



American Recovery and Reinvestment Act of 2009

U.S. Dept. of Health and Human Services
Office of Inspector General



Agenda

- Recovery Act Objectives and Funding
- HHS Recovery Act Funding
- Recovery Board and OMB Guidance
- HHS OIG Initial Oversight Plan
(March 2009)
- HHS OIG Recovery Act Work Plan
(April 2009)

American Recovery and Reinvestment Act of 2009

Objectives and Funding

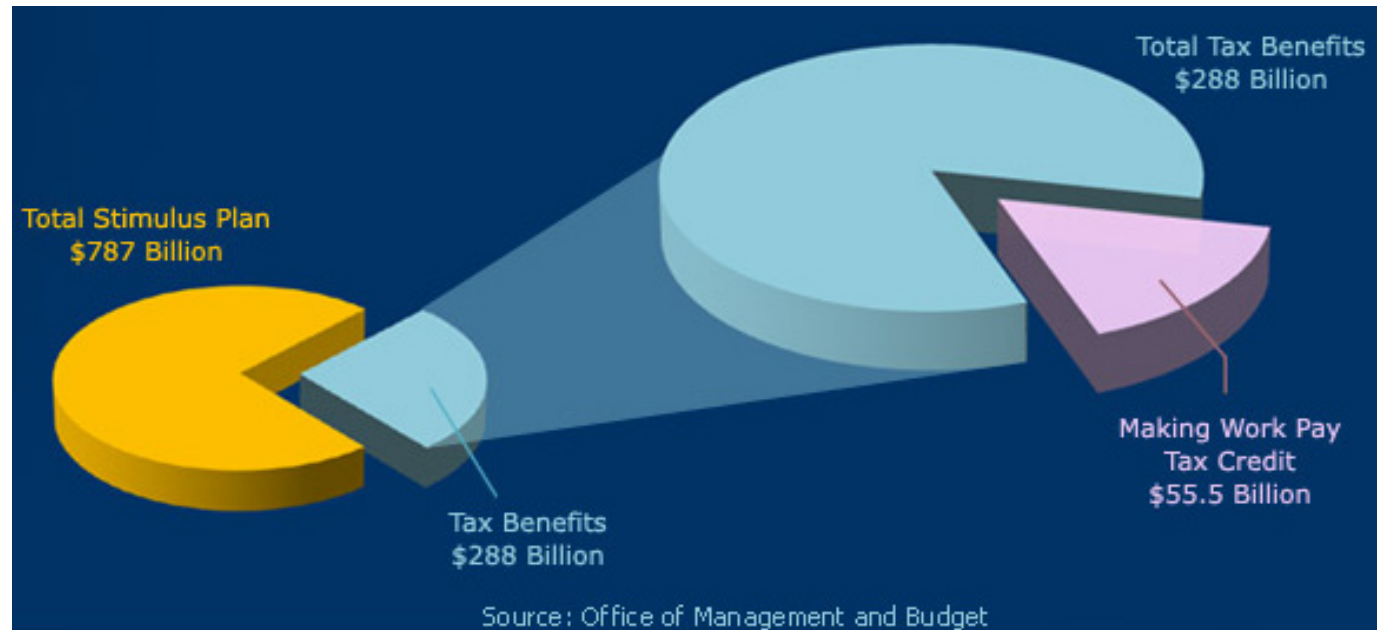
American Recovery and Reinvestment Act of 2009

- Signed into law February 17, 2009 (ARRA or the **Recovery Act**)
- “An unprecedented effort to jumpstart our economy, save and create millions of jobs, and put a down payment on addressing long-neglected challenges so our country can thrive in the 21st century”
 - (<http://www.recovery.gov/>)



Recovery Act Funding

- Total stimulus plan \$787 billion
- Federal spending \$499B; tax cuts \$288B





Recovery Act Funding

- Health & Human Services (HHS) receiving \$135 billion
 - 27 percent of Recovery Act Federal spending
- HHS Office of Inspector General receiving \$48.25 million through September 30, 2012
 - Immediate results: substantial increase in FTEs



HHS Funding Relates to 4 of the 5 Statutory Purposes

- ❑ To preserve and create jobs and promote economic recovery
- ❑ To assist those most impacted by the recession
- ❑ To provide investments needed to increase economic efficiency by spurring technological advances in science and health



HHS Funding Relates to Each of the Recovery Act Objectives

- To stabilize state and local government budgets in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases
 - (5th deals with investment in transportation and other infrastructure)

HHS Recovery Act Funding

Where Is Your Money Going?

HHS: Where Your Money Is Going



- ❑ Improving and preserving healthcare (\$90.1B)
- ❑ Health IT (\$20.6B)
- ❑ Scientific research and facilities (\$10.0B)
- ❑ Children and community services (\$9.8B)

HHS: Where Your Money Is Going



- Community health services (\$2.8B)
- Comparative effectiveness research (\$1.1B)
- Prevention and wellness research (\$1.0B)
- IT security, and accountability (\$0.1B)

Improving and Preserving Healthcare (\$90.1B)



- State fiscal relief through a 6.2 percent Federal medical assistance percentage (FMAP) increase through February 2010 (\$87.9B)
 - States with high unemployment increases receive a higher FMAP

Health IT (\$20.6B)

- Taking a big step toward computerizing Americans' health records, reducing medical errors, and saving billions in health care costs
- Medicare and Medicaid incentives to encourage physicians and hospitals to adopt certified Electronic Health Record (EHR) technology (\$17.6B)

Health IT (\$20.6B)



- Health Information Technology for Economic and Clinical Health Act (HITECH Act) (\$2.0B)
 - Authorizes a Federal advisory committee (HIT Standards Committee) to recommend standards to be tested by NIST
 - Develops a schedule for assessment of policy recommendations
 - Develops privacy and security provisions

Scientific Research and Facilities (\$10.0B)



- National Institutes of Health (NIH)
 - Office of the director for scientific research (\$8.2B)
 - Extramural laboratory construction and renovation (\$1.0B)
 - NIH buildings and facilities (\$0.5B)

Children and Community Services (\$9.8B)

U.S. Department of Health & Human Services

Administration for Children & Families



- TANF: anticipated surge in families needing cash assistance (\$2.4B)
- Child care development block grant (\$2.4B)
- Head Start/Early Head Start programs (\$2.1B)
- Community services block grant (\$1.0B)
- AOA nutrition programs (\$0.1B)

Community Health Services (\$2.8B)

- Community Health Centers (\$2.0B)
 - For construction, renovation, and equipment, and for the acquisition of health information technology systems (\$1.5B)
 - To support new health center sites and service areas, and to increase services at existing sites (\$0.5B)

Comparative Effectiveness Research (\$1.1B)



- Which treatment works best for a given medical condition?
 - Agency for Healthcare Research and Quality (AHRQ)(\$0.7B)
 - National Institutes of Health (\$0.4B)

Prevention and Wellness Research (\$1.0B)



-
- Centers for Disease Control and Prevention (CDC)
 - Prevention and wellness strategies (\$0.65B)
 - Immunization program (\$0.30B)
 - Healthcare associated infections (\$0.050B)

IT Security and Accountability (\$0.1B)



- HHS IT Security (\$0.050B)
- Accountability: funding for the Office of the Inspector General (\$0.047B)



American Recovery and Reinvestment Act of 2009

Recovery Board and OMB Guidance

Recovery Board

- Recovery Act created a Recovery Accountability and Transparency Board (the Board) (sec. 1521)
- Board composition (sec. 1522)
 - Chairman Earl Devaney and 10 specified Inspectors General
 - Includes Daniel Levinson, HHS IG





Recovery Board

- The Board shall coordinate and conduct oversight of covered funds in order to prevent fraud, waste, and abuse (sec. 1523(a)(1))

Recovery Board

- Specific functions include (sec. 1523(a)(2)):
 - reviewing whether the reporting of contracts and grants using covered funds meets applicable standards and specifies the purpose of the contract or grant and measures of performance
 - reviewing whether competition requirements applicable to contracts and grants using covered funds have been satisfied
 - auditing or reviewing covered funds to determine whether wasteful spending, poor contract or grant management, or other abuses are occurring and referring matters it considers appropriate for investigation to the inspector general

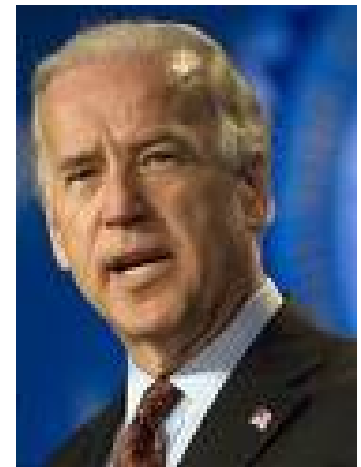


Recovery Board

- reviewing whether there are sufficient qualified acquisition and grant personnel overseeing covered funds
- reviewing whether personnel whose duties involve acquisitions or grants made with covered funds receive adequate training
- reviewing whether there are appropriate mechanisms for interagency collaboration relating to covered funds, including coordinating and collaborating to the extent practicable with the Inspectors General Council on Integrity and Efficiency (IGCIE)

Recovery Board

- The Board shall submit to the President and the Congress quarterly, annual, and flash reports (sec. 1523(b))
 - Vice President Biden submits first quarterly report to the President May 13, 2009



OMB Guidance



- OMB was charged with providing technical guidance for implementing the Recovery Act
- OMB bulletin M-09-10 dated 2/18/09*
- Three major focus areas:
 - Transparency (track and report dollars)
 - Accountability (account for all dollars and mitigate risk of waste, fraud and abuse)
 - Implementation (actions needed to award grants and contracts)

* (updated 4/3/09 by M-09-16)



HHS OIG Initial Oversight Plan

March 31, 2009

HHS OIG Initial Oversight Plan

- Initial plan for oversight of recovery act funds submitted to Congressional Committee on Oversight and Government Reform (4/1/09)
 - Coordinating with Congress, the Recovery Board, and GAO
 - Audit work based on the accountability objectives defined by OMB





Five OIG Oversight Objectives

1. Funds are awarded and distributed in a prompt, fair and reasonable manner
2. The recipients and uses of all the funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely fashion



Five OIG Oversight Objectives

3. Funds are used for authorized purposes, and instances of fraud, waste, and abuse are mitigated
4. Projects funded under the Recovery Act avoid unnecessary delays and cost overruns
5. Program goals are achieved, including specific program outcomes and improved results on broader economic indicators



HHS OIG Initial Oversight Plan

- Plan contains two distinct parts:
 - Part I - Actions to help reduce risk
 - Part II - Review activities



Part I - Actions to Help Reduce Risk

- Working with HHS management to:
 - Minimize risk
 - Assess controls to prevent fraud, waste and abuse
 - Ensure that program goals are achieved, and funds are accurately tracked and reported

Specific Actions Taken to Help Reduce Risk

- Provided input to implementation guidance provided in OMB Bulletin M-09-10, sec. 5 – Grants and Cooperative Agreements
- Outlined the steps needed to be taken within the next 90 days to obtain meaningful Single Audit coverage

Specific Actions Taken to Help Reduce Risk

- Reviewed implementation plans prepared by management for each HHS Recovery Act program, with an emphasis on:
 - Purpose of funding
 - Means of execution
 - Method of selection
 - Intended award recipients
 - Accountability measures

Specific Actions Taken to Help Reduce Risk

- Launched a risk assessment and work plan development team (risk team)
 - Performed risk assessment of \$42 of \$46B allocated to health IT and non-Medicaid programs
 - Building on our prior 2008 risk assessment of nine non-Medicaid programs or agencies

Specific Actions Taken to Help Reduce Risk

- Gained an understanding of how each agency plans to use, disburse, and monitor Recovery Act funds
- Five areas of emphasis included:
 - Considered the amount of Recovery Act funds in proportion to the size of the program
 - Identified internal controls for processing, planning, organizing, directing, and controlling the disbursement of Recovery Act funds



Specific Actions Taken to Help Reduce Risk

- Considered the amount of agency resources needed to disburse and monitor Recovery Act funds
- Identified the information systems that management plans to use to report results
- Considered the likelihood and magnitude of identified risks



Specific Actions Taken to Help Reduce Risk

- Reviewing the CMS plan for temporarily increasing the FMAP and the controls in place to ensure compliance with the Recovery Act
 - \$87B of the \$90B in Medicaid funding



Part II – Review Activities

- Using interim and final results of the risk assessment to develop a Recovery Act work plan
 - 13 Recovery Act audits were planned for fiscal year 2009 (ending 9/30/09)
 - Many more to be developed later as part of our HHS OIG Recovery Act Work Plan

HHS OIG Recovery Act Work Plan

April 24, 2009





Recovery Act Work Plan

- Centers for Medicare & Medicaid Services
 - Medicaid Program
- Public Health and Human Service Programs
 - Centers for Disease Control and Prevention
 - National Institutes of Health
 - Health Resources and Services Administration
 - Indian Health Service
 - Administration for Children and Families



Medicaid Program (10)

- Temporary Increases of Federal Medical Assistance Percentages
- States' Compliance With Requirements for Claiming Increased Federal Medical Assistance Percentages
- States' Use of Increased Recovery Act Funding



Medicaid Program

- ❑ State Controls Over Increased Federal Medical Assistance Percentages
- ❑ State Medicaid Program Integrity Efforts
- ❑ Reconciliation of Expenditure Reports to Claim Data
- ❑ Medicaid High-Risk Providers



Medicaid Program

- ❑ Medicaid Disproportionate Share Hospital Payments
- ❑ Transitional Medical Assistance Programs
- ❑ Medicaid Qualified Individual Programs

Specific Medicaid Program Audit

□ Temporary Increases of Federal Medical Assistance Percentages



- We will review the calculations for the temporary increases of the Medicaid FMAP and CMS's controls for ensuring that the provisions of the Recovery Act are correctly implemented.
- Pursuant to sec. 5001 of the Recovery Act, each State is eligible for temporary increases of its Medicaid FMAP from October 2008 through December 2010 based on the State's FMAP for the prior fiscal year (FY), the State's unemployment level, and other factors.
- We may review the calculations of the increased FMAPs for various quarters of FYs 2009 and 2010 for all States.



Centers for Disease Control and Prevention (3)

- ❑ Controls Over the Cooperative Agreement Award Process
- ❑ Implementation of Controls Over Cooperative Agreements
- ❑ Recipient Compliance With Cooperative Agreement Requirements

Specific CDC Audit

□ Recipient Compliance With Cooperative Agreement Requirements

- We will review compliance with the Recovery Act by recipients of CDC's cooperative agreements. The Recovery Act provides \$1 billion, primarily through cooperative agreements, for prevention and wellness strategies. These funds will be awarded and spent in a short period.
- As part of our oversight role in preventing fraud, waste, and abuse, we will determine whether CDC recipients spent funds in compliance with the terms and conditions set forth in the Recovery Act.





National Institutes of Health (10)

- Internal Controls Over Research Awards
- Implementation of Internal Controls Over Grant Awards
- Recipient Capability Audits
- Implementation of Internal Controls for Grantee Reporting



National Institutes of Health

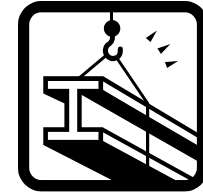
- ❑ Recipient Compliance With Grant Requirements
- ❑ Internal Controls for Extramural Construction and Shared Instrumentation
- ❑ National Institute of Environmental Health Sciences Grant Process



National Institutes of Health

- ❑ Intramural Construction Bid Proposal Audits
- ❑ Intramural Construction: Contingency Fund Management
- ❑ College and University Indirect Costs Claimed as Direct Costs

Specific NIH Audit



- **Internal Controls for Extramural Construction**
 - We will review NIH's internal controls for awarding extramural construction grants. NIH's spending plan proposes \$1 billion of Recovery Act funds for renovations, repairs, improvements, or construction of core research facilities.
 - As part of our oversight role in preventing fraud, waste, and abuse, we will determine whether NIH's internal controls for the systems used to process and monitor Recovery Act grants are effective and efficient.



Health Resources and Services Administration (5)

- Internal Controls for Awarding and Monitoring Grants to Community Health Centers
- Recipient Capability Audits
- Construction Grant Award and Monitoring Process



Health Resources and Services Administration

- Award and Monitoring of Grants, Loans, Scholarships, and Service Contracts for Health Professions Training Programs
- Recipient Compliance With Reporting Requirements

Specific HRSA Audit



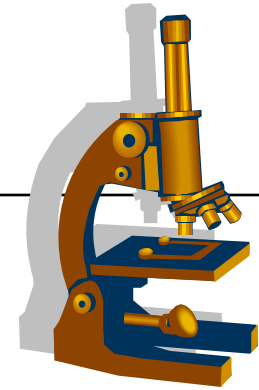
- **Award and Monitoring of Grants, Loans, Scholarships, and Service Contracts for Health Professions Training Programs**
 - We will review HRSA's controls over awarding and monitoring grants, loans, scholarships, and service agreement contracts used to carry out Health Professions Training Programs. The Recovery Act provides \$500 million to address health profession workforce shortages by building on HRSA's programs.
 - As part of our oversight role in preventing fraud, waste, and abuse, we will determine whether HRSA's internal controls over the award and monitoring process are effective.



Indian Health Service (3)

- ❑ Facilities Construction: Bid Proposal Audits
- ❑ Facilities Construction: Contingency Fund Management Audits
- ❑ Internal Controls Over Equipment

Specific Indian Health Service Audit



□ **Internal Controls Over Equipment**

- We will review IHS's internal controls for property management and monitoring of equipment. The Recovery Act provides \$20 million in funding for IHS to purchase medical equipment, computed tomography scanners, and ambulances. A recent GAO audit found that millions of dollars worth of IHS property was lost or stolen over the past several years. The audit also found evidence of wasteful spending.
- As part of our oversight role in preventing fraud, waste, and abuse, we will assess internal controls and monitoring of IHS property.



Administration for Children and Families (9)

- ❑ Internal Controls Over Grant Award Process
- ❑ Licensing, Health, and Safety Standards at Head Start Facilities
- ❑ Licensing, Health, and Safety Standards at Childcare Facilities



Administration for Children and Families

- Early Head Start Recipient Capability Audits
- Head Start Recipient Capability Audits
- Community Service Block Grants



Administration for Children and Families

- Early Head Start Agencies' Use of Grant Funds
- Head Start Matching Costs
- Head Start Agencies' Use of Grant Funds

Specific ACF Audit

□ Community Service Block Grants

- We will review ACF's controls over the grant award and oversight process for CSBG funds. The Recovery Act provides \$1 billion in additional funds for States to alleviate the causes and conditions of poverty in communities. A recent GAO audit identified numerous internal control weaknesses concerning ACF's oversight of the States' use of CSBG funds.
- As part of our oversight role under the Recovery Act, we will conduct a follow-up review of the grant award and oversight process to determine whether ACF has taken effective corrective actions and to assess other oversight controls.





Some Longer Term Actions

- Expanding the HHS CFO contract to include testing of Recovery Act disbursements
- Reviewing Single Audit reports on Recovery Act funds and ensuring that corrective actions are taken.
- Working with management on systems development life-cycle design to upgrade or create systems to track Recovery Act funds

Any questions?



HHS Office of Inspector General

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