

**Part IV:**  
**Public Health, Human Services,  
and Departmentwide Issues**

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## Part IV:

### Public Health

#### Centers for Disease Control and Prevention

Public Health > CDC > Property Management

##### ■ Centers for Disease Control and Prevention’s Accountability for Property

In response to a congressional request, we audited the Center for Disease Control and Prevention’s (CDC) Property Management System (property system) and found that it was neither accurate nor complete. Based on our sample results, we estimated that CDC had lost or misplaced approximately \$8.2 million worth of Government property as of September 30, 2007.

CDC did not add all newly acquired items to the property system or correctly record the value of the items in the system. We estimated that the property system was understated by approximately \$1.5 million for purchases made during fiscal year (FY) 2007. These inaccuracies occurred because CDC did not always adjust the property system to reflect the results of an annual physical inventory and did not barcode all newly acquired property for entry in the property system. CDC had not fully implemented the Office of Inspector General’s (OIG) recommendations in a 1995 report to strengthen management controls over property.

As a result of our current review, we recommended that CDC improve its controls over property by (1) adjusting the property system based on annual physical inventory results and removing from the system any lost or missing property, including the estimated \$8.2 million worth that we identified; (2) ensuring that all newly acquired items, including at least \$1.5 million worth of items acquired in FY 2007, are barcoded and correctly added to the property system; and (3) reconciling the general ledger to the property system to identify discrepancies and resolve them. CDC concurred with our recommendations. *Review of the Centers for Disease Control and Prevention’s Accountability for Property*. A-04-07-01054.

[Full Report](#)

Public Health > CDC > Contract Management

## ■ Centers for Disease Control and Prevention's Compliance With Appropriations Laws and Acquisition Regulations

Four research and development and information technology contracts with CDC did not fully comply with one or more appropriations laws and acquisition regulations with respect to competition, funding, and pricing.

Pursuant to a congressional request, we are conducting a series of reviews of CDC's contracting practices. During this semiannual period we reviewed companies referred to as Contractors B, C, D, and E. Our recommendations included adhering to established procedures and developing and implementing policies and procedures to address compliance with appropriations statutes and acquisition regulations. Summaries of reports completed in this semiannual period follow.

- **Contractor B Audit.** In 2002, a CDC research and development contract awarded to "Contractor B" did not fully comply with appropriations laws and acquisition regulations with respect to pricing. Specifically, CDC did not perform cost analyses for four contract modifications that exceeded \$650,000 each and totaled \$10.9 million. The failure to perform cost analyses occurred because CDC did not adhere to its policies and procedures for determining the reasonableness of contract modifications. By failing to perform cost analyses, CDC violated the Federal Acquisition Regulation (FAR). As a result, CDC did not ensure that it obtained vaccine safety research studies at fair and reasonable prices. The contract complied with appropriations laws and acquisition regulations with respect to competition, inherently governmental functions, personal services, subcontracting, additional performance activities, and contract funding. We recommended that CDC adhere to its procedures for performing cost analyses on contract modifications exceeding \$650,000 each. CDC concurred with the recommendation. *Review of the Centers for Disease Control and Prevention's Compliance With Appropriations Laws and Acquisition Regulations—Contractor B.* A-02-09-02005. [Full Report](#)
- **Contractor C Audit.** In 2002, a research and development contract awarded to a company referred to as "Contractor C" did not fully comply with appropriations laws and acquisition regulations with respect to competition. Specifically, CDC awarded task orders to Contractor C that significantly exceeded the estimated contract cost without recompeting the contract. CDC's cumulative award of \$13.4 million exceeded the estimated contract cost by \$12.1 million because CDC failed to adhere to its procedures for periodically monitoring cumulative contract costs. By failing to do so, CDC violated the FAR requirement for full and open competition. As a result, CDC did not ensure that it obtained information related to the prevention of infectious diseases in the most economical and efficient manner. The contract complied with appropriations laws and acquisition regulations with respect to inherently governmental functions, personal services,

- pricing, and contract funding. We recommended that CDC adhere to its procedures for periodically monitoring cumulative contract costs. CDC concurred with our finding and recommendation and described the corrective actions that it was taking. *Review of the Centers for Disease Control and Prevention's Compliance With Appropriations Laws and Acquisition Regulations—Contractor C.* A-02-09-02006. [Full Report](#)
- **Contractor D Audit.** In 2003, a CDC information technology service contract and six sampled task orders awarded to a company referred to as "Contractor D" did not fully comply with appropriations laws and acquisition regulations with respect to contract funding and pricing. Specifically, for three of the six task orders, CDC used annual appropriations to pay for expenses incurred after the appropriations' 1-year period of availability had expired. Additionally, CDC did not sufficiently document price or cost analyses under all six task orders. As a result, CDC violated the bona fide needs statute by expending \$1.6 million of annual appropriations beyond their period of availability and did not ensure that the pricing of task orders and modifications totaling \$73 million was fair and reasonable. The contract and sampled task orders complied with acquisition regulations with respect to competition, inherently governmental functions, and personal services. We recommended that CDC (1) determine whether the \$1.6 million expended outside the 1-year period of availability violated the Anti-Deficiency Act of 1950 (Anti-Deficiency Act) and, if so, report the violation as required; (2) develop and implement policies and procedures to address compliance with appropriations statutes and acquisition regulations on obligating and expending funds; and (3) implement and monitor the effectiveness of policies and procedures for documenting determinations of fair and reasonable pricing. In response, CDC described its corrective actions to address each of our recommendations. *Review of the Centers for Disease Control and Prevention's Compliance With Appropriations Laws and Acquisition Regulations—Contractor D.* A-04-09-01066. [Full Report](#)
  - **Contractor E Audit.** A 2003 CDC information technology service contract and six sampled task orders awarded to a company referred to as "Contractor E" did not fully comply with appropriations laws and acquisition regulations with respect to contract funding and pricing. For two of the six task orders, CDC used annual appropriations to pay for expenses incurred after the appropriations' 1-year period of availability had expired. Additionally, CDC did not sufficiently document price or cost analyses under all six task orders. As a result, CDC violated the bona fide needs statute by expending \$231,000 of annual appropriations beyond their period of availability and did not ensure that the pricing of task orders and modifications totaling \$21.5 million was fair and reasonable. The contract and sampled task orders complied with acquisition regulations with respect to competition, inherently governmental functions, and personal services. We recommended that CDC (1) determine whether the

\$231,000 expended outside the 1-year period of availability violated the Anti-Deficiency Act and, if so, report the violation as required; (2) develop and implement policies and procedures to address compliance with appropriations statutes and acquisition regulations on obligating and expending funds; and (3) implement and monitor the effectiveness of policies and procedures for documenting determinations of fair and reasonable pricing. In response, CDC described its corrective actions to address each of our recommendations. *Review of the Centers for Disease Control and Prevention's Compliance With Appropriations Laws and Acquisition Regulations—Contractor E.* A-04-09-06108. [Full Report](#)

## Food and Drug Administration

Public Health > FDA > National Drug Code Directory

### ■ FDA's Approval Status of Drugs Paid for by Medicaid

This report highlights the fact that the National Drug Code (NDC) Directory cannot reliably be used to verify the approval and listing status of drugs paid for under Medicaid. Previous OIG reports also found problems with the accuracy and completeness of FDA's NDC Directory.

Sixty-two percent of drugs paid for by Medicaid in 2008 had an approved application number in the NDC Directory. The remaining 38 percent either did not have an approved application number listed or were not in the NDC Directory.

In 2008, there was congressional concern that Medicaid pays for drugs that are not approved by the Food and Drug Administration (FDA). Without accurate approval and listing information, it was impossible to determine whether some drugs were paid for appropriately.

Generally, covered outpatient drugs must be approved by FDA to qualify for Federal payments under Medicaid. Data contained in the NDC Directory were inaccurate and incomplete, thereby preventing us from determining whether FDA approved these drugs. As a result, Medicaid could potentially pay for drugs that are not approved.

We recommended that FDA improve the completeness and accuracy of the NDC Directory by taking the following steps: (1) conduct frequent reviews of its NDC Directory to ensure its completeness and accuracy and (2) work with Congress and the Center for Medicare & Medicaid Services (CMS) to seek a legislative or regulatory change that compels manufacturers to list all approved products with FDA before they become eligible for Medicaid payment. FDA generally agreed with our recommendation to improve the completeness and accuracy of the NDC Directory and stated that it is working on several strategies for evaluating and correcting drug-listing data. CMS deferred to FDA regarding the response to our

recommendations. *FDA's Approval Status of Drugs Paid for by Medicaid*.  
OEI-03-08-00500. [Full Report](#)

## Health Resources and Services Administration

Public Health > HRSA > Grants Management > CARE Act Grants

### ■ Ryan White Title II Funding in Pennsylvania

Pennsylvania did not always comply with Federal requirements in administering funds provided for treatment of human immunodeficiency virus (HIV) and acquired immunodeficiency syndrome (AIDS) under Title II of the Ryan White Comprehensive AIDS Resources Emergency Act (CARE Act) of 1990.

From April 1, 2004, through March 31, 2007, Pennsylvania claimed at least \$3.2 million (\$2.2 million Federal share) that did not comply with the Title II requirements that funds be used only for eligible clients and only for drugs that are not eligible for coverage by other Federal, State, or private health insurance plans. Title II grants fund the purchase of medications through the AIDS Drug Assistance Program (ADAP) and other health care and support services for people who have HIV/AIDS and who have no health insurance or are underinsured. At the Federal level, the Health Resources and Services Administration (HRSA) oversees the CARE Act.

We recommended that Pennsylvania (1) refund \$2.2 million to the Federal Government, (2) review clients identified by this review as ineligible or having other health insurance to determine whether additional Title II payments made outside the audit period were improper, (3) review and validate information provided by clients on their ADAP applications before admitting clients to the program, and (4) ensure that the ADAP is considered the payer of last resort for clients who are enrolled in both the ADAP and the State's Pharmaceutical Assistance Contract for the Elderly program. The State generally agreed with our findings and outlined its actions to address our recommendations. *Review of Ryan White Title II Funding in Pennsylvania*. A-03-08-00552. [Full Report](#)

Public Health > HRSA > CARE Act Administration

### ■ Ryan White Title II AIDS Drug Assistance Program Funding in New Jersey

From April 1, 2003, through June 30, 2004, New Jersey improperly billed about \$2.5 million to Title II of the CARE Act for ADAP clients who were covered by the Medicaid program.

Title II grant funds may not be used to pay for drugs that are eligible for coverage by other Federal, State, or private health insurance, including Medicaid. Title II grants fund the purchase of medications through the ADAP and other health care and

support services for people who HIV/AIDS and who have no health insurance or are underinsured. We recommended that the health department refund \$2,498,819 to the Federal Government. In its response to our report, New Jersey did not directly address the recommendation. We maintain that the amount we identified should be refunded. *Review of Ryan White Title II AIDS Drug Assistance Program Funding in New Jersey*. A-02-08-02007. [Full Report](#)

## Indian Health Service

Public Health > IHS > Loan Repayment Program

### ■ **Audit of the Indian Health Service's Internal Controls Over Monitoring of Recipients' Compliance With Requirements of the Loan Repayment Program**

The Indian Health Service (IHS) did not have adequate internal controls to monitor recipients' compliance with certain requirements of the Loan Repayment Program related to Government and commercial loans obtained for education in health professions.

IHS did not always follow its policies and procedures to verify that recipients were employed at IHS-approved sites before awarding loan repayment funds and to ensure that recipients fulfilled their required-service obligations. As a result, IHS could not ensure that all recipients were in compliance with loan repayment requirements. Under the program, IHS is authorized to pay directly to the recipient of a loan repayment award the principal, interest, and related expenses associated with Government and commercial loans obtained for education in health professions. Recipients must sign contracts with IHS in which they agree to fulfill a service obligation at an IHS-approved site in return for funds to pay health profession education loans.

We recommended that IHS follow its policies and procedures to verify that recipients are employed before awarding loan repayment funds and that recipients fulfill their service obligations. IHS concurred with our recommendation and described actions that it planned to take to address the recommendation. *Audit of the Indian Health Service's Internal Controls Over Monitoring of Recipients' Compliance With Requirements of the Loan Repayment Program*. A-09-10-01005. [Full Report](#)

Public Health > IHS > Nursing Program Scholarships

### ■ **Audit of the Indian Health Service’s Internal Controls Over Monitoring of Recipients’ Compliance With Requirements of Nursing Program Scholarships**

IHS did not have any internal controls to monitor recipients’ fulfillment of education requirements and service obligations for Nursing Program scholarships. As a result, IHS could not provide assurance that recipients fulfilled education requirements and service obligations.

Under the Nursing Program, IHS provides grants to colleges, universities, and other programs to develop and maintain nursing education programs and recruit individuals to provide nursing services to Indians. Each recipient of a Nursing Program scholarship must maintain full-time enrollment until completion of the program, maintain an acceptable level of academic standing, and fulfill a minimum service obligation. We recommended that IHS develop and implement internal controls for monitoring recipients’ fulfillment of education requirements and service obligations for Nursing Program scholarships. IHS concurred with our recommendation and described actions that it was taking to address the recommendation. *Audit of the Indian Health Service’s Internal Controls Over Monitoring of Recipients’ Compliance With Requirements of Nursing Program Scholarships.* A-09-10-01006. [Full Report](#)

## **National Institutes of Health**

Public Health > NIH > Grants Management

### ■ **Institutional Conflicts of Interest at NIH Grantees**

The National Institutes of Health (NIH) lacks information on the number of institutional conflicts that exist among its grantee institutions and therefore cannot evaluate the impact that these conflicts may have on NIH-sponsored research. Institutional conflicts of interest may arise when institutions’ financial interests (e.g., royalties, equity, stockholdings, and gifts) or those of senior officials pose risks of undue influence on decisions involving the institutions’ research.

No Federal regulations require NIH grantee institutions to identify and report institutional conflicts to NIH. We surveyed 250 grantee institutions and requested information on any institutional financial interests related to NIH grants awarded in FY 2008. Despite the lack of Federal requirements, 70 of 156 responding NIH grantee institutions (less than half) had written policies and procedures addressing these interests. We also found that although not required for institutional conflicts, 69 of 156 responding NIH grantee institutions had written policies and procedures addressing such conflicts. Fifty-nine of the sixty-nine institutions defined, in writing,

what constitutes an institutional conflict. We recommended that NIH promulgate regulations that address institutional financial conflicts of interest, and, until regulations are promulgated, NIH should encourage grantee institutions to develop policies and procedures related to institutional financial interests and conflicts. In response to our report, NIH stated that it is reviewing public comments to finalize regulations on financial conflicts of interest, and, therefore, it neither concurred nor nonconcurred with our recommendation. *Institutional Conflicts of Interest at NIH Grantees*. OEI-03-09-00480. [Full Report](#)

Public Health > NIH > Appropriations Funding

■ **Appropriations Funding for National Heart, Lung, and Blood Institute Contract HHSN268-2008-00012C With Information Management Services, Inc.**

During FYs 2008 and 2009, NIH's National Heart, Lung, and Blood Institute (NHLBI) did not comply with "time" requirements and may not have complied with "amount" requirements specified in appropriations statutes in administering contract HHSN268-2008-00012C (the contract) with Information Management Services, Inc.

Because the contract was a nonseverable service contract (i.e., represents a single undertaking and provides for a single outcome), NHLBI was required to record the full amount of the contract using fiscal year 2008 appropriated funds. By not doing so, NHLBI potentially violated the Anti-Deficiency Act, which prohibits an agency from obligating or expending funds in advance of or in excess of an appropriation unless specifically authorized by law. We found that NHLBI did comply with "purpose" requirements of appropriations statutes. An agency may obligate appropriations for goods and services when (1) the purpose of the obligation or expenditure is authorized, (2) the obligation occurs within the time limits for which the appropriation is available, and (3) the obligation and expenditure are within the amounts provided by Congress. Federal statutes specify that a fiscal year appropriation may be obligated to meet only a legitimate, or bona fide, need arising in or continuing to exist in the appropriation's period of availability.

We recommended that NHLBI (1) record \$2.7 million of the \$3.4 million Contract obligation against FY 2008 funds and deobligate funds appropriated for years other than FY 2008 and (2) report an Anti-Deficiency Act violation if FY 2008 funds are not available. NIH concurred with our findings and recommendations. *Appropriations Funding for National Heart, Lung, and Blood Institute Contract HHSN268-2008-00012C With Information Management Services, Inc.* A-03-10-03121. [Full Report](#)

## Public-Health-Related Legal Actions and Investigations

### ■ Health Education Assistance Loan Program

Under the Health Education Assistance Loan (HEAL) program, HRSA guarantees commercial loans to students seeking education in health-related fields. The students are allowed to defer repayment of the loans until after they have graduated and begun to earn income. Although the Department of Health & Human Services' (HHS) Program Support Center (PSC) takes steps to ensure repayment, some loan recipients do not resolve their indebtedness. After PSC has exhausted efforts to secure repayment of a debt, it declares an individual in default. Thereafter, the Social Security Act permits exclusion from Medicare, Medicaid, and all other Federal health care programs for nonpayment of these loans. Exclusion means that the individual may not receive reimbursement under these programs for professional services rendered nor can any other provider receive reimbursement for services ordered or prescribed by the individual. OIG has authority to exclude individuals who have defaulted on HEAL loans from participation in Federal health care programs.

### ■ HEAL Exclusions

During the period covered by this report, 52 individuals and related entities were excluded as a result of PSC referral of their cases to OIG. Individuals who have been excluded as a result of default may enter into settlement agreements whereby the exclusions are stayed while they pay specified amounts each month to satisfy their debts. If they default on these settlement agreements, they may be excluded until the entire debts are repaid, and they may not appeal the exclusions. After being excluded for nonpayment of their HEAL debts, 2,315 individuals have chosen to enter into settlement agreements or completely repay their debts. That figure includes the 23 individuals who have entered into such settlement agreements or completely repaid their debts during this reporting period. The amount of money being repaid through settlement agreements or through complete repayment is \$173.3 million. Of that amount, \$2.6 million is attributable to this reporting period.

Each of the following entered into a settlement agreement to repay the amount indicated:

- Washington Chiropractor - \$29,014
- Texas Osteopath - \$51,447
- California Medical Doctor - \$104,311
- Virginia Medical Doctor - \$ 23,281
- California Medical Doctor - \$643,013

## Human Services

### Foster Care

Human Services > Foster Care > Allowability of State Claims for Federal Share

#### ■ **Allegheny County Title IV-E Foster Care Claims From October 1997 Through September 2002**

Pennsylvania improperly claimed an estimated \$28.3 million of the \$146.1 million Federal share it claimed for Title IV-E reimbursement on behalf of Allegheny County children from October 1997 through September 2002.

The \$28.3 million included \$17.3 million in unallowable maintenance costs and \$11 million in unallowable associated administrative costs. We also set aside \$27.9 million for determinations of allowability by the State and the Administration for Children & Families (ACF). Title IV-E of the Social Security Act, as amended, authorizes Federal funds for State foster care programs. For children who meet Title IV-E requirements, ACF provides the Federal share of States' costs, including those for maintenance and administration and training.

We recommended that the State (1) refund \$28.3 million to the Federal Government, (2) work with ACF to determine the allowability of \$27.9 million related to claims that included allowable and unallowable services; (3) work with ACF to identify and resolve any unallowable claims for maintenance payments made after September 2002 and refund the appropriate amount; (4) discontinue claiming Title IV-E reimbursement for ineligible children and ineligible services; (5) direct Allegheny County to develop rate-setting procedures that separately identify maintenance and other costs; and (6) direct Allegheny County to describe the services provided when claiming sundry costs. The State disagreed with our findings and recommendations. *Audit of Allegheny County Title IV-E Foster Care Claims From October 1997 Through September 2002*. A-03-08-00554. [Full Report](#)

### Head Start

Human Services > ACF > Head Start > Health and Safety Requirements

#### ■ **District of Columbia Department of Parks and Recreation's Compliance With Health and Safety Regulations for Head Start Programs**

The Head Start program-funded activities of the District of Columbia Department of Parks and Recreation did not fully comply with Federal and State requirements on ensuring the health and safety of children in its care.

This is one of a series of audits that address the health and safety of children in Head Start programs. We are conducting these types of audits in response to the \$2.1 billion in American Recovery and Reinvestment Act of 2009 (Recovery Act) funds appropriated for the Head Start program in FYs 2009 and 2010. The District of Columbia Department of Parks and Recreation was a delegate agency for Head Start program grantee United Planning Organization (UPO), a community action agency for Washington, DC. As of July 2009, the files on all 43 of the delegate Grantee's employees (1) lacked evidence of a completed child protection register check, (2) lacked evidence of compliance with 1 or more other Federal or State preemployment requirements, and (3) were not maintained on the facility premises. The delegate Grantee's 15 drivers did not meet all Federal driver-specific preemployment and training requirements.

Finally, the delegate Grantee's 10 childcare facilities did not meet all Federal Head Start and State requirements for protecting children from unsafe materials and equipment and did not provide a fully secure environment for the children in their care.

The delegate Grantee has since left the Head Start program, and UPO has closed 5 of the 10 facilities. The delegate Grantee's failure to comply with requirements jeopardized the health and safety of children in its care.

We recommended that UPO develop and consistently follow procedures for the five remaining facilities to ensure that (1) all employee files contain evidence of checks of the child protection register and evidence of completed background checks, no applicants are hired if they have been convicted of an offense listed in District regulations,<sup>1</sup> and each facility maintains background check documentation on each employee on the premises; (2) all drivers have met Federal driver-specific requirements; (3) all unsafe materials and equipment are stored in locked areas out of the reach of children, all necessary repairs are addressed in a timely manner, all unsafe conditions are addressed, and all facilities meet State licensing requirements; and (4) all facilities are secure. UPO concurred with our recommendations and described its actions to address the deficiencies that we identified. *Review of District of Columbia Department of Parks and Recreation's Compliance With Health and Safety Regulations for Head Start Program*. A-03-09-00363. [Full Report](#)

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<sup>1</sup> Relevant offenses are listed in District of Columbia regulations at 29 DCMR § 328.1(e).

## Job and Family Services

Human Services > State Claims for Federal Share > Child Welfare Services

### ■ Ohio Department of Job and Family Services Claims for Costs Reported by the Hamilton County Department of Job and Family Services

The Ohio Department of Job and Family Services (State agency) reported \$59 million (Federal share) in unallowable costs for services provided by child welfare organizations from July 1, 2001, through June 30, 2004, that it claimed to ACF for Hamilton County.

We conducted this audit at the request of ACF after the State agency identified \$216 million in unallowable costs reported by the Hamilton County Department of Job and Family Services (County agency). The County agency inappropriately allocated the child welfare organizations' costs through indirect cost pools. The State agency inappropriately claimed the costs because it relied on the County agency's reported program costs and did not ensure that the County agency allocated the costs in accordance with the cost allocation plan and other Federal requirements.

We recommended that the State agency (1) refund \$59 million to the Federal Government for County agency costs inappropriately claimed through the cost pools and (2) ensure that the County agency appropriately allocates and reports allowable costs in accordance with the cost allocation plan and other Federal requirements.

The State agency generally concurred with our findings and recommendations.

*Review of Ohio Department of Job and Family Services Claims for Costs Reported by the Hamilton County Department of Job and Family Services.* A-05-08-00098. [Full Report](#)

## Child-Support Enforcement

Congress annually appropriates funds to OIG to detect, investigate, and prosecute noncustodial parents who fail to pay court-ordered child support. These activities are priorities for OIG. OIG works closely with the Office of Child Support Enforcement (OCSE); the Department of Justice (DOJ); U.S. Attorneys' Offices; the U.S. Marshals Service; and other Federal, State, and local partners to expedite the collection of child support.

### ■ Child-Support Task Forces

In 1998, OIG and OCSE initiated Project Save Our Children, a child support initiative that united the efforts of multiagency, multijurisdictional investigative task forces for child-support enforcement. The task forces are designed to identify, investigate, and prosecute egregious criminal nonsupport cases on the Federal and State levels by coordinating law enforcement, criminal justice, and child-support office resources. Task force screening units receive child support cases from the States; conduct

preinvestigative analyses; and forward the cases to the investigative task force units, where they are assigned and investigated. The task force approach streamlines the process by which the cases best suited for criminal prosecution are identified, investigated, and resolved.

### ■ **Child-Support Investigations**

OIG investigations of child-support cases, nationwide, resulted in 32 convictions and court-ordered restitution and settlements of \$1.2 million during this semiannual period. Examples of OIG's enforcement results for failure to pay child support follow.

- **Georgia** – Jason Raleigh Thomas was ordered to make restitution in the amount of \$57,175 to the Chatham County Office of Child Support Enforcement following a guilty plea for failure to pay legal child-support obligations. Prior to his arrest, Thomas had been served in May 2003 with a temporary order of child support by the Superior Court of Chatham County, and had also been given a contempt order and income-deduction order by the court on March 10, 2006. In December 2007, the paternity of the child in question was resolved with Thomas' signing of a paternity acknowledgement, and his giving permission for the child's surname to be changed to his own.
- **South Dakota** – Jeremiah Wood was sentenced to 18 months of incarceration and restitution in the amount of \$18,155 in connection with his guilty plea to one felony count of failure to pay legal child-support obligations. Records indicate that Wood was ordered to make child-support payments commencing in 2000 in support of his child, who resided in the District of South Dakota. According to the South Dakota Division of Child Support, Wood failed to comply with the court order in this matter and was over \$10,000 in arrears, despite his awareness of his obligation and his ability to pay.

## **Departmentwide Issues**

### ■ **Departmental Financial Statement Audit**

The Chief Financial Officers Act of 1990 (CFO Act), as amended, requires OIG or an independent external auditor, as determined by OIG, to audit the HHS financial statements in accordance with applicable standards. Independent external auditors provided an unqualified opinion on the FY 2010 HHS financial statements. This means that for the 12th consecutive year, the statements were reliable and fairly presented. However, the report on internal controls noted two material weaknesses, and the report on compliance with laws and other matters noted noncompliance with Federal Financial Management Improvement Act of 1996 (FFMIA).

**Financial Reporting Systems, Analyses, and Oversight**—FFMIA requires Federal agencies to have an integrated financial management system that provides effective

and efficient interrelationships among software, hardware, personnel, procedures, controls, and data contained within the systems and compliance with the United States Standard General Ledger at the transaction level and applicable Federal accounting standards. HHS's lack of an integrated financial management system continues to impair its ability to support and analyze account balances reported. Because of continued weaknesses in the financial management systems, management must compensate for the weaknesses by implementing and strengthening additional controls to ensure that errors and irregularities are detected in a timely manner.

Review of internal controls disclosed a series of weaknesses that impact HHS's ability to report accurate financial information on a timely basis. For example, the audit found that HHS did not have adequate controls in place to monitor undelivered orders, which represent remaining amounts of obligated funds that had not been delivered or appropriately deobligated. As of September 30, 2010, the audit identified approximately 102,500 transactions totaling about \$1.8 billion that were more than 2 years old without activity. Additionally, during FY 2010, OIG, the Office of General Counsel, and management from HHS and the operating divisions completed reviews of various multiyear contracts and found that the contracts were funded in a manner that was inconsistent with the legal requirements.

**Financial Information Systems**—Issues in the design and the operation of key controls in both general and application controls were noted. In particular, weaknesses were identified in information security program and application configuration management. For example, external and internal system vulnerabilities such as weak password configurations, insecure system configuration, and unnecessary system services continue to exist and pose a significant risk. Change-management procedures were insufficient to ensure that only properly authorized changes were implemented into production systems. In addition, audit log monitoring and contingency management were identified as deficiencies that warrant attention.

HHS piloted a new Consolidated Financial Reporting System that should correct many of the findings related to financial systems, analyses and oversight in FY 2010. HHS implemented the new reporting system for the first quarter FY 2011 successfully and will use it for the FY 2011 HHS Consolidated Financial Statements, issued as of and for the period ending September 30, 2011. HHS expects to have the issues identified for Financial Management Information Systems corrected by September 30, 2012. HHS is currently updating its agencywide corrective action plan to address noncompliance with FFMIA.

Refer to: *Department of Health & Human Services Fiscal Year 2010 Agency Financial Report*, section II. Daniel R. Levinson, Inspector General, *Report on the Financial Statement Audit of the Department of Health & Human Services for Fiscal Year 2009*. A-17-09-00001 (pp. II-8, II-16, II-50).

## ■ Non-Federal Audits

In this semiannual period, OIG’s National External Audit Review Center reviewed 1,579 reports that covered \$823.3 billion in audited costs. Federal dollars covered by these audits totaled \$175 billion, about \$84.8 billion of which was HHS money.

Office of Management and Budget (OMB) Circular A-133 establishes audit requirements for State and local governments, colleges and universities, and nonprofit organizations receiving Federal awards. Under this circular, covered entities must conduct annual organizationwide “single audits” of all Federal money they receive. These audits are conducted by non-Federal auditors, such as public accounting firms and State auditors. OIG reviews the quality of these audits and assesses the adequacy of the entities’ management of Federal funds. OIG’s oversight of non-Federal audit activity informs Federal managers about the soundness of management of Federal programs and identifies any significant areas of internal control weakness, noncompliance, and questioned costs for resolution or followup. We identify entities for high-risk monitoring, alert program officials to any trends that could indicate problems in HHS programs, and profile non-Federal audit findings of a particular program or activity over time to identify systemic problems. We also provide training and technical assistance to grantees and members of the auditing profession. OIG maintains a process to assess the quality of the non-Federal reports received and the audit work that supports the selected reports.

The non-Federal audit reports reviewed and issued during this reporting period are categorized in the following table.

<b>OIG reports issued:</b>	
Not requiring changes or with minor changes	1,497
Requiring major changes	71
With significant technical inadequacies	11
<b>Total</b>	<b>1,579</b>

The 1,579 reports included 4,249 recommendations for improving management operations. In addition, these audit reports provided information for 68 special memorandums that identified concerns for increased monitoring by management.

## ■ Contract Audits

The National Defense Authorization Act for FY 2008, § 845, requires each Inspector General appointed under the Inspector General Act of 1978 to submit, as part of the semiannual report submitted to Congress pursuant to section 5 of such Act, information on final, completed contract audit reports issued to the contracting activity containing significant audit findings issued during the period covered by the

semiannual report concerned. This edition of the Semiannual Report includes the following significant contract audits:

- *Centers for Disease Control and Prevention's Compliance with Appropriations Laws and Acquisition Regulations.* Contractor B Audit: no questioned costs. Contractor C audit: no questioned costs. Contractor D audit: \$1,599,612 in unsupported costs. Contractor E audit: \$230,520 in unsupported costs. For report names and numbers, see p. IV-1.
- *Appropriations Funding for National Heart, Lung, and Blood Institute Contract HHSN268-00012C With Information Management Services, Inc.* \$3,460,870 in funds put to better use recommendations; no questioned cost recommendations. For report summary and number, see p. IV-7.

### ■ **Grantee Fraud and Misconduct**

**Wisconsin** – Elizabeth B. Goodwin, Ph.D., a former Associate Professor at the University of Wisconsin, Laboratory of Genetics, was ordered to pay \$50,000 in restitution after pleading guilty to a criminal offense related to fraud and false statements. Goodwin admitted to manipulating data in a Federal grant progress report to convince reviewers that she was making more scientific progress with her research than was actually the case. Goodwin also admitted that her conduct constituted misconduct in science, and she agreed to be voluntarily excluded for 3 years from any involvement in Federal Government research. This case was jointly investigated with the Federal Bureau of Investigation (FBI).

### ■ **Recovery Act Retaliation Complaint Investigation**

Section 1553 of the Recovery Act prohibits non-Federal employers that have received Recovery Act funding from retaliating against employees who disclose evidence of mismanagement of Recovery Act funds or any violation of law related to Recovery Act funds. Section 1553 also requires OIGs to include in their semiannual reports to Congress the retaliation complaint investigations that they decided not to conduct or continue during the reporting period. During this reporting period, OI discontinued one Recovery Act whistleblower retaliation complaint investigation. The complaint was against a collegiate educational facility in the Southeastern United States.

### ■ **Legislative and Regulatory Reviews**

The Inspector General Act of 1978 (IG Act) requires us to review existing and proposed legislation and regulations relating to HHS's programs and operations and make recommendations concerning their impact on economy and efficiency or the prevention and detection of fraud and abuse. Most audits and other reviews that we conduct are designed to test compliance with and/or assess the administration and oversight of existing laws and regulations. Our reports of such reviews describe findings, which include questioned costs, inefficiencies, vulnerabilities to fraud,

inconsistencies, errors in application, or weaknesses in oversight or supporting systems. Our corresponding recommendations tell HHS and its pertinent operating or staff divisions what administrative, regulatory, or legislative actions we believe are needed to effectively respond to the findings. Our regularly published core publications reflect the relationship between our work and laws and regulations.

- Our *Semiannual Report to Congress* describes findings and recommendations from recently completed reviews, many of which focus on existing laws and regulations.
- Our *Compendium of Unimplemented Recommendations*, which is published annually, describes priority findings and recommendations from past periods that remain to be implemented, along with pertinent citations of existing laws and regulations.
- Our annual *Work Plan*, which is published at the start of each fiscal year, provides citations to laws and regulations that are the subject of ongoing or future reviews.

We also review proposed legislation and regulations related to HHS programs and operations. HHS routinely involves us and its other operating and staff divisions in the review and development of HHS regulations through a well-established HHS process. Our audits, evaluations, and investigations are sometimes cited in regulatory preambles as influencing HHS regulations. In addition, we provide independent, objective technical assistance on a bipartisan, bicameral basis to congressional committees and members who request it.