/751 forms, which serve as the basis for AR reporting.

The technical teams found that, in addition to the need for improved internal controls, some of the AR cannot be supported because documentation no longer exists. In other cases, documentation is difficult to obtain with existing systems. In addition, there is inconsistent application of existing instructions. This information has been extremely helpful in developing the corrective actions for FY 1999.

Briefly define (purpose, scope, methodology, resources) i.e., the corrective action plan (CAP) that corrects/improves this material weakness

The interim strategy will focus on clarifying and issuing revised financial reporting instructions. Where documentation does not exist to support the existing balances, a clear policy on write off/adjustments will be developed. Where it is difficult to obtain supporting documentation, guidelines will be issued on the use of subsidiary systems. In addition, a revised policy for identification and reporting of MSP receivables will be issued. This information will be consolidated into revised instructions for the HCFA 750-751 reporting.

**1998 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
 (HCFA-97-02)**

CAP Milestones for FY 98

A. Complete analysis of selected Intermediary, carrier, and DMERC financial systems to document the current financial reporting process.

Scheduled Due Date
 10/97

Milestone Status:

By November 1997, the selected Intermediary, Carrier and DMERC maintainers and a financial user from each system met with the HCFA review team and preliminary enhancements needed to bring the selected systems into CFO compliance were identified. The preliminary enhancements needed at the Intermediary were documented and presented to a user/maintainer workgroup for finalization. A project plan was developed to take the project from the analysis phase to completion.

B. As part of the interim strategy, HCFA will visit contractors to monitor the effectiveness of the SAS-70 audits and the contractors' self-assessments of Internal controls. 12/97

Milestone Status:

This milestone was completed in December 1997. HCFA staff visited selected Medicare contractors during the period of the SAS 70 reviews to ensure the process was being performed effectively, obtain feedback from the Medicare and CPA contractors on the review, and to review a sample of the documentation prepared by the Medicare contractors to their self-assessment reviews.

C. Identify changes necessary for CFO compliance. Begin initial meeting/discussion with maintainers and programmers of each of the selected systems. 12/97

Milestone Status:

This milestone is not fully completed. Areas of enhancement needed to bring the Intermediary system into CFO compliance have been identified in a preliminary stage. Workgroups are being scheduled to finalize the enhancements and implementation methods needed to proceed with a cost-benefit analysis and all other tasks in the project plan. The review team will begin documenting the Carrier and DMERC enhancements needed after the Intermediary workgroups have finalized their documentation.

**1998 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
 (HCFA-97-02)**

<p><u>Short Term Milestones for FY 1999</u> Assist in translating technical terms for auditors and the Medicare contractors. The goals of this period will be to: a) obtain a thorough understanding of supporting documentation required to support receivables and the development of a list that can be used by all contractors and (b) to assist in getting to a cleaner 1998 ending balance.</p>	<p>12/98</p>
<p>Release memorandum clarifying the HCFA 750/751 and synthesizing information gathered by the technical team.</p>	<p>12/98</p>
<p>Issue the revised policy for reporting Medicare Secondary Payer (MSP) receivables and for write-offs of MSP receivables.</p>	<p>3/99</p>
<p>Consolidate the information into revised instructions for 199 HCFA 750/751 reporting including write-off/ adjustment policy for identification and reporting of MSP receivables.</p>	<p>3/99</p>
<p>Based on revised 750/751 reporting instructions, the contractors will reconcile their data base to identify and "adjust" (i.e., remove from the books and records) the accounts receivable where supporting documentation does not exist. The AR that are not cost beneficial to pursue will be written off.</p>	<p>6/99</p>
<p>Based upon enhancements to the Mistaken Payment and Recovery Tracking System (MPaRTS), contractors will receive information on MSP debt released under various settlement agreements and will use this information to identify and adjust or write-off as appropriate, AR that are resolved under the various settlement agreements. The target completion date for release of this information is July 1999.</p>	<p>9/99</p>
<p><u>Long-Term Milestones for 1999</u> Preliminary steps are being taken to identify changes necessary for CFO compliance and to begin initial meeting/discussion with maintainers and programmers of each of the selected systems. A contract has been entered into with a CPA firm to perform the initial analysis work.</p>	<p>12/98</p>
<p>The Technical Team will visit Medicare contractors with the CPA contractor to document systems. The three systems will be reviewed in turn: Intermediary, Carrier, and DMERC.</p>	<p>3/99</p>
<p>Present a prioritized list of options to the Financial Management Investment Board (FIB) and the Change Control Board (CB) for final discussion and Funding.</p>	<p>TBD</p>

**1998 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
 (HCFA-97-02)**

Long Term Milestones for 1999 (Continued)

Receive approved and funded enhancements or changes from FIB and CB to begin programming efforts in each of the selected systems.	TBD
Work with maintainers/programmers/HCFA staff to convert identified systems enhancements into actual system change requests for programming and development of CFO compliant, integrated accounting systems with the three selected systems.	TBD
Begin programming approved and funded enhancements or changes into the existing selected systems.	TBD
Test programmed enhancements or changes to the three selected systems.	TBD
Begin production of the enhancements or changes within the selected systems which will modify the systems to become integrated financial management systems that record and report consistent, reliable financial data.	TBD

**1998 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
 (PHS-93-02)**

<p>Title and Description of Material Weakness: Deficiencies in the Public Health Service Technology Transfer Activities</p> <p>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.</p>	<p>Name of Responsible Program Manager: Dr. Maria Freire</p> <p>Source of Discovery: NIH Alternative Management Control Review</p> <p>Appropriation/Account #: 7530846</p>
<p>Pace of Corrective Action Year Identified: 1993 Original Targeted Correction Date: 1994 Correction Date in Last Year's Report: FY 1998 Current Correction Date: FY 1999 Reason for Change in Dates: NA</p> <p>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.</p> <p>Results Indicators: Existence of policies, procedures,, and information system.</p>	

**1998 FMFIA MATERIAL WEAKNESS: SCHEDULE OF CORRECTIVE ACTIONS
 (PHS-93-02)**

Title of Material Weakness: Deficiencies in the Public Health Service Technology Transfer Activities

Major Milestones	Milestone Dates		
	Original Plan	Revised Plan	Actual Date
<p>1. OTT will improve its information systems so its staff can more easily determine what costs have been incurred, billed and collected.</p> <p>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.</p> <p>3. OTT will improve its information systems, so it can accurately document the status of each patent application.</p> <p>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.</p> <p>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.</p> <p>6. Information from the infringement log will be migrated to the new data system where it will be maintained in the future.</p> <p>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 I: Conduct an analysis Part II: Complete an Evaluation</p> <p>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.</p> <p>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.</p> <p>Note: Items 1, 3, 4, and 6 are tied to the completion of the new OTT data system.</p>	Oct. 98	Feb. 99	Oct. 98
	Oct. 98	Feb. 99	Aug. 98
	Oct. 98	Feb. 99	Oct. 98
	Oct. 98	Feb. 99	Oct. 98
	March 98		March 98
	Oct. 98	Feb. 99	Oct. 98
	June 98 Nov. 98		Oct. 98
	Oct.98 and ongoing		Aug.98 and ongoing

**1998 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
 (HCFA-98-02)**

<p>Title and Description of Material Weakness: Improve System Access Controls. Limit the Number of Data Base Administrators /Application Developers Who Can Directly Update Production Data.</p> <p>Direct command-line access to the M204 database has been granted to approximately 150 applications developers and Data Base Administrators (DBAs). With the knowledge of file names and database update passwords, these developers can intentionally or inadvertently modify or update the data structures within specific regions of the M204 database. The M204 database product is used to store data for many of HCFA's sensitive applications, including, but not limited to, the Automated Payment Plan System, Enrollment Database and Group Health Plan Applications.</p>	<p>Lead Managerial Contact: John Parmigiani, Director, Division of HCFA Enterprise Standards</p> <p>Source of Discovery: FY 1997/FY 1998 financial statement audits by OIG</p> <p>Appropriation/Account #:</p>
<p><u>For Corrected Items Only</u> <u>Validation Process Used:</u></p> <p>Results Indicators:</p>	

**1998 FMFIA MATERIAL WEAKNESSES: SCHEDULE OF CORRECTIVE ACTIONS
 (HCFA-98-02)**

Briefly define (purpose, scope, methodology, resources) the corrective action plan (CAP) that corrects/improves this material weakness

HCFA completed corrective action (within a few days after the situation was brought to our attention) to address the M204 data access incident that the OIG contract auditor identified. HCFA took steps to ensure that the data files containing sensitive information were placed into a protective library format.

CAP Milestones for FY 98-99

Scheduled Due Date

A. Milestone:

Develop and implement a SECURITY utility for tracking the number of people having user passwords and the dates the passwords were changed.

March, 98

- Milestone Status: Complete.

B. Milestone:

Improve the process to control M204 access via a commercial product that should be in place by December, 1999.

Dec. 99

Milestone Status: In Progress

C. Milestone:

Continue to enhance access controls through improvements in training, risk assessments, system administration and internal audits.

Ongoing

Milestone Status:

HCFA has contracted the services of experienced personnel to provide assistance in areas of: security Training & Awareness; Security Web Site Development; Network Security Testing; Security Plan Development; Systems Accreditation; Security Engineering; Security Architecture; Technology Assessment; Physical Security; Disaster recovery; and Emergency Response. The efforts are an integral part of the HCFA Enterprise Systems Security Initiative.

Management Report On Final Action



October 1, 1997 - September 30, 1998

MANAGEMENT REPORT ON FINAL ACTION

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MANAGEMENT REPORT ON FINAL ACTION

October 1, 1997 - September 30, 1998

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 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.

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

- o Initiated action to recover \$165 million through collection, offset, or other means (see Table I);
- o Completed action to recover \$113 million through collection, offset, or other means (see Table I);
- o Initiated action to put to better use \$506 million (see Table II);
- o Completed action that over time will put to better use \$534 million (see Table II).

At the end of this period there are 220 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:

- o The Operating Divisions (OPDIVs) have lead responsibility for implementing and follow-up on IG audit recommendations that are OPDIV specific.
- o The Assistant Secretary for Management and Budget (ASMB) establishes policy and monitors OPDIV compliance with audit follow-up requirements.

MANAGEMENT REPORT ON FINAL ACTION (continued)

- o **If necessary, the ASMB or the Deputy Secretary resolves conflicts between the OPDIVs and the IG.**

Departmental Conflict Resolution

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

The conflict resolution process escalates the disagreement through a series of steps designed to resolve the conflict within six months of the final audit report. If the OPDIV and the IG cannot resolve their disagreement within 135 days, the IG, OPDIV or the ASMB may request that the Audit Resolution Council (ARC) be convened. The Deputy Secretary, who would chair the ARC, makes the final decision for the Department. There were no disagreements requiring the convening of the Council.

STATUS OF AUDITS IN THE DEPARTMENT

In general, OPDIVs follow up on IG recommendations effectively and within regulatory time limits. The OPDIVs 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. 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

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
Management Action on Costs Disallowed in
Inspector General Reports
As of September 30, 1998
(\$ in thousands)**

	Number	Disallowed Costs
A. Reports for which final action had not been taken by the commencement of the reporting period.	305	335,773
B. Reports on which management decisions were made during the reporting period.	248	165,386
Subtotal (A & B)	553	501,159
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.	243	113,078
(ii) The dollar value of disallowed costs that were written off by management.	15	8,187
Subtotal (I & ii)	258	121,265
D. Reports for which no final action has been taken by the end of the reporting period.	295	379,894

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

² This figure represents concurrences with recommendations. The Inspector General's Report Table I, Line C, includes both concurrences and nonconcurrences.

³ Includes the following lists of 220 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.

**Audit Reports Over One Year Old
 With Outstanding Balances To Be Collected
 As of September 30, 1998**

	Auditee	Date Issued	Amount	Explanations
01-90-05013	NARRAGANSETT	10/90	28,515	ACF--At Dept. of Treasury for offset.
01-91-06601	Connecticut/OCS	03/94	224,099	ACF--At Dept. of Treasury for offset.
01-94-25303	Waterbury/OCS	09/94	17,510	ACF--Payment Plan.
01-94-25904	Massachusetts/CC	02/95	9,225	ACF--under appeal.
01-95-32620	Connecticut/FC	05/97	4,070	ACF--Pursuing collection action.
01-95-37194	Indian Township	03/96	44,244	ACF--under appeal.
01-96-38182	Connecticut/FC	09/96	50,292	ACF--under appeal
01-96-39813	Pleasant Point/L	11/96	18,265	ACF--Tax offset program.
01-96-43461	Connecticut/IV-E	01/97	1,902	ACF--under appeal.
02-90-08393	LAW ENFORCM COMM.	06/90	3,084	ACF--At Dept. of Treasury for offset.
02-91-14405	Bedford Stuyvesa	03/92	466,407	ACF--partial appeal.
02-91-14535	Bedford Stuyvesa	03/92	373,231	ACF--referred to DOJ.
02-91-14845	Harlem Commonwealth	05/91	285,382	ACF--payment plan.
02-92-16422	Off Eco Opp/OCS	10/92	741,558	ACF--under appeal.
02-95-02005	Middlesex County	12/96	173,656	ACF--under appeal.
02-95-33649	Puerto Rico	12/96	1,433	ACF--under appeal.
02-97-47637	Puerto Rico IV-B	09/97	9,703	ACF--pursuing collection action.
03-91-14545	PA/WIN/Demo	06/91	252,362	ACF--under appeal.
03-91-15097	DC Public Schools	10/91	70,326	ACF--payment plan.
03-92-17167	NL COAL HISPANIC	06/92	394	ACF--At Dept. of Treasury for offset.
03-93-21104	PA/CSBG	03/94	150,000	ACF--under appeal.
03-94-27065	PA/IV-E	11/94	9,279	ACF--under appeal.
03-94-27065	PA/CSBG	09/95	150,000	ACF--under appeal.
03-95-33212	PA/CSBG	09/95	137,207	ACF--under appeal.
03-95-33212	PA/Foster Care	09/95	10,350	ACF--under appeal.

	Auditee	Date Issued	Amount	Explanations
03-95-00451	DC/Foster Care	08/97	420,606	ACF--pursuing collection action.
03-96-39886	Halifax CCA/HS	05/96	53,280	ACF--Payment plan.
03-97-43787	Virginia/OCSE	06/97	126,257	ACF--pursuing collection action.
03-97-43787	Virginia/FC	06/97	7,174	ACF--pursuing collection action.
03-97-43787	Virginia/CCDBG	06/97	952,635	ACF--pursuing collection action.
03-97-45417	Beaver Co./HS	02/97	2,735	ACF--pursuing collection action.
03-97-47731	Delaware	09/97	11,880	ACF--pursuing collection action.
03-97-48111	Virginia/CCDBG	09/97	1,201,873	ACF--pursuing collection action.
DE-96-RSR	Delaware	04/97	4,622	ACF--pursuing collection action.
04-89-06323	Tallahassee CAA	04/90	35,934	ACF--payment plan.
04-91-06594	Mountain Valley	09/92	196,213	ACF--referred to DOJ.
04-92-17186	Mountain Valley	09/92	203,420	ACF--referred to DOJ.
04-93-23833	Mountain Valley	07/93	212,759	ACF--referred to DOJ.
04-93-00051	Haitian Task	03/94	200,207	ACF--referred to DOJ.
04-93-20785	Florida/Refugee	12/93	46,820	ACF pursuing collection action.
04-94-26346	PUTNAM-CLAY	09/94	86,292	ACF--At Dept. of Treasury for offset.
04-94-28234	NW GEORGIA	02/94	578,045	ACF pursuing collection.
04-94-29814	Reach Services	09/94	1,608	ACF payment plan.
04-94-30737	Mountain Valley	07/94	39,095	ACF referred to DOJ.
04-94-31826	W. CENTRAL GEORGIA	07/94	141,203	ACF pursuing collection.
04-95-32922	PUTNAM-CLAY-FLAG	01/95	178,320	ACF-- pursuing collection.
04-95-34132	CHILD CARE BRVD.	03/95	141,243	ACF pursuing collection.
04-95-36519	DEKALB COUNTY	08/95	11,342	ACF pursuing collection.
04-96-44126	Anderson-Oconee	02/97	143,366	ACF Tax Offset Program.

	Auditee	Date Issued	Amount	Explanations
04-97-45327	Mobil Community	07/97	127,705	ACF Tax Offset Program.
05-95-00022	Illinois/IV-E	07/96	89,239	ACF pursuing collection action.
05-96-42577	Illinois/IV-E	02/97	7,838	ACF pursuing collection action.
06-90-00052	Mexican Amer/Dis	04/92	1,590,600	ACF referred to DOJ.
06-94-32825	Texas Migrant/HS	04/95	70,556	ACF pursuing collection action.
06-95-36853	Albuq-Bernalilo	11/95	208,445	ACF under appeal.
06-96-40858	CADDO/HS	06/95	43,339	ACF-Payment plan .
06-96-42096	Education SV CT	09/96	728,757	ACF-under appeal.
06-96-43075	Bee Caa HS	12/96	4,558	ACF pursuing collection action.
06-97-44674	Tri-County	04/97	34,703	ACF- Tax Offset Program.
06-97-45868	South Plains HS	07/97	1,972	ACF-under appeal
06-97-46216	E. Texas Family	09/97	12,497	ACF pursuing collection action.
06-97-47939	Albuq/Bernalillo	08.97	210,330	ACF- Tax Offset Program
07-91-00413	Union Sarah Econ	01/93	639,688	ACF-State has filed suit against HHS
08-91-15416	RAPID CITY AMER	02/92	30,257	ACF--At Dept. of Treasury for offset.
08-91-15417	RAPID CITY AMER	02/92	20,884	ACF--At Dept. of Treasury for offset.
08-92-00598	ANISHINAUBAG	08/93	26,360	ACF--At Dept. of Treasury for offset.
08-92-17549	RAPID CITY AMER	06/92	30,248	ACF--At Dept. of Treasury for offset.
08-96-01024	Child Opportunity Pro	06/97	1,483,771	ACF--under appeal.
08-97-42650	Montana/Refugee	04/97	13,164	ACF-pursuing collection action.
09-65148	YAVAPAI APACHE	08/86	14,814	ACF--At Dept. of Treasury for offset.
09-87-05251	YAVAPIA APACHE	04/88	32,662	ACF--At Dept. of Treasury for offset.
09-91-05178	Fresno County HS	10/91	11,536	ACF-under appeal.
09-92-06161	Fresno County HS	06/92	32,227	ACF-under appeal.
09-92-06592	Intertribal Cnl	09/93	181,900	ACF-Tax Offset Program.
09-92-20780	YAVAPIA APACHE	04/93	80,676	ACF--At Dept. of Treasury for offset.

	Auditee	Date Issued	Amount	Explanations
09-92-06550	Butte County Cac	08/94	66,300	ACF-payment plan.
09-93-00083	California/Child Sup	09/97	1,429,837	ACF-pursuing collection action.
09-93-00106	California/Refugee	05/97	29,269	ACF-pursuing collection action.
09-93-21254	Arizona HS	09/93	85,511	ACF--At Dept. of Treasury for offset.
09-93-21380	TABLE BLUFF RSV	01/94	1,866	ACF--At Dept. of Treasury for offset.
09-93-23668	CTR of EDUCATION	11/93	12,070	ACF pursuing collection.
09-93-23892	Fresno County HS	08/93	25,523	ACF--under appeal.
09-93-26204	Tohono Odham HS	02/94	90,077	ACF--under appeal.
09-94-27281	Arizona Affiliate	09/94	2,563	ACF--under appeal.
09-94-28246	Butte County CAC	08/94	8,825	ACF--payment plan.
09-94-30177	California/LIHEAP	04/93	12,095	ACF-Tax Offset Program.
09-94-30207	Fresno County HS	11/94	22,062	ACF--under appeal.
09-95-31383	COCOPA/HS	05/96	76,861	ACF-under appeal.
09-95-35961	Fresno County HS	08/95	29,215	ACF-under appeal.
09-96-42061	Tohono Odham HS	11/96	369	ACF-under appeal.
01-89-00518	Blue Shield of MA	10/90	216,053	HCFA has instructed the carrier to calculate and recover the overpayments.
01-90-00500E	B/C of Massachusetts	09/90	7,048,076	HCFA and the hospital have signed a repayment agreement.
01-91-00508	AETNA LIFE-PARTS A&B ADM.	01/92	223,655	HCFA--Additional documentation from the contractor requests for review by OIG.
01-92-00517	BC of MA	04/93	160,122	HCFA is pursuing collection of the overpayment.
01-92-00523	MA BC/BS-Part B Lab Tests	01/94	2,250,000	HCFA is waiting a decision by the Assistant US Attorney in Boston pending criminal charges.
01-93-00512	BC/BS of MA - LAB TESTS	07/94	426,817	HCFA is pursuing collection of the overpayment.
01-94-00510	BC/BS of MS - ADM COSTS	04/95	130,299	HCFA is pursuing collection of the overpayment.
01-95-00005	DHS, NH DHS	07/96	30,565	HCFA is pursuing collection of the overpayment.

	Auditee	Date Issued	Amount	Explanations
01-95-00503	G/A & CAPITOL MCLEAN HO - ADM COSTS	08/95	186,190	HCFA is pursuing collection of the overpayment.
01-96-00001	MASSACHUSETTS STATE DIVISION of MEDICAL ASSISTANCE	07/96	1,711,898	HCFA is pursuing collection of the overpayment.
01-96-00513	Separately billable ESRDL Lab Test	12/96	6,300,000	HCFA sent tapes and instructions to Fis and Ros. OIG has not yet completed the carrier tapes.
02-86-62015	Empire BC/BS	03/88	1,277,575	Contractor appealed and court has ruled in favor of contractor. HCFA has filed an appeal in July 1993.
02-86-62016	EMPIRE BC/BS	08/88	3,027,672	Contractor has signed the closing agreement. An amended OCD is being prepared.
02-91-01003	EMPIRE BC/BS - OVERPAYMENTS	07/91	829,551	The contractor is in the process of recouping the overpayment.
02-91-01022	Prudential Ins.- ADM	03/92	6,837,167	HCFA is negotiating with the contractor on the outstanding overpayment.
02-91-01043	SSS - PART B/ESRD PATIENT	04/93	844,292	HCFA is in the process of collecting the overpayment.
02-91-01055	STATE of NY	01/95	215,356	HCFA and OIG are reviewing the Auditee's supporting documentation.
02-92-01004	NJ DHS - CREDIT BALANCES FOR EIGHT HOSPITALS	09/93	89,839	Recovering of the overpayment is in progress.
02-92-01021	BCBSNJ - CREDIT BALANCES	06/95	14,900,000	HCFA is in the process of collecting the overpayment.
02-92-01023	BETH ISRAEL MED CTR - G&A	03/93	7,741	The contractor is in the process of removing the unallowable costs from the 1990 Cost Reports.
02-93-01005	EMPIRE BC/BS - PART B ADM	03/95	576,683	HCFA is pursuing collection of the overpayment.
02-93-01023	ISLAND PRO	10/94	155,540	Recovery of the overpayment is in progress.
03-92-00150	ELMIRA JEFFRIES MNH	01/94	164,188	The State is in the process of collecting the overpayment.
03-92-00201	COMMONWEALTH of VA - CRED	01/93	205,177	The State is in the process of making a final determination on the overpayment.
03-92-00602	PA DPW - UPPER LIMIT	09/94	230,520	HCFA is pursuing collection of the overpayment.

	Auditee	Date Issued	Amount	Explanations
03-93-00013	OMEGA MEDICAL LAB	11/93	1,102	HCFA is pursuing collection of overpayment.
03-93-00025	PBS - LAB FEE SCHEDULES	09/95	953,377	HCFA is in the process of collecting the overpayment.
03-95-38380	COMMONWEALTH of VA (OGM)	03/96	68,333	HCFA is currently pursuing collection of overpayment.
04-91-02004	HCFA RO IV (FL BS - MSP)	09/93	4,558,911	Contractor is pursuing collection of the remaining overpayment.
04-92-01022	NC DEPT. of HUMAN RESOURCES	11/92	645,340	HCFA initiated a verification process to determine the final disposition of the hospital credit balances. This verification stage is ongoing, and HCFA anticipates that the audit may be closed in the near future.
04-93-20876	STATE of NC (OGCFM LEAD)	07/93	27,617	HCFA is awaiting documentation from the State to verify that funds were returned.
04-94-01096	HUMANA MEDICAL PLANS, INC. - ESRD	04/95	624,048	HCFA is pursuing collection of the overpayment with the contractor.
04-95-02110	SC BC (Hospice of Lake & Sumter, Inc.) - ORT	04/97	4,000,000	HCFA is reassessing this situation.
04-95-02111	SC BC (Hospice of Florida Suncoast, Inc.) - ORT	03/97	14,800,000	HCFA is reassessing this situation.
04-94-33005	STATE of MS (OGM)	08/95	63,140	HCFA will review the State's supporting documentation to ensure that the payment adjustments have been made.
04-95-33088	STATE of NC (OGM)	09/95	11,098	The State is in the process of determining how much of the overpayment has already been returned to HCFA.
04-95-38310	STATE of MS (OGM)	03/96	9,069,408	The State is in the process of determining how much of the overpayment has already been returned to HCFA.
04-96-01118	BC of FL (Palms Gardens of Pinellas) - ORT	02/97	4,349	Contractor is pursuing collection of the remaining overpayment.
04-96-01126	BC/BS of FL (FL Hospital Trans. Care Unit) - ORT	04/97	118,469	Contractor is pursuing collection of the remaining overpayment.

	Auditee	Date Issued	Amount	Explanations
04-96-01130	BC/BS of FL (Nat Hlth. Corp. St. Petersburg) - ORT	04/97	29,410	Contractor is pursuing collection of the remaining overpayment.
04-96-01132	BC/BS of FL (Miami Jewish Home and Hospital) - ORT	04/97	398,962	Contractor is pursuing collection of the remaining overpayment.
04-96-01138	BC/BS of FL (Lawnwood Reg. Med. Ctr.) - ORT	04/97	111,986	Contractor is pursuing collection of the remaining overpayment.
04-96-01139	BC/BS of FL (Bon Secours-Venice) - ORT	04/97	107,205	Contractor is pursuing collection of the remaining overpayment.
04-96-01146	AdminaStar Federal, Inc. (Arbors-Bayonet Pt.) - ORT	05/97	113,547	HCFA is in the process of preparing an amended OCD which reflects the actual overpayment recovered.
-4-96-38655	State of NC (OGM)	01/97	5,053	HCFA is reviewing the State's supporting documentation to ensure that the payment adjustments have been made.
05-90-00013	BC/BS of MI - ADMIN	12/90	2,413,388	This audit must remain open pending resolution of the contractor's termination audit, any related termination agreement and pending lawsuits.
06-92-00043	BC/BS of Tx, Inc. - GME Costs	03/94	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.
06-95-00095	Palmetto Gov. Ben. Admin. (Fam Hospice/Dallas) - ORT	04/97	871,306	HCFA is reassessing whether seeking the identified OIG hospice overpayment is the appropriate action to take.
06-96-00027	Palmetto Gov. Ben. Admin. (VNA of TX Hospice) - ORT	04/97	1,156,341	HCFA is reassessing whether seeking the identified OIG hospice overpayment is the appropriate action to take.
06-97-47756	State of LA (OGM)	09/97	357,089	The amount identified in the audit is a statistical projection. The State is in the process of determining the actual provider overpayments.
07-91-00471	BC/BS OF MI - SEG.	12/92	5,021,873	This audit must remain open pending resolution of the contractor's termination audit, any related termination agreement and pending lawsuits.

	Auditee	Date Issued	Amount	Explanations
07-91-00473	BC/BS of FLORIDA, INC PENSION SEGMENTATION	08/93	4,755,565	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 account.
07-92-00525	BC/BS of MI, INC. - PENSION	12/92	2,135,884	This audit must remain open pending resolution of the contractor's termination audit, any related termination agreement and pending lawsuits.
07-92-00604	WVA BC/BS - Term Pension	01/93	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.
07-92-00608	BC/BS of MISSOURI - DENIED OUTPATIENT CLAIMS	06/93	960,615	HCFA will be verifying that corrective action has been completed by the fiscal intermediary.
07-93-00680	BC/BS of NC - UNFUNDED PENSION COSTS	10/94	293,629	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.
07-93-00712	PA BS - PENSION	05/95	521,675	HCFA is in the process of collecting the overpayment.
07-93-00713	PA BS - PENSION	06/95	5,490,995	HCFA is in the process of collecting the overpayment.
07-94-00744	IASD HEALTH SERVICES CORP. - PENSION SEGMENTATION	09/94	3,079,484	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 agreement will subsume and close out the currently outstanding pension audits.

	Auditee	Date Issued	Amount	Explanations
07-94-00745	IASD HEALTH SERVICES CORP. - UNFUNDED PENSION	05/94	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.
07-94-00746	IASD HEALTH SERVICES CORP. - PENSION SEGMENTATION	05/94	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.
07-94-00747	IASD HEALTH SERVICES CORP. - UNFUNDED PENSION	05/94	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.
07-94-00768	BC/BS of SC - PENSION SEGMENTATION	09/94	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.
07-94-00769	BC/BS of SC - PENSION COSTS	09/94	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.

	Auditee	Date Issued	Amount	Explanations
07-94-00770	BC/BS of SC - UNFUNDED PENSION	09/94	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.
07-94-00777	BC/BS of GA - PENSION COSTS	10/94	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.
07-94-00778	BC/BS of GA - UNFUNDED PENSION	10/94	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.
07-94-00779	BC/BS of GA - PENSION SEGMENTATION	10/94	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.
07-94-00805	BC/BS of TN - PENSION SEGMENTATION	01/95	1,400,063	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.

	Auditee	Date Issued	Amount	Explanations
07-94-00816	BC/BS of TN - UNFUNDED PENSION	01/95	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.
07-94-00817	BC/BS of AL - UNFUNDED PENSION	07/95	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.
07-94-00818	BC/BS of AL - PENSION SEGMENTATION	07/95	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.
07--94-01107	BC/BS of FL - PENSION SEGMENTATION	04/96	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.
07-95-01126	BC/BS of FL - UNFUNDED PENSION	04/96	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.

	Auditee	Date Issued	Amount	Explanations
07-95-01149	BC/BS of TEXAS - PENSION	04/96	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 pension audits.
07-95-01150	BC BS of Oregon - Pen Segm	08/97	191,312	HCFA is pursuing collection of the overpayment.
07-95-01151	Oregon BC/BS - Unfunded PenE	08/97	260,335	HCFA is pursuing collection of the overpayment.
07-96-38172	State of IA (OGM)	09/96	29,381	The State has processed the credits, however, they are still determining when the credits were returned to HCFA via the HCFA-64.
07-96-44051	State of IA (OGM)	02/97	45,958	HCFA is working with the State to resolve this audit.
07-97-48603	State of IA (OGM)	07/97	28,641	Awaiting verification from the Division of Accounting that the overpayment has been returned on the HCFA-64.
08-94-00739	BC/BS of ND - PENSION SEGMENTATION	01/95	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.
08-94-00740	BC/BS of ND -UNFUNDED PENSION	01/95	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.

	Auditee	Date Issued	Amount	Explanations
09-89-00162	NATIONWIDE EMPLOYER PROJECT - MSP PAYER	03/95	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 result in few recoveries of funds from EGHPs, because of EGHP's timely filing limits. HCFA is attempting to fix the HIAA decision via new legislation.
09-94-00069	ARA Services, Inc.	09/95	550,000	The statutes of limitations have run out and the finding can not be collected. HCFA will submit an amended clearance document shortly indicating a change in HCFA's collection actions.
09-95-00072	CA DHS	11/96	4,013,490	HCFA is pursuing collection of the overpayment.
01-06082	RURAL HEALTH CENTERS - MAINE	12/90	23,163	HRSA demand letter sent on 2/26/97.
01-16231	STATE of MAINE	11/92	6,125	HRSA- -Documents from Grantee sent to Program Office for review 9/25/97.
01-36087	STATE of MAINE	03/96	2,643	HRSA--Demand letter sent 12/19/97.
02-06058	SETTLEMENT HEALTH MEDICAL	04/88	9,314	HRSA--received payment 8/31/98.
02-06275	NEWARK COMMUNITY HEALTH CENTERS	11/90	14,038	HRSA--demand letter sent on 12/19/97.
02-15053	NORTHWEST BUFFALO COMM.	12/91	9,281	HRSA--Referred to DFO Claims 6/26/97.
02-16577	NEWARK COMMUNITY HEALTH CENTERS, INC.	11/92	31,708	HRSA--Demand letter sent on 12/19/97.
03-03313	GREATER PHILADELPHIA HEALTH ACTION, INC.	06/93	39,577	HRSA--Repayment agreement reached.
03-18236	WESTERN PA HOSPITAL of NURSING	10/92	15,941	HRSA--Demand letter sent on 12/19/97.
03-21785	D.C. DEPARTMENT of HUMAN SERVICES	03/94	7,726	HRSA--Demand letter sent 12/19/97.
06-27049	Greater Houston HIV Alliance	09/94	20,752	HRSA--Demand letter sent on 12/19/97.
04-24751	VICKSBURG-WARREN COMMUNITY HEALTH CENTER	12/93	590	HRSA--Demand letter sent on 12/19/97.

	Auditee	Date Issued	Amount	Explanations
04-28316	RURAL HEALTH SERVICES, INC.	10/94	2,801	HRSA--Repayment areement reached.
08-15850	MONTANA MIGRANT AND SEASONAL FARMWORKERS COUNCIL	04/92	44	HRSA--Demand letter sent on 12/19/97.
09-05217	COMMUNITY HEALTH CENTERS of SOUTHERN NEVADA, INC.	11/91	5,892	HRSA--Demand letter sent on 12/19/97.
09-05218	COMMUNITY HEALTH CENTERS of SOUTHERN NEVADA, INC.	10/91	68	HRSA--Demand letter sent on 12/19/97.
09-00177	Sea Mar Community Health Center	11/91	187,132	HRSA--Appeal rejected by DAB, demand letter sent on 12/19/97.
07-06845	Model Cities Health Corp.	10/90	41,406	HRSA--Under appeal, verified 10/14/97.
09-06282	COMMUNITY HLTH. CTRS. of SOUTHERN NEVADA, INC.	11/92	303	HRSA--demand letter sent on 12/19/97.
09-22308	COMMUNITY HLTH. Foundation of Los Angles, CA., Inc.	09/93	36,968	HRSA--demand letter sent on 04/04/97.
09-06503	Trust Territory of the Pacific Island	04/90	1,489	HRSA--Demand letter sent on 12/19/97.
09-06754	WEST CONTRA COSTA COMMUNITY HEALTH	07/93	50,956	HRSA--Bankruptcy, Chapter 7, filed.
06-91-00089	CREEK NATION of OK	04/92	445,890	IHS--We received a notification this matter has been resolved. The amended OCD will be forwarded shortly.
06-92-00017	MUSCOGEE CREEK NATION of OK	05/92	468,217	IHS--This audit is currently under litigation; no further action will be taken until a court decision is rendered.
03-95-03313	QUALITY RESOURCE SYSTEMS, INC.	03/95	28,387	IHS--Management has decided to uphold these findings; the vendor has relocated and has not been notified.
10-97-48639	Nooksack Indian Tribe	08/97	9,440	IHS-Currently under litigation.
03-90-00453	West Virginia	03/91	12,850,856	DCA-At District Court - Collection suspended on 03/12/97.
09-92-00115	California	02/95	140,880,675	DCA-At the Department of Justice - Collection suspended 12/30/96.

	Auditee	Date Issued	Amount	Explanations
09-26171	TOHONO O'ODHAM NATION	08/93	57,090	OS-OPHS-OPA--Pursuing collection.
09-32948	REPUBLIC of PALAU	12/94	918	OS-OPHS-OPA--Pursuing collection.
08-87-05251	DEVIL LAKE	03/87	50,333	OS--Transferred to the Treasury Offset Program (TOP) for offset.
09-96-39220	PUBLIC SCHOOL	04/96	4,396	OS--Transferred to the TOP for offset.
10-89-06591	NISQUALLY	06/90	6,173	OS--Transferred to the TOP for offset.
10-93-22826	NOOKSACK	11/93	3,323	OS--Transferred to the TOP for offset.
08-86-43199	Am Indian	01/97	12,696	OS--Transferred to the TOP for offset.
09-93-24906	California	04/95	56,758	OS--Transferred to the TOP for offset.
09-96-41323	Pauite	11/96	15,557	OS--Transferred to the TOP for offset.
04-04183	COLUMBUS COUNTY SERVICES	07/94	35,167	SAMHSA--Pursuing collection.
03-00353	DC Dept. of Human Services	04/95	257,195	SAMHSA--Pursuing collection.
09-40113	Marianas Assoc. for Retarded Citizens	05/96	1,023	SAMHSA--Pursuing collection.
09-42966	Karidat	09/97	8,696	SAMHSA--Pursuing collection.
02-96-43613	Puerto Rico	11/96	628,186	AOA--Under appeal, (DAB).
09-96-41444	Immigrant Center	03/97	2,495	CDC--Pursuing collection.
03-96-41385	National Assoc. for Equal Opportunity in Higher Education	04/97	51,654	CDC--Pursuing collection.
03-96-45161	National Assoc. for Equal Opportunity in Higher Education	09/97	106,214	CDC--Pursuing collection.

**SUMMARY OF OPDIV
Audit Reports Over One Year Old**

OPDIV	Number of Reports	Amount to Be Collected
Administration for Children and Families	90	15,854,673
Administration on Aging	1	628,186
Centers for Disease Control and Prevention	3	160,363
Food and Drug Administration	0	0
Health Care Financing Administration	85	137,584,305
Health Resources and Services Administration	22	507,917
National Institutes of Health	0	0
Indian Health Services	4	951,934
Office of the Secretary	9	207,244
Program Support Center	2	153,731,531
Substance Abuse and Mental Health	4	302,081
TOTAL	220	309,928,234

TABLE II

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
 Management Action on OIG Reports With
 Recommendations That Funds Be Put to Better Use
 As of September 30, 1998**

	Number	Disallowed Cost
A. Reports for which final action has not been taken by the commencement of the reporting period.	11	428,998,300
B. Reports on which management decisions were made during the reporting period.	13	506,156,638
Subtotal (A & B)	24	935,154,938
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:	13	534,156,638
-- 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)	13	534,156,638
D. Reports for which no final action has been taken by the end of the reporting period.	11	400,998,300

Includes the following list of 8 reports with recommendations to put funds to better that were pending for more than one year. These reports involve major policy questions as well as legislative remedies that are difficult and time consuming to resolve.

**Reports Containing Recommendations
To Put Funds To Better Use
Pending More Than One Year
As of September 30, 1998**

Audit No	Auditee	Date Issued	Amount	Explanations
01-91-00531	MEDICAL NECESSITY FOR AMBULANCE SERVICES	09/93	12,760,000	The original OCD was prepared on 9/93. The audit is pending approval of regulation. The proposed regulation was published in the Federal Register 6/97.
04-94-01080	STATE of NORTH CAROLINA	02/95	12,289,692	The State of North Carolina is continuing to seek collection of the disputed drug rebates.
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.
03-94-00022	Enteral Nutrition Therapy -ORT	08/97	28,000,000	HCFA is developing changes to respond to comments.
02-91-00860	Mental Health services in Nursing Homes - ORT	09/96	17,000,000	HCFA is developing changes to respond to comments.
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:

OPDIV: Health Care Financing Administration

Total Number of Reports: 8

Total Amount for Better Use: \$79,098,300

**OFFICE OF INSPECTOR GENERAL SEMI-ANNUAL REPORT SUMMARY
 FY 1998**

Reports with Questioned Costs

The following charts summarize actions taken on OIG recommendations to recover funds or to put them to better use.

The following chart summarizes the Department's response to the OIG's recommendations for the recovery or redirection of questioned and unsupported costs. Questioned costs are those costs that are challenged because of a violation of law, regulation, grant, etc. These may be costs claimed by a grantee, findings on Medicare reimbursements (such as errors in billings), ineligible beneficiaries, or where Medicare regulations are not followed. Administrative cost audits are also included where the OIG may find that a State inappropriately claimed administrative costs for a HHS program. Unsupported costs are those costs questioned because they are not supported by adequate documentation. This information is provided in accordance with the Supplemental Appropriations and Rescissions Act of 1980 (Public Law 96-304) and the Inspector General Act Amendments of 1988. These costs are separate from the amount ordered or returned as a result of OIG investigations.

	#	Dollar Value	
		Questioned	Unsupported
A. For which no management decision had been made by the commencement of the reporting period ^{1/}	460	\$438,230,000	\$25,063,000
B. Which were issued during the reporting period	185	\$197,244,000	\$42,679,000
Subtotal (A + B)	645	\$635,474,000	\$67,742,000
Less:			
C. For which a management decision was made during the reporting period	299	\$287,743,000	\$6,004,000
(i) dollar value of disallowed costs		\$146,523,000	\$4,224,000
(ii) dollar value of costs not disallowed		\$141,220,000	\$1,780,000
D. For which no management decision had been made by the end of the reporting period	346	\$347,731,000	\$61,738,000
E. Reports for which no management decision was made within six months of issuance	260	\$270,925,000	\$47,783,000

^{1/} The opening balance was adjusted to reflect a net upward revaluation of recommendations in the amount of \$13.9 million.

Source: FY 1998 OIG Semi-Annual Reports

Recommendations That Funds Be Put To Better Use

The following chart summarizes reports that include recommendations that funds be put to better use through cost avoidances, budget savings, etc. They can be achieved through legislative changes; specific program improvements to prevent unnecessary obligations for expenditures of agency funds; or improvements in agency systems or operations.

	#	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period ^{1/}	38	\$56,476,000
B. Which were issued during the reporting period	16	\$2,089,204,000
Subtotal (A + B)	54	\$2,145,680,000
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	13	\$162,458,000
(b) based on proposed legislative action		
Subtotals (a + b)	13	\$162,458,000
(ii) dollar value of recommendations that were not agreed to by management	7	\$738,704,000
Subtotals (i + ii)	20	\$901,162,000
E. Reports for which no management decision was made by the end of the reporting period	34	\$1,244,518,000

^{1/} The opening balance was adjusted to reflect a net upward revaluation of recommendations in the amount of \$1.2 million.

Source: FY 1998 OIG Semi-Annual Reports

CHIEF FINANCIAL OFFICER FIVE YEAR PLAN

FY 1998 Performance Results

In FY 1998, HHS restructured its CFO Five Year Plan to be more performance-oriented. Beginning with FY 1999, financial management goals, measures, baselines and targets were identified for accomplishing financial management strategic goals. The results of the plan and financial management performance will be reported in the Accountability Report. As mentioned in the Financial Management section of this year's report, we have already begun to move in that direction, and results of key performance goals were reported there. In this section, we are transitioning to reporting on the remaining goals in the CFO 5 Year Plan. Below are the performance results of those performance goals for which we have FY 1998 data.

FINANCIAL MANAGEMENT STRATEGIC GOAL 1

DECISION-MAKERS HAVE TIMELY, ACCURATE AND USEFUL PROGRAM AND FINANCIAL INFORMATION

		Baseline = FY 1997	Actual FY 1998	Comments
Reports - Improve the timeliness and accuracy of external Financial reports	Number of year end Treasury Report on Receivables reported to Treasury by 11/15.	Not available	21	Baseline info not tracked for FY 1998 (covering FY 1997 report).
Systems - All department wide and cross-servicing systems are readily accessible by customers, provide needed information, are developed and implemented in an appropriate fashion, and will be fully functional in the years ahead.	(1) Number of mission critical systems/applications that are Y2K compliant.	87 systems	43 of 87 systems/applications 49%	These include only the financial and financial-mixed systems and applications. The new baseline is 87 applications systems. (This updates the baseline identified in the FY 1998 Five Year Plan.) Of the remaining 44 systems: 9 are testing fixes made to be compliant, 32 are making fixes to be compliant including helping with a new system and 3 applications are being assessed for Y2K compliance.

FINANCIAL MANAGEMENT STRATEGIC GOAL II

ALL RESOURCES ARE USED APPROPRIATELY, EFFICIENTLY, AND EFFECTIVELY

		Baseline = FY 1997	Actual FY 1998	Comments
Electronic Funds Transfer (EFT) – Increase percent of payments made via EFT.	(1) Grant Payments	100%	100%	Baseline is for FY 1997, based on reports and data compiled in FY 1998. The PSC makes the grant and salary payments for many of the OPDIVs. *Miscellaneous payroll payments such as taxes, union dues, charities, etc., experienced a 10% EFT rate. ** Some of our (especially IHS') vendors in remote areas do not have capacity to accept electronic payment. We will seek waivers from the EFT provisions of the DCIA law for these vendors. In FY 1998 the FY 1997 baselines were exceeded or essentially met. In the 4 th quarter of FY 1998, travel & vendor payments had improved to 90% & 81% respectively.
	(2) Salary Payments	98%	97%*	
	(3) Vendor Payments	42%	77%**	
	(4) Travel Payments	43%	74%	

FINANCIAL MANAGEMENT STRATEGIC GOAL II

ALL RESOURCES ARE USED APPROPRIATELY, EFFICIENTLY, AND EFFECTIVELY
(continued)

		Baseline = FY 1998	Actual FY 1998	Comments
Receivables – Improve collections of debt owed to HHS.	Increase percent of collections over prior year.	\$13.3B	\$13.3B	The baseline was established from the FY 98 Treasury Report on Receivables (TROR) submission from the OPDIVs. The \$13.3B is a 21% increase over the \$11.1B collected in FY 97.

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 over \$140 billion of the total Federal grants awarded (estimated to be over \$250 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 12 percent of the total HHS FY 1997 grant funds, but they account for 91 percent of the total number of HHS grant awards made in FY 1997. 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 1998, HHS assisted OMB on several revisions to the government-wide cost principles for non-profits and universities. In addition, HHS has government-wide responsibility for hospital-research cost reimbursement policy. A team of national experts was established and is in the process of re-writing the cost principles for those organizations. The bulk of the fiscal year had been dedicated to managing the implementation of the Agricultural Research, Extension, and Education Reform Act of 1998 which required the Department to identify expenditures funded by the TANF block grant program that could also be charged to the Food Stamp and Medicaid programs. HHS identified potential savings of \$500 million per annum.

During Fiscal Year 1998, HHS provided Compliance Supplements to OMB on several HHS programs. The Compliance Supplement is based on the requirements of the Single Audit Act and the final revision of OMB Circular A-133, “Audits of States, Local Governments and Non-Profit Organizations” and contains guidance to auditors in performing the required audits.

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.

To update HHS grants management staff on changes to the various OMB cost principles and audit requirements, as well as provide clarification on existing regulatory guidance and internal grants administrative policies, training sessions were conducted for headquarters and regional operations.

In Fiscal Year 1998, the Tracking Accountability in Government Grants System (TAGGS) became fully operational. An active users group, involving both grants management and information resources management staff from every OPDIV meets monthly to ensure continuing success with TAGGS Implementation.

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

FY 1997 HHS GRANT AWARDS

	TOTAL		MANDATORY		DISCRETIONARY	
	NUMBER	DOLLARS	NUMBER	DOLLARS	NUMBER	DOLLARS
TOTAL	56,708	\$144,026,816,587	4,902	\$125,985,320,552	51,806	\$18,041,496,035
ACF	6,995	\$30,887,743,994	3,368	\$26,614,776,316	3,627	\$4,272,967,678
AHCPR	231	\$65,909,170	0	\$0	231	\$65,909,170
AOA	726	\$818,792,981	603	\$811,072,000	123	\$7,720,981
CDC	2,336	\$1,885,976,876	61	\$179,574,631	2,275	\$1,706,402,245
FDA	169	\$19,132,380	0	\$0	169	\$19,132,380
HCFA	567	\$95,272,232,901	428	\$95,246,995,718	139	\$25,237,183
HRSA	6,025	\$2,901,519,021	163	\$1,168,051,848	5,862	\$1,733,467,173
IHS	979	\$403,031,179	48	\$367,644,580	931	\$35,386,599
NIH	37,246	\$9,548,985,129	0	\$0	37,246	\$9,548,985,129
OASH	285	\$242,120,276	0	\$0	285	\$242,120,276
SAMHSA	1,149	\$1,981,372,680	231	\$1,597,205,459	918	\$384,167,221

The data in this report reflect awards made during FY 1997 since FY 1998 data is in the process of full reconciliation. The data will not necessarily agree with the FY 1997 or FY 1998 budget and accounting records (e.g., Medicaid's accounting adjustments) 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, therefore the number of grants is less than a count of grant actions.

HIGHLIGHTS

- In FY 1997 HHS awarded \$144 billion in grants; this included both discretionary awards totaling (rounded) \$18 billion, and mandatory awards totaling \$126 billion.
 - HCFA, which administers the Medicaid Program, awarded 66 percent (\$95.3 billion) of the total HHS grant funds, representing only 1 percent of the total number of grants. ACF awarded the next highest percentage (21.5 percent, \$30.9 billion) of the total HHS grant funds, representing 12 percent of the total number of grants.
 - The other ten OPDIVs awarded between 0.01 and 6.6 percent of the remaining 12.5 percent of HHS FY 1997 grant funds.
 - NIH awarded 66 percent (37,246) of the total number of HHS grants in FY 1997, which is 53 percent of the discretionary grant funds, but only 6.6 percent of the total HHS grant funds. The remaining OPDIVs awarded between 0.3 and 12.3 percent of the total number of grants.
 - The six states receiving the most HHS grant funds (in billions) are New York (\$16.3), California (\$13.1), Texas (7.6), Pennsylvania (\$6.2), Ohio (\$5.2), and Illinois (\$5.0).
- Over half of the HHS discretionary grant funds in FY 1997 (53 percent, \$9.5 billion) was awarded by NIH in support of research programs.
 - The second largest category of HHS discretionary grant funds in FY 1997 went to support health and/or social services programs (14 percent, \$7.1 billion).
 - Of this amount, ACF awarded the most (\$4.2 billion) for programs that support Head Start, runaway and homeless youth, abandoned infants, refugee and entrant assistance, low-income energy assistance, food and nutrition, and community services.
 - CDC and HRSA also awarded significant amounts in FY 1997 (\$1.1 billion and \$1.3 billion, respectively) to support health services programs.

PROCUREMENT MANAGEMENT

In FY 1998, approximately 550 HHS procurement personnel awarded and administered nearly 1,000,000 procurement actions, worth more than \$3.2 billion. Also, HHS obligated an additional \$1.5 billion from the Medicare Trust Fund 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. For example, ASMB worked in partnership with NIH to extend the main support services contract at the Frederick Cancer Research and Development Center for an additional 2.5 years, at a cost of over \$500 million dollars—permitting HHS to achieve its critical AIDS and cancer research missions.

Major procurement accomplishments in FY 1998 include the following:

- The Department began gathering data from our enhanced customer-oriented, results-driven and GPRA-compliant Acquisition Performance Measurement and Improvement System's contractor survey instrument. This survey helps track the efficiency, timeliness, quality and cooperation of HHS contracting personnel and project officers — from an HHS vendor (external customer) perspective.
- The Department's Acquisition and Project Officer Training Program provided comprehensive, formal training for both contracting professionals and project officers. Contracting personnel used approximately 1,700 training slots and project officers used about 2,800 training slots. Moreover, HHS continues to experience success with our CD-ROM instructional module that provides cost-effective, customized, high-quality training for HHS project officers. The CD-ROM—and a supplemental 1-day project management workshop—replaces two 4-day

platform-training courses. We estimate that over 25% of our project officers will take advantage of the optional CD-ROM during the next fiscal year. Also, the Department incorporated a class on performance-based service contracting in its regular course schedule; and is developing a new course of successful special workshops in the high profile area of Capital Asset/Earned Value Project Management.

- HHS used purchase cards to accomplish over 400,000 procurement actions in fiscal 1998.
- HHS extended its automated capability through a new system "ECWeb" that conducts full electronic Commerce for simplified acquisitions (under \$100,000).
- HHS continued to enhance the query and reporting capabilities of its Departmental Contracts Information System as well as the reliability, timeliness and utility of its procurement management data—to better support executive decision-making.
- On behalf of the Department, NIH improved HHS' source selection and contract management processes by developing a user-friendly, high-tech, flexible, interactive and secure database system that efficiently and effectively collects, maintains, and disseminates information on the past performance of contractors. NIH continues to add new agencies to its system.
- HHS conducted a successful Acquisition Symposium on the Federal Acquisition Regulation changes to the way that contracts are competitively and non-competitively negotiated and awarded. Over 400 contracting personnel attended.

We will continue to focus on sharing of best practices identified through our procurement measurement system.

HHS OPDIV Net* Outlays: 1989-1998

<u>HHS Agency</u>	<u>(In Millions of dollars)</u>										
	<u>FY 1998</u>	<u>FY 1998</u>	<u>FY 1997</u>	<u>FY 1996</u>	<u>FY 1995</u>	<u>FY 1994</u>	<u>FY 1993</u>	<u>FY 1992</u>	<u>FY 1991</u>	<u>FY 1990</u>	<u>FY 1989</u>
	<u>%</u>										
Food and Drug Administration	837	0.2%	873	865	858	801	733	752	648	553	510
Health Resources and Services Administration	3,473	1.0%	3,526	3,960	2,612	2,695	2,467	2,333	1,763	1,594	1,471
Indian Health Service	2,145	0.6%	2,139	1,997	1,975	1,771	1,699	1,522	1,275	1,091	1,028
Centers for Disease Control & Prevention	2,409	0.7%	2,248	2,166	1,785	1,570	1,410	1,198	1,127	1,035	824
National Institutes of Health	12,486	3.6%	11,171	10,209	10,875	10,148	9,532	8,374	7,666	7,492	6,991
Substance Abuse and Mental Health Svs Adm.	2,235	0.6%	1,622	2,084	2,444	2,371	2,667				
Agency for Health Care Policy Research	77	0.0%	110	81	133	111	84	113	12		
Health Care Financing Administration	294,016	83.9%	285,523	266,164	248,920	225,967	205,687	186,743	157,140	139,275	119,657
Administration for Children & Families	31,584	9.0%	31,023	31,023	31,993	31,354	27,545	26,703			
Office of the Secretary	233	0.1%	206	195	275	221	223	165	159	162	146
Administration on Aging	828	0.2%	828	818	951	859	820	544			
Program Support Center	247	0.1%	224	240							
HHS SUBTOTAL	350,570	100.0%	339,493	319,802	302,821	277,868	252,867	228,447	169,790	151,202	130,627
HHS TOTAL	350,570		339,493	319,802	303,075	624,718	581,122	539,379	483,936	438,674	399,773

*Old" HHS agencies that no longer exist as separate agencies in HHS:

OASH 1/				254	233	227	248	219	214	209
SSA 2/				346,617	328,028	307,819	285,826	263,143	247,073	
ADAMHA 3/						2,865	2,601	2,002	1,195	
FSA 4/							17,407	15,236	13,819	
OHDS 4/							8,093	6,877	6,850	

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.

* Net of intra-budgetary transactions and proprietary receipts from the public.

