Department of Health and Human Services

OFFICE OF
INSPECTOR GENERAL

HHS OVERSIGHT OF GRANTEES COULD BE IMPROVED THROUGH BETTER INFORMATION-SHARING

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EXECUTIVE SUMMARY: HHS OVERSIGHT OF GRANTEES COULD BE IMPROVED THROUGH BETTER INFORMATION-SHARING
OEI-07-12-00110

WHY WE DID THIS STUDY

The Department of Health and Human Services (HHS) is the largest grantmaking agency in the Federal Government. In fiscal year 2014, HHS awarded nearly $402 billion in grants. We conducted this study to assess how HHS's grant-awarding agencies share information with each other about grantees and potential grantees to assess and mitigate risks of poor performance or misuse of grant funds. Assessing and mitigating grantee risk is a component of HHS' strategic initiatives. Additionally, since 2007, the Office of Inspector General has identified grants management as a top management challenge for HHS.

HOW WE DID THIS STUDY

We conducted structured telephone interviews with the Chief Grants Management Officer and/or designated staff from each of 13 HHS awarding agencies. We also collected data from awarding agencies regarding alert memorandums and fraud memorandums from the National External Audit Review Center (NEARC).

WHAT WE FOUND

Awarding agencies' grant officials use various sources of information and communication to mitigate grantee risks; however, grant officials noted limitations in some instances. For example, information available in databases assists staff from awarding agencies in managing grantee risks, but lack of integration poses challenges. NEARC memorandums contain important information about grantee risks, but not all awarding agencies receive them. Awarding agencies lack a systematic method of sharing information about grantee risks, and sharing occurs infrequently. However, grant officials in the majority of awarding agencies we reviewed would like to receive such information from other awarding agencies.

WHAT WE RECOMMEND

We recommend that the Assistant Secretary for Financial Resources (1) analyze whether to implement the use of integrated databases that contain adverse information on grantees' past performance, (2) establish a departmentwide source of adverse information from audits of grantees, and (3) facilitate departmentwide information-sharing about grantees that have past performance issues. ASFR concurred with all three recommendations.

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OBJECTIVES

To determine:

1. how Department of Health and Human Services (HHS) agencies that award grants use information and communication to mitigate grantee risks;

2. the extent to which these agencies use alert memorandums and fraud memorandums from the National External Audit Review Center (NEARC); and

3. whether these agencies receive and/or share information on grantees that they are concerned about with regard to performance and/or accountability.

BACKGROUND

HHS is the largest grantmaking agency in the Federal Government. In fiscal year (FY) 2014, HHS awarded nearly $402 billion in grants, approximately 24 percent of which funded programs other than Medicaid and the Children's Health Insurance Program.[1] We conducted this study to assess how HHS agencies that award grants (hereafter referred to as awarding agencies) share information and mitigate risks. Assessing and mitigating this risk is a component of HHS' strategic initiatives.[2]

Since 2007, the Office of Inspector General (OIG) has identified grants management as a top management challenge for HHS. As discussed in OIG's top management challenges, implementation of planned program integrity initiatives such as evaluating and monitoring risks and resolving reported audit findings regarding grantees would better position HHS to integrate program integrity into all aspects of its operations.[3]

HHS Grants

Within HHS's Office of the Assistant Secretary for Financial Resources (ASFR), the Office of Grants and Acquisition Policy and Accountability (OGAPA) provides departmentwide leadership and management in the areas of grants and acquisition management. OGAPA achieves this through policy development, data systems operations and analysis, performance measurement, oversight and workforce training, development, and certification. Within OGAPA, the Division of Grants

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[1] See Appendix A for the number and dollar amount of grants by awarding agency.

[2] HHS, *HHS Strategic Plan*. Accessed at http://www.hhs.gov/strategic-plan/goal4.html on August 6, 2014.

[3] OIG, *2014 Top Management & Performance Challenges.* Accessed at https://oig.hhs.gov/reports-and-publications/top-challenges/2014/ on December 2, 2014.

provides technical assistance to the Department's grant-awarding agencies; evaluates effectiveness of the grant programs and processes; develops pertinent departmentwide regulatory guidance, policies, and performance standards; and maintains and reports departmental grant/financial assistance award information.[4]

Grantees may receive funding through multiple awarding agencies within HHS. For example, a community social service agency might receive funds from both the Administration for Children and Families (ACF) and the Substance Abuse and Mental Health Services Administration (SAMHSA). Similarly, grantees may receive funding through multiple offices within the same awarding agency.

Federal Regulations and Departmental Guidance

Awarding agencies must comply with Federal regulations and departmental guidance in issuing grants. Federal regulations contained in 45 CFR part 74 establish uniform administrative requirements governing HHS grants to institutions of higher education, hospitals, and other nonprofit organizations. Federal regulations contained in 45 CFR part 92 establish uniform administrative requirements governing HHS grants to State, local, and tribal governments.[5] The HHS Grants Policy Directives (GPD) provide guidance on grants management issues to affected program offices at all organizational levels within the Department. The GPD are the highest level of departmental grants policy within the Department. The Awarding Agency Grants Administration Manual (AAGAM) implements the GPD by providing detailed guidance to awarding agency staff involved in grants administration. The AAGAM must be used by any awarding agency that does not maintain its own grants administration manual (GAM).[6] The National Institutes of Health (NIH) is the only awarding agency with its own GAM. The Division of Grants is working on a new Grants Policy and Administration Manual that will incorporate the recently implemented "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards"[7] and will replace the AAGAM.

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[4] HHS, *Office of the Assistant Secretary for Financial Resources Functional Statement*. Accessed at http://www.hhs.gov/asfr/asfr-functional-statement.html on January 26, 2015.

[5] On December 19, 2014, 45 CFR pts. 74 and 92 were replaced by 45 CFR pt. 75, which adapts the Office of Management and Budget's final guidance in 2 CFR pt. 200 with certain amendments. 79 Fed. Reg. 75871 (Dec. 19, 2014).

[6] AAGAM ch. 1.01.101-2.

[7] The Department implemented Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in 2 CFR pt. 300 and 45 CFR pt. 75. 79 Fed. Reg. 75872, 75875 (Dec. 19, 2014).

Databases Relevant to Grants and Grantees

Many databases contain information about grantees and/or grant awards. Grant officials may consult these databases to obtain information about current or potential grantees. For example, grant officials can view payment histories from current and previous HHS grants in the Payment Management System. In another example, the System for Award Management identifies entities that are registered to do business with the Federal Government as well as those that are excluded. Appendix B lists these and other databases, describes the information they contain, and describes how they are used.

Awarding Agency Staff Roles and Responsibilities

The GPD outline the primary responsibilities of the awarding agency staff involved in the award and management of HHS grants.[8] Each awarding agency head must designate an individual to serve as the HHS official responsible for the business and nonprogrammatic management aspects of its grants. This official is known as the Chief Grants Management Officer (CGMO).

The CGMO has the authority to appoint additional grants management officers (GMOs) for his or her awarding agency. GMOs are responsible for all Federal business management matters associated with the review, negotiation, award, and administration of grants to which they are assigned. They also interpret policies and provisions for grants administration.

National External Audit Review Center

Grantees that expend Federal funds totaling $500,000 or more in a year are required to have a single or program-specific audit conducted by a public accountant or by a Federal, State, or local governmental audit organization.[9] The National External Audit Review Center (NEARC)— part of HHS—is the point of receipt for these required audits of grantees. As part of its review of these audits, NEARC may determine that certain negative audit findings merit appropriate action by awarding agencies. For example, an audit may find that a grantee's financial condition raises substantial doubt about the grantee's ability to continue operations. In such cases, NEARC issues an alert memorandum to each awarding agency from which the grantee has received a grant, in addition to notifying OGAPA and certain regional and headquarters OIG staff. Alert memorandums also contain information about repeat negative audit findings, if such findings exist.

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[8] GPD pt. 1.04.

[9] Pursuant to Office of Management and Budget Circular A-133, subpt. B. Effective December 26, 2014, this threshold changed to $750,000.

NEARC issues another type of memorandum, called a fraud alert, if an audit finds potential fraud (e.g., travel vouchers submitted for expenses not actually incurred). The distribution list for fraud alerts is the same as for alert memorandums, with the addition of notifying the Special Agent in Charge for the applicable regional OIG Office of Investigations.

Until 2007, the HHS Office of Grants maintained an Alert List, which included grantees for which NEARC issued memorandums. The purpose of the Alert List was to safeguard Federal funds by alerting other awarding agencies to the potential risks of awarding funds to these grantees. In 2007, the HHS Office of Grants suspended the use of the Alert List, pending a major redesign to increase internal control over its use and to better support postaward monitoring and oversight. To date, the Alert List has not been reinstated, nor has another departmentwide tool been implemented in its place for grant officials to obtain adverse information from audits. However, the AAGAM still refers to the Alert List.[10]

METHODOLOGY
Scope
This evaluation included 13 awarding agencies, consisting of 10 HHS operating divisions (ACF, the Administration for Community Living (ACL), the Agency for Healthcare Research and Quality (AHRQ), the Centers for Disease Control and Prevention (CDC), the Centers for Medicare & Medicaid Services (CMS), the Food and Drug Administration (FDA), the Health Resources and Services Administration (HRSA), the Indian Health Service (IHS), NIH, and SAMHSA) and 3 HHS staff divisions (the Office of the Assistant Secretary for Preparedness and Response (ASPR), the Office of the Assistant Secretary for Health (OASH), and the Office of the National Coordinator for Health Information Technology (ONC)). To determine whether grantees continued to receive grant funds in subsequent years after being the subject of audit findings that warranted alert and/or fraud memorandums, we used the timeframe of FY 2011 as the baseline for this analysis. We reviewed the most current departmental and agency directives available at the time of our data collection. We did not access information in individual grantee files, nor did we determine whether grant funds were spent appropriately.

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[10] AAGAM ch. 2.01.101. HHS departmental guidance regarding grants is in the process of being updated into a new *Grants Policy and Administration Manual*.

NEARC Alert and Fraud Memorandums

We obtained and analyzed all 110 alert and fraud memorandums issued by NEARC in FY 2011 to determine the number of grantees with negative audit findings that NEARC determined to warrant the attention of awarding agencies for appropriate action. We identified the number of these grantees that continued to receive grant awards in FYs 2012 and 2013.

Departmental and Awarding Agency Directives

We reviewed departmental and awarding agency directives to delineate awarding agencies' responsibilities in these areas: analyzing a grantee's past performance prior to initial award funding or continuation funding, sharing information about problematic grantees, and taking action as a result of receiving this information. We reviewed Departmental directives including the GPD and the AAGAM. For directives from awarding agencies, we reviewed the NIHGAM and any other directives that awarding agencies reported to us (e.g., standard operating procedures for risk mitigation).

Structured Interviews With CGMOs

We conducted structured telephone interviews with the CGMO of each of the 13 awarding agencies and/or his or her designated staff. We asked questions about awarding agencies' use of NEARC memorandums, their activities for analyzing a grantee's past performance prior to initial award funding or continuation funding, and their sharing of grantee-related information with other awarding agencies. We also solicited suggestions for mitigating grantee risks. To the extent possible, we validated interview responses with the oversight practices described in written procedures. We analyzed the structured interviews for common themes across respondents.

Limitations

We obtained information from awarding agencies' grants officials through open-ended questions in structured interviews. Regarding the themes that emerged, we counted only responses that were explicitly stated and did not follow up with all respondents to determine whether they shared the same perspectives. Therefore, when we point out issues raised by a subset of respondents, we may not have related views from all 13 awarding agencies.

Standards

This study was conducted in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency.

FINDINGS

HHS is the largest grantmaking agency in the Federal Government, awarding nearly $402 billion in grants in FY 2014. We conducted this study to assess how HHS awarding agencies share information about grantee-related risks and how they mitigate these risks. Awarding agencies' grant officials use various sources of information and communication to mitigate grantee risks; however, grant officials noted limitations in some instances. NEARC memorandums contain important information about grantee risks, but not all awarding agencies receive them. Less than half of awarding agencies share grantee information with other agencies; however, grant officials report that they would like to receive this information. There is no requirement or systematic method to share grantee information across awarding agencies.

Awarding agencies' grant officials use various sources of information and communication to mitigate grantee risks; however, grant officials noted limitations in some instances

Information available in databases assists awarding agency staff to manage grantee risks, but lack of integration poses challenges. Grant officials named a variety of sources of information about grantees that are available in searchable databases. Appendix B lists these databases, describes the information they contain, and describes how they are used. Grant officials from 3 of the 13 awarding agencies voiced concerns about a lack of integration with regard to the databases they use to identify potential grantee risks. For example, one grant official suggested that there should be one portal from which to access the various databases that verify the legitimacy of grantee organizations. Grant officials from two awarding agencies noted concerns about conflicting information (e.g., grant award numbers) across various databases.

Grant officials review reports to mitigate grantee risks, but these reports may be late and do not include descriptive information. Grant officials from 6 of the 13 awarding agencies mentioned the importance of reviewing grantees' Federal Financial Reports and/or progress reports in mitigating risks. Two of these six grant officials said that late and/or inaccurate reporting can be early warning signs that grantees are experiencing problems. However, one grant official commented that Federal Financial Reports indicate only the amount of funds expended, not how the funds were spent or whether they were spent properly.

Communication among GMOs, program officers, and grantees help to mitigate grantee risks, but lapses in communication pose challenges. Grant officials from 8 of the 13 awarding agencies told us that communication has helped their awarding agencies to mitigate grantee risks. This included communication between program officers and grantees and between program officers and GMOs. Grant officials noted that having close interaction with grantees can help prevent grantees from doing something improper. For example, when a grantee knows that it can call its program officer to obtain guidance before taking an action, this guidance can prevent the grantee from inadvertently making a prohibited expenditure. Grant officials from two awarding agencies noted that turnover of grantee staff can be high, which underscores the need for establishing and maintaining ongoing communication with grantees.

Grant officials noted the importance of timely communication between program officers and grants management staff (e.g., GMOs) regarding grantee actions. Grant officials from 2 of the 13 awarding agencies noted that time lapses in program officers' communication of negative information can impact the enforcement actions that grants management staff would take.[11] Therefore, program officers need to report any "red flags" right away.

NEARC memorandums contain important information about grantee risks, but not all awarding agencies receive them

Not all awarding agencies maintain NEARC memorandums. Grant officials for 10 of 13 awarding agencies reported that they receive NEARC memorandums and maintain them either electronically or in hard copy. Grant officials from five awarding agencies offered that historical files of NEARC memorandums were useful for pre-award assessments of grantees.[12]

For example, a grant official from one awarding agency reported that the agency has maintained an electronic spreadsheet, updated weekly, of NEARC memorandums since 2007. This informs grants management staff of grantees' previous audit findings. Similarly, grant officials from another awarding agency reported that the agency has maintained a

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[11] An awarding agency may take enforcement actions if a grantee does not comply with the terms and conditions of the award. Examples of enforcement actions include temporarily withholding cash payments and requiring a grantee to spend its own money up front and submit receipts for reimbursement.

[12] Grant officials from five awarding agencies volunteered this information about the usefulness of NEARC memorandums; we do not know whether the remaining grant officials found them useful.

hardcopy file of NEARC memorandums since 2006. These grant officials reported that this file had been helpful during pre-award assessments, particularly for grantees with which they had no prior experience.

The grant officials for the remaining three awarding agencies reported that they either did not receive NEARC memorandums or did not maintain them. The grant official for one awarding agency stated that she did not receive NEARC memorandums[13] and the grant officials for the other two awarding agencies stated that they saw no need to maintain memorandums if their respective agencies did not have current grants with the audited grantees.

NEARC memorandums communicate grantee risk information to awarding agencies. In FY 2011, NEARC issued alert and/or fraud memorandums regarding 90 unique grantees. Of these grantees, 56 percent (50 of 90) received HHS grant funds in FYs 2012 and/or 2013. Figure 1 provides information from the two alert memorandums that NEARC issued in 2011—one in January 2011, one in March 2011—for one grantee.

Figure 1: Example of Information From NEARC Memorandums

- January 2011—NEARC's review of the grantee's 2008 audit report revealed that $174,411 of Federal funds were drawn down in excess of the grantee's immediate needs and an audit report was received nearly 6 months late.

- March 2011—NEARC's review of the grantee's 2009 audit revealed that the grantee had experienced continuing losses from operations, had a liability to the Internal Revenue Service in the amount of $212,362 for payroll taxes and associated penalties and interest, and had a cash shortage of $61,464. NEARC stated in the memorandum that it appeared that "program funds were used for non-program purposes." NEARC further stated that "these conditions raise substantial doubt about the Organization's ability to continue as a going concern. If the Organization is unable to continue operations, the objectives of the Federal programs may not be met, and the Federal funds advanced may be at risk."

The grantee cited in the example above received funds from only one HHS awarding agency during the years covered by the audit reports; however, the grantee continued to receive grant funds in FYs 2012 and 2013 from

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[13] In August 2014, NEARC confirmed that the grant official was on its distribution list.

two HHS awarding agencies totaling $2.2 million and $1.8 million, respectively.

Awarding agencies lack a systematic method of sharing information about grantee risks, and sharing occurs infrequently

Less than half of awarding agencies share information about grantees with other agencies. Grant officials from 6 of 13 awarding agencies reported that they had shared information with another awarding agency. Of these six grant officials, one said that he occasionally receives requests from other grant officials asking about a grantee's past performance. However, the grant official expressed reluctance to answer such inquiries, stating that he provides information about the grantee's timeliness in submitting financial and progress reports, but does not provide further detail.

Of the officials from the six awarding agencies that share information with other awarding agencies, those from two awarding agencies volunteered that they contact other awarding agencies with information more frequently than they receive information from other awarding agencies. An official from one awarding agency stated that the agency's staff use the Tracking Accountability in Government Grants System to determine awarding agencies with which they have grantees in common. At the end of each year, this official sends emails to grants staff at other awarding agencies regarding concerns about those common grantees. Officials from three awarding agencies noted that information about problematic grantees affecting multiple awarding agencies is shared at the Department level, either through guidance or during in-person meetings.

Grant officials in the majority of awarding agencies we reviewed would like to receive grantee risk information from other awarding agencies; however, there is no requirement or systematic method to share grantee information across awarding agencies. Officials from eight awarding agencies stated that they would like to receive information about other awarding agencies' concerns regarding grantee performance expectations and/or accountability requirements. Further, officials from six awarding agencies responded that receiving this type of information could improve their respective agencies' abilities to mitigate grantee risks. As one official stated, "If someone had already identified a prior problem [with a grantee meeting its] terms and conditions, it would help us focus our resources on problems." Another official stated that being aware of other awarding agencies' experiences with grantees would assist the official's own agency in taking a proactive approach to grantees with known problems. In contrast, two grant officials pointed out that although such

information might be helpful, a grantee's history at one awarding agency does not necessarily mean that the grantee will have the same problem at another. The grant officials said that the applicability of the information is dependent on the nature of the work that the grantee is to perform.

CONCLUSION AND RECOMMENDATIONS

HHS is the largest grantmaking agency in the Federal Government, awarding nearly $402 billion in grants in FY 2014. We conducted this study to assess how HHS awarding agencies share information and mitigate risks. To mitigate this risk, awarding agencies' grant officials use various sources of information and communication to mitigate grantee risks; however, grant officials noted limitations in some instances. NEARC memorandums contain important information about grantee risks, yet not all awarding agencies receive them. Finally, no systematic method of sharing grantee risk information across awarding agencies exists, and sharing occurs infrequently. Therefore, we recommend that ASFR:

Analyze whether to implement the use of integrated databases that contain adverse information on grantees' past performance

ASFR should analyze whether to implement the use of databases that would integrate various sources of existing information on entities applying for or receiving Federal funds. For example, the Department of the Treasury's "Do Not Pay" Web site integrates the HHS List of Excluded Individuals and Entities, the System for Award Management, the Social Security Administration's Death Master File, and the Treasury Offset Program Debt Check. Use of integrated databases could provide risk-relevant information in a more efficient manner than checking numerous separate databases.

Establish a departmentwide source of adverse information from audits of grantees

ASFR should establish a departmentwide source of adverse information from audits of grantees. ASFR should ensure that grant officials have timely access to this information to use it in pre-award assessments and to mitigate grantee risks.

During the course of our review, the Office of Management and Budget's (OMB) updated guidance on Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards became effective on December 26, 2014. Implementation of this guidance may change NEARC's involvement in issuing alert and fraud memorandums in the future.

Facilitate departmentwide information-sharing about grantees with past performance issues

ASFR should facilitate information-sharing among awarding agencies' grant officials regarding grantees that have experienced performance issues. ASFR could facilitate internal meetings or develop an internal database of grantees' performance problems and points of contact.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

ASFR concurred with all three of our recommendations.

In responding to our first recommendation, ASFR stated that OMB is in the process of promulgating a new regulation that will require awarding agencies to report the following: awards that are terminated because of noncompliance with the award terms and conditions; actions to resolve a suspension or debarment proceeding; and any finding that a non-Federal entity is not qualified to receive a given award on the basis of prior performance under Federal awards. The regulation will require awarding agencies to report this information to a designated integrity and performance system. HHS will publish a Grants Policy Administration Manual chapter providing supplementary guidance associated with the regulation and will provide training to CGMOs.

In responding to our second recommendation, ASFR stated that audit reports submitted in accordance with OMB Circular A-133 provide HHS awarding agencies with assurances relating to whether resources have been safeguarded, funds have been properly expended, and program results have been achieved. We note that in July 2015, the Federal Audit Clearinghouse was temporarily taken offline for maintenance and testing because of a U.S. Census Bureau information technology security investigation. This is an example of a contingency that ASFR should take into account in considering whether it should establish a departmentwide source of adverse audit information. We also suggest that ASFR consider how OMB's guidance that became effective on December 26, 2014, may impact notification of grantees' adverse audit information to grant officials through NEARC.

In responding to our third recommendation, ASFR stated that HHS will leverage existing forums within the Department, such as the Executive Committee on Grants Administration Policy, to enhance and make routine the practice of sharing information among awarding agencies regarding recipients that have experienced performance issues, and to understand recipient performance in the context of risk.

For the full text of ASFR's comments, see Appendix C.

APPENDIX A
Table A-1: FY 2014 Grant Awards by Awarding Agency

Awarding Agency	Number of Awards	Percentage of Awards	Dollar Amount of Awards	Percentage of Dollar Amount
ACF	7,353	9%	$49,583,810,932	12%
ACL	2,127	3%	$1,668,282,990	<1%
AHRQ	648	1%	$174,173,273	<1%
CDC	4,304	5%	$5,128,117,929	1%
CMS*	1,399	2%	$309,737,682,047	77%
FDA	589	1%	$126,517,378	<1%
HRSA	6,341	8%	$7,607,869,591	2%
IHS	916	1%	$2,418,038,503	1%
NIH	51,868	65%	$21,818,409,722	5%
Office of the Secretary	698	1%	$428,752,444	<1%
SAMHSA	2,967	4%	$3,232,758,168	1%
Total	**79,210**	**100%**	**$401,924,412,977**	**100%**

Note: Percentages do not sum to 100 percent due to rounding.
*Includes approximately $307 billion of Medicaid and Children's Health Insurance Program grants to States.
Source: Tracking Accountability in Government Grants System. Accessed at http://taggs.hhs.gov on
April 22, 2015.

APPENDIX B

Table B-1: Databases Used By Awarding Agencies to Mitigate Grantee Risks

Name of Database	Function of Database	How Awarding Agencies Use Database
Data Universal Numbering System	Grant applicants are required to have a unique identification number from this system for each physical location of their business	To verify the identity of the grantee organization
Employer Identification Number	Internal Revenue Service identification number for business entities	To verify the identity of the grantee organization
Federal Audit Clearinghouse	Database of audits conducted as required by Office of Management and Budget circular A-133	To view grantee organizations' audit findings
HHS List of Excluded Individuals and Entities	Provides information regarding individuals and entities excluded from participation in Federal health care programs	To prevent payments to excluded individuals and entities
Payment Management System	Provides awarding agencies and grantees with the tools to manage grant payment requests and disbursement reporting activities	To view payment histories from current and previous HHS grants
Public Health Service Administrative Action Report	Includes the names of individuals who currently have administrative actions imposed against them by the Office of Research Integrity, the Assistant Secretary of Health, and/or HHS	To prevent payments to suspended or debarred researchers
System for Award Management	Identifies entities registered to do business with the Federal Government as well as excluded entities	To prevent payments to excluded entities
Tracking Accountability in Government Grants System	Serves as a central repository for HHS grants which tracks obligated grant funds at the transaction level	To view HHS awards from current and previous HHS grants

Source: Analysis of OIG interviews with CGMOs, 2014.

APPENDIX C

Agency Comments

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

AUG 0 4 2015

TO: Suzanne Murrin
           Deputy Inspector General
            for Evaluation and Inspections

                          /S/

FROM: Ellen G. Murray
           Assistant Secretary for Financial Resources and Chief Financial Officer

SUBJECT: HHS Comments on OIG Draft Report: *HHS Oversight of Grantees Could Be Improved Through Better Information Sharing,* OEI-07-12-00110

The Department of Health and Human Services (HHS) appreciates the opportunity to review and comment on the Office of Inspector General's draft report *HHS Oversight of Grantees Could Be Improved Through Better Information Sharing,* OEI-07-12-00110.

1. **Analyze whether to implement the use of integrated databases that contain adverse information on grantees' past performance**

   HHS concurs with this recommendation. HHS currently employs several systems to prevent improper payments, fraud, waste, and abuse. Systems such as the System for Award Management (SAM) are being used to determine if an applicant or grantee, or an employee or agent of an applicant or recipient, has been debarred, suspended or otherwise excluded by any federal agency. Other systems, such as Do Not Pay are also being used to help determine eligibility for payments. In an effort to strengthen and streamline the already rigorous pre-award screening and post-award monitoring of grants recipients, OMB is in the process of publishing the regulation, "Guidance for Reporting and Use of Information Concerning Recipient Integrity and Performance," in 2 CFR Subtitle A, Chapter I, Part 180, Chapter II Part 200.

   The "Guidance for Reporting and Use of Information Concerning Recipient Integrity and Performance" regulation will require all federal awarding agencies to report information about any termination of an award due to a material failure to comply with the award terms and conditions; any administrative agreement with a non-federal entity to resolve a suspension or debarment proceeding; and, any finding that a non-federal entity is not qualified to receive a given award, if the finding is based on criteria related to the non-federal entity's integrity or prior performance under federal awards. Currently, the designated integrity and performance system is the Federal Awardee Performance and Integrity Information System (FAPIIS). FAPIIS, an integrated information system, is intended to enhance the scope of information that is available to awarding agencies as they assess the integrity and performance of prospective recipients. The information provided via FAPIIS will significantly improve HHS's access to information pertaining to entities applying for, or receiving, federal funds.

HHS' Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, which are codified in 45 CFR Part 75, will be amended to reflect the FAPIIS requirement in accordance with the regulation. In addition to modifying the HHS grants regulations to include new FAPIIS requirements, HHS will also publish a Grants Policy Administration Manual chapter providing robust, supplementary guidance pertaining to the grants management changes associated with the FAPIIS requirements. In effort to ensure a smooth integration of this more streamlined approach to risk mitigation, HHS will provide training to the HHS Chief Grants Management Officials at an Executive Committee on Grants Administration Policy (ECGAP) meeting.

2. **Establish a Department-wide source of adverse audit information**

HHS concurs with this recommendation. The HHS Office of the Inspector General's National External Audit Review Center currently examines the audit quality of all single audit reporting packages that are submitted by recipients in accordance with OMB Circular A-133, "Audit of States, Local Governments, and Non-Profit Organizations." Audit reports submitted in accordance with OMB Circular A-133 provide HHS awarding agencies, or operating divisions, with assurances relating to whether resources have been safeguarded, funds have been properly expended, and desired program results have been achieved.

3. **Facilitate Department-wide information sharing about grantees with past performance issues**

HHS concurs with this recommendation. The introduction of the OMB "Guidance for Reporting and Use of Information Concerning Recipient Integrity and Performance" regulation, which will require federal awarding agencies to report to a designated integrity and performance system (currently FAPIIS), will facilitate cross-cutting information sharing regarding recipients with past performance issues. Additionally, HHS will continue to employ complementary governmentwide systems such as Do Not Pay to help determine eligibility for payments. HHS will also leverage existing forums within the Department, such as the ECGAP to enhance and routinize information sharing among HHS's awarding agencies regarding recipients that have experienced performance issues, and to understand recipient performance in the context of risk.

ACKNOWLEDGMENTS

Office of Inspector General
http://oig.hhs.gov

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.