

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**ALTHOUGH THE CENTERS FOR  
MEDICARE & MEDICAID SERVICES  
HAS MADE PROGRESS, IT DID NOT  
ALWAYS RESOLVE  
AUDIT RECOMMENDATIONS  
IN ACCORDANCE WITH  
FEDERAL REQUIREMENTS**

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# *Office of Inspector General*

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The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## Report in Brief

Date: January 2019

Report No. A-07-18-03228

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why OIG Did This Review

HHS, Centers for Medicare & Medicaid Services (CMS), is subject to Federal audits of its internal activities as well as Federal and non-Federal audits of activities performed by its grantees and contractors. As a followup to these audits, CMS is responsible for resolving Federal and non-Federal audit recommendations related to its activities, grantees, and contractors within 6 months after formal receipt of the audit reports. HHS, OIG, prepares and forwards to CMS monthly stewardship reports that show the status of these reported audit recommendations.

Our objectives were to determine whether CMS resolved audit recommendations in a timely manner during Federal fiscal years (FYs) 2015 and 2016 and to identify all unresolved audit recommendations that were due for resolution as of September 30, 2016.

### How OIG Did This Review

We reviewed the "Outstanding Audits and Actions Taken by Cognizance" stewardship reports to identify all outstanding audit recommendations that CMS resolved during FYs 2015 and 2016, as well as all outstanding recommendations that remained unresolved and were due for resolution as of September 30, 2016. These stewardship reports identified 461 audit reports and 1,371 corresponding recommendations. We previously reviewed CMS's resolution of audit recommendations during FYs 2006 and 2007.

## Although the Centers for Medicare & Medicaid Services Has Made Progress, It Did Not Always Resolve Audit Recommendations in Accordance With Federal Requirements

### What OIG Found

Although CMS has made significant progress in the timely resolution of audit recommendations since our previous review, CMS did not always resolve audit recommendations in a timely manner during FYs 2015 and 2016. Specifically, CMS resolved 1,231 of the 1,371 recommendations that were outstanding during FYs 2015 and 2016. However, it did not resolve 405 of the 1,231 recommendations (32.9 percent) within the required 6-month resolution period. In addition, as of September 30, 2016, CMS had not resolved 140 audit recommendations that were past due for resolution. Some of the past-due recommendations had associated dollar amounts that totaled \$138.6 million; others were procedural in nature.

CMS had policies and procedures to ensure that audit recommendations were resolved in compliance with Federal requirements. Although CMS did not always issue management decisions and submit the related clearance documents to OIG within the required 6-month resolution period, CMS did make progress in this respect (compared with the findings of our previous review) by significantly increasing the percentage of audit recommendations that were resolved in a timely manner and by significantly reducing both the total number and associated dollar amounts of unresolved audit recommendations that were past due for resolution.

### What OIG Recommends and CMS Comments

We recommend that CMS continue to follow its policies and procedures related to the audit resolution process, and enhance them where possible, and promptly resolve the 140 outstanding audit recommendations that were past due as of September 30, 2016.

CMS concurred with our recommendations and described corrective actions that it had taken or planned to take. CMS stated that it would continue to assess and further refine its audit resolution process to ensure that recommendations are resolved within the required period. CMS also stated that it had already resolved 97 of the 140 open recommendations (with associated dollar amounts that totaled \$109 million) and added that it expected to resolve the remaining 43 recommendations by early 2019.

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## INTRODUCTION

### WHY WE DID THIS REVIEW

The U.S. Department of Health and Human Services (HHS), Centers for Medicare & Medicaid Services (CMS), is subject to Federal audits of its internal activities as well as Federal and non-Federal audits of activities performed by its grantees and contractors. These audits ensure that recipients of Federal awards have complied with applicable Federal requirements related to management and use of funds. As a followup to these audits, CMS is responsible for resolving Federal and non-Federal audit report recommendations related to its activities, grantees, and contractors within 6 months after formal receipt of the audit reports. The HHS Office of Inspector General (OIG) prepares and forwards to CMS monthly stewardship reports that show the status of these reported audit recommendations. In keeping with our mission of helping to safeguard HHS funds, we focused in this review on the timeliness of CMS's audit resolution process. This process includes, in response to each Federal and non-Federal audit report on CMS's internal activities or on activities performed by CMS's grantees and contractors, the issuance of a management decision and the submission of an OIG clearance document (OCD) to OIG within the required 6-month period.<sup>1</sup> We are not reviewing the actual corrective actions taken by CMS.

In a previous OIG audit report (A-07-07-04112, Nov. 19, 2008), we found that CMS did not always resolve audit recommendations in accordance with Federal requirements during Federal fiscal years (FYs) 2006 and 2007.<sup>2</sup> We included the results of our previous review in this audit report to compare them with the current-period results.

### OBJECTIVES

Our objectives were to determine whether CMS resolved audit recommendations in a timely manner during FYs 2015 and 2016 and to identify all unresolved audit recommendations that were due for resolution as of September 30, 2016.

### BACKGROUND

CMS is responsible for providing health care services to persons age 65 and over, those who are disabled or have permanent kidney disease, and low-income individuals. CMS carries out these responsibilities through internal activities and through grants and contracts that support a

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<sup>1</sup> In this context, the term "management decision" refers to the evaluation by the cognizant HHS operating division's (OPDIV) management of the audit findings and corrective action plan and the issuance of a written decision as to what corrective action is necessary. The OPDIV's management uses an OCD to report to OIG the management decision and actions taken on recommendations; OIG then uses the OCD as the source document to clear recommendations from the stewardship report.

<sup>2</sup> See Appendix B for this and other related reports.

number of health-care-related programs, including Medicare, Medicaid, the Children’s Health Insurance Program, and the Patient Protection and Affordable Care Act.

## **Federal Audits**

Section 4(a) of the Inspector General Act of 1978, as amended (5 U.S.C. App.), directs OIG to conduct audits of agency programs and activities. Under this authority, OIG conducts audits of internal CMS activities, as well as activities performed by CMS grantees and contractors. These audits are intended to provide independent assessments of CMS programs and operations and to help promote economy and efficiency. OIG uses its own resources to conduct audits in accordance with generally accepted government auditing standards (GAGAS) and oversees audit work conducted by independent auditors.

## **Non-Federal Single Audits**

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*,<sup>3</sup> requires that non-Federal entities (such as CMS grantees) that expend \$500,000<sup>4</sup> or more in Federal awards in a year<sup>5</sup> have a Single Audit or program-specific audit (also referred to as an “A-133 audit”), pursuant to the provisions of OMB Circular A-133, Subpart B, \_\_.200.<sup>6</sup> These A-133 audits, conducted by independent auditors, are conducted in accordance with GAGAS and OMB Circular A-133. These audits include an examination of the entity’s financial records and financial statements, testing of the entity’s internal controls, and a review of the entity’s compliance with requirements related to expenditures of selected Federal awards. The final audit report contains comments from the entity, including corrective actions planned or taken to address the findings.

Audited entities transmit their final A-133 audit reports to the Federal Audit Clearinghouse (FAC).<sup>7</sup> In turn, OIG, National External Audit Review Center (NEAR), receives A-133 audit reports from the FAC. NEAR performs a desk review of each A-133 audit report that contains

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<sup>3</sup> This circular was made applicable by HHS regulations at 45 CFR § 74.26(a). The circular was relocated to 2 CFR part 230. (HHS has promulgated new grant regulations and cost principles at 45 CFR part 75 that apply to awards made on or after December 26, 2014.) None of the audits in our review were subject to the new rule, as they were of awards made prior to that date.

<sup>4</sup> The expenditure level for Federal awards was raised to \$750,000 for FYs beginning on or after December 26, 2014 (45 CFR § 75.501(a)).

<sup>5</sup> Some State and local governments that are required by constitution or statute that was in effect January 1, 1987, to be audited less frequently than annually are permitted to undergo audits biennially. Nonprofit organizations are also allowed to have biennial audits under certain conditions (OMB Circular A-133, § \_\_\_\_\_.220).

<sup>6</sup> Commercial entities that met the \$500,000 threshold during the audit period could elect to conduct either an A-133 audit or a financial-related audit (45 CFR § 74.26(d)(i)).

<sup>7</sup> The FAC operates on behalf of OMB to disseminate A-133 audit reports to Federal agencies.

findings related to direct HHS funding to determine whether there are any issues with the report and whether the report meets GAGAS and OMB Circular A-133 requirements.<sup>8</sup> NEAR prepares a transmittal letter and attachment that summarize the audit findings and recommendations and that identify the Federal agency responsible for resolution (cognizant Federal agency). NEAR then distributes the transmittal letter and attachment to the grantee and the cognizant Federal agency.

### **Federal Requirements Regarding Timeliness of Audit Resolution**

In resolving Federal audit recommendations, CMS must comply with OMB Circular A-50, *Audit Followup*, which requires resolution of audit recommendations within a maximum of 6 months after issuance of a final audit report. In resolving non-Federal audit recommendations, CMS must comply with OMB Circular A-133 for audits of grantees that received awards in FYs beginning prior to December 26, 2014, and with 45 CFR § 75.521(d) for audits of grantees that received awards in FYs beginning on or after that date.<sup>9</sup> OMB Circular A-133 requires resolution within 6 months after receipt of the final report by the Federal Government, and 45 CFR § 75.521(d) requires resolution within 6 months of acceptance of the audit report by the FAC.

### **CMS's Audit Resolution Process**

According to CMS officials, audit resolution responsibilities are broken out into different CMS offices. The Audit Management Division (AMD) of the Consortium for Financial Management and Fee for Service Operations (CFMFFSO) acts as a liaison between OIG and all CMS OPDIVs for all external CMS audits (i.e., audits of State Medicaid agencies, Medicare providers, and CMS grantees and contractors). The resolution of internal CMS audits (i.e., audits in which CMS is itself the auditee) is the responsibility of the Office of Financial Management, Financial Services Group (FSG).

CMS's *OIG Clearance Document Standard Operating Procedure* manual (the Manual) provides audit resolution procedures for the CFMFFSO divisions that are responsible for Medicare Parts A and B external audit resolution. The Manual states that when AMD receives a report of an external CMS audit, it provides a copy of the audit report to the regional office or central office manager and audit coordinator assigned to that audit. The audit coordinator then assigns the audit to the appropriate staff for processing and resolution with the auditee. Once

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<sup>8</sup> After our audit period, HHS made significant changes to the roles and responsibilities for processing Single Audits. Effective October 1, 2018, the Office of the Assistant Secretary for Financial Resources within HHS, Office of the Secretary, took over the responsibility from NEAR for assigning the audit recommendations from Single Audit reports to the HHS OPDIV responsible for resolution. NEAR maintained the desk review function, but instead of reviewing all Single Audit reports with findings, NEAR began on that date to use a risk-based approach to identify selected audit reports to review.

<sup>9</sup> See footnote 3. Although none of the audits in this review were subject to 45 CFR part 75, we included the relevant provision from the current regulation in this report to support the validity of our recommendations.



the audit recommendations are resolved (i.e., either a corrective action plan has been developed or the recommendation has been addressed, implemented, and closed), the regional office or central office staff prepares an OCD which, after approval and signature, is sent to AMD for review and submission to OIG. Successful completion and submission of an OCD results in removal of the associated recommendation(s) from the relevant stewardship report (the Manual, page 2, "Overview"). CMS's audit resolution procedures for other types of external audits (such as Medicaid and Children's Health Insurance Program) are essentially the same as its procedures for Medicare Parts A and B audits.

With respect to resolution of internal CMS audits, CMS's FSG does not have a formal policy manual with detailed audit resolution procedures similar to the Manual that CFMFFSO uses. In its place, FSG has a flowchart of the audit resolution process that indicates OCDs should be sent to OIG within 6 months of the related report's issuance date.

To assist its staff in the audit resolution process, CMS uses an internal audit tracking and monitoring system to ensure that audit recommendations are resolved in a complete and timely manner. CMS performs monthly reconciliations between its internal system and the stewardship reports to identify and follow up on any differences. In addition, CMS uses its internal system to identify audit recommendations that have been unresolved for 4 months and for which no OCD has been submitted and then notifies the respective regional office or central office for followup.

### **Stewardship Reports**

The OIG Audit Planning and Implementation group prepares and forwards to CMS (and other HHS OPDIVs as appropriate) monthly stewardship reports on the status of audit recommendations reported in Federal and non-Federal audits. These reports identify all audit reports and corresponding recommendations issued for the selected period and provide the management decisions and the date of that action or indicate that no action has as yet been taken.

### **HOW WE CONDUCTED THIS REVIEW**

We reviewed the "Outstanding Audits and Actions Taken by Cognizance" stewardship reports to identify all outstanding audit recommendations that CMS resolved during FYs 2015 and 2016, as well as all outstanding audit recommendations that remained unresolved and were due for resolution as of September 30, 2016. These stewardship reports identified 461 audit

reports and 1,371 corresponding recommendations.<sup>10,11</sup> The issuance dates for these audit reports ranged from March 13, 1996, through August 11, 2016.

We did not review CMS's overall internal control structure. Rather, we reviewed only those internal controls related to our objective.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A describes our audit scope and methodology.

## FINDINGS

Although CMS has made significant progress in the timely resolution of audit recommendations since our previous review, CMS did not always resolve audit recommendations in a timely manner during FYs 2015 and 2016. Specifically, CMS resolved 1,231 of the 1,371 audit recommendations that were outstanding during FYs 2015 and 2016. However, it did not resolve 405 of the 1,231 recommendations (32.9 percent) within the required 6-month resolution period. In addition, as of September 30, 2016, CMS had not resolved 140 audit recommendations that were past due for resolution. Some of the past-due recommendations had associated dollar amounts that totaled \$138.6 million; others of the past-due recommendations were procedural in nature and involved policies and procedures and internal controls.

CMS had policies and procedures in place to ensure that audit recommendations were resolved in compliance with Federal requirements. Although CMS did not always issue management decisions and submit the related OCDs to OIG within the required 6-month resolution period, CMS did make progress in this respect (compared with the findings of our previous review) by significantly increasing the percentage of audit recommendations that were resolved in a timely manner and by significantly reducing both the total number and associated dollar amounts of unresolved audit recommendations that were past due for resolution.

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<sup>10</sup> Of the 461 audit reports and 1,371 corresponding recommendations identified in these stewardship reports, 389 were Federal audit reports that had a total of 1,190 corresponding recommendations, while 72 were non-Federal audit reports that had a total of 181 corresponding recommendations.

<sup>11</sup> In contrast, as reported in our previous review of FYs 2006 and 2007, the relevant stewardship reports identified 993 audit reports with 4,650 corresponding outstanding recommendations. The total of 4,650 outstanding recommendations that we reported in our previous review excluded recommendations that were unresolved but not due for resolution until after the end of the previous audit period. That methodology was similar to the methodology we used in the current review.

Without resolving all audit recommendations in a timely manner, CMS runs the risk of noncompliance with Federal requirements and mismanagement of Federal funds. The prompt resolution of audit recommendations helps ensure that Federal funds are effectively and efficiently used to carry out the activities for which they were authorized.

## **FEDERAL REQUIREMENTS**

In resolving Federal audit recommendations, CMS must comply with OMB Circular A-50. In resolving non-Federal audit recommendations, CMS must comply with OMB Circular A-133 for audits of grantees that received awards in FYs beginning prior to December 26, 2014, and with 45 CFR § 75.521(d) for audits of grantees that received awards in FYs beginning on or after that date (footnote 3).

OMB guidance requires “prompt resolution and corrective actions on audit recommendations. Resolution shall be made within a maximum of six months after issuance of a final report or, in the case of audits performed by non-Federal auditors, six months after receipt of the report by the Federal Government. Corrective action should proceed as rapidly as possible” (OMB Circular A-50, § 8.a.(2)).

OMB guidance states: “The entity responsible for making the management decision shall do so within six months of receipt of the [non-Federal] audit report. Corrective action should be initiated within six months after receipt of the audit report and proceed as rapidly as possible” (OMB Circular A-133, § \_\_\_\_\_.405(d)).

Federal regulations provide the following management decision time requirements: “The HHS awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report” (45 CFR § 75.521(d)).

## **ALTHOUGH CMS HAS MADE PROGRESS, IT DID NOT ALWAYS RESOLVE AUDIT RECOMMENDATIONS IN ACCORDANCE WITH FEDERAL REQUIREMENTS**

### **CMS Did Not Always Resolve Audit Recommendations in a Timely Manner**

CMS did not always resolve audit recommendations in a timely manner during FYs 2015 and 2016. Of the 1,231 audit recommendations that CMS resolved during FYs 2015 and 2016, 826 (67.1 percent) were resolved within the required 6-month resolution period, but 405 (32.9 percent) were not resolved within that period.<sup>12</sup>

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<sup>12</sup> Of the 826 recommendations that CMS resolved in a timely manner, 769 were conveyed in Federal audit reports, and 57 were conveyed in non-Federal audit reports. Of the 405 recommendations not resolved in a timely manner, 283 were conveyed in Federal audit reports, and 122 were conveyed in non-Federal audit reports.

Of the 3,462 audit recommendations that CMS had resolved during FYs 2006 and 2007, 2,813 (81.2 percent) were, as reported in our previous review,<sup>13</sup> not resolved within the required 6-month resolution period. Table 1 below shows the timeframes for resolving these recommendations for both reviews.

**Table 1: Timeliness of Audit Recommendations Resolved in FYs 2015 and 2016 Compared With Those Resolved in FYs 2006 and 2007**

Timeframe To Resolve Recommendation	Current Audit FYs 2015 and 2016		Previous Audit FYs 2006 and 2007	
	Number of Resolved Recommendations	Percentage of Total	Number of Resolved Recommendations	Percentage of Total
Within 6-month resolution period	826	67.1%	649	18.8%
Not resolved within 6-month resolution period:				
6+ months to 1 year	210	17.1%	1,140	32.9%
1+ year to 2 years	58	4.7%	577	16.7%
2+ years to 3 years	43	3.5%	365	10.5%
3+ years to 4 years	35	2.8%	326	9.4%
4+ years to 5 years	13	1.1%	146	4.2%
5+ years	46	3.7%	259	7.5%
Subtotal (not resolved within 6-month resolution period)	405	32.9%	2,813	81.2%
<b>Total</b>	<b>1,231</b>	<b>100.0%</b>	<b>3,462</b>	<b>100.0%</b>

Table 1 also shows that the percentage of audit recommendations that CMS resolved in a timely manner increased significantly, from 18.8 percent in FYs 2006 and 2007 to 67.1 percent in FYs 2015 and 2016.

### **CMS Had Some Recommendations That Were Unresolved and Due for Resolution**

As of September 30, 2016, CMS had not resolved 140 audit recommendations (of the 1,371 outstanding recommendations for FYs 2015 and 2016) that were past due for resolution.<sup>14</sup>

<sup>13</sup> A-07-07-04112.

<sup>14</sup> Of the 140 recommendations that were unresolved and past due for resolution, 138 were conveyed in Federal audit reports, and 2 were conveyed in non-Federal audit reports.

Some of the past-due recommendations had associated dollar amounts that totaled \$138.6 million; others of the past-due recommendations were procedural in nature and involved policies and procedures and internal controls.<sup>15</sup>

As of September 30, 2007 (the end of the period covered by our previous report), CMS had not resolved 1,188 audit recommendations that were past due for resolution. The dollar amounts associated with these recommendations totaled \$1.2 billion. Therefore, between the period covered by our previous review and the period covered by our current review, CMS significantly reduced both the total number and associated dollar amounts of unresolved audit recommendations that were past due for resolution. Table 2 below and Table 3 on the following page present information on the timeframes for our current review and the timeframes for our previous review, respectively.<sup>16</sup>

**Table 2: Unresolved Audit Recommendations Past Due for Resolution  
as of September 30, 2016**

<b>Timeframe Beyond Required Resolution Date</b>	<b>Number of Recommendations</b>	<b>Percentage of Total Recommendations</b>	<b>Average Days Beyond Required Resolution Date</b>	<b>Dollar Amounts Beyond Required Resolution Date (in millions)</b>	<b>Percentage of Dollar Amounts Beyond Required Resolution Date</b>
6+ months to 1 year	18	12.9%	210.6	\$29.3	21.1%
1+ year to 2 years	34	24.3%	522.7	26.1	18.8%
2+ years to 3 years	17	12.1%	801.8	0.0	0.0%
3+ years to 4 years	6	4.3%	1,383.5	0.2	0.1%
4+ years to 5 years	26	18.6%	1,555.5	0.0	0.0%
5+ years	39	27.8%	3,409.7	83.0	60.0%
<b>Total</b>	<b>140</b>	<b>100.0%</b>		<b>\$138.6</b>	<b>100.0%</b>

<sup>15</sup> The stewardship report for our current audit period included one \$15 billion recommendation (funds put to better use, for audit A-05-12-00020) that was unresolved and more than 1 year past due for resolution as of September 30, 2016. CMS submitted an OCD related to this recommendation, but OIG rejected that OCD because of disagreement over CMS's management decision not to concur with OIG's recommendation. As of April 2018, discussions were ongoing between CMS and OIG regarding the resolution of this particular recommendation. In light of the disagreement and because the large dollar amount associated with this recommendation would materially skew our overall dollar amounts for the audit period, we did not include this recommendation in the overall results of this review.

<sup>16</sup> A-07-07-04112.

**Table 3: Unresolved Audit Recommendations Past Due for Resolution  
as of September 30, 2007 (Previous Audit)**

Timeframe Beyond Required Resolution Date	Number of Recommendations	Percentage of Total Recommendations	Dollar Amounts		Percentage of
			Average Days Beyond Required Resolution Date	Beyond Required Resolution Date (in millions)	Dollar Amounts Beyond Required Resolution Date
6+ months to 1 year	229	19.3%	249.8	\$552.2	47.4%
1+ year to 2 years	213	17.9%	633.5	233.4	20.0%
2+ years to 3 years	208	17.5%	987.1	197.9	17.0%
3+ years to 4 years	196	16.5%	1,239.8	136.9	11.8%
4+ years to 5 years	183	15.4%	1,628.9	31.8	2.7%
5+ years	159	13.4%	2,897.0	13.1	1.1%
<b>Total</b>	<b>1,188</b>	<b>100.0%</b>		<b>\$1,165.3</b>	<b>100.0%</b>

Table 4 below compares the period covered by our previous review and the period covered by our current review. It does so by presenting additional information on the dollar amounts associated with the unresolved audit recommendations for which CMS was or is the cognizant Federal agency, categorized by recommended action.

**Table 4: Unresolved Audit Recommendations Past Due for Resolution  
as of September 30, 2016, and as of September 30, 2007—  
Dollar Amounts by Recommended Action**

Recommended Action	Current Audit FYs 2015 and 2016	Previous Audit FYs 2006 and 2007
	Dollar Amounts of Unresolved Recommendations Beyond Required Resolution Date (in millions)	Dollar Amounts of Unresolved Recommendations Beyond Required Resolution Date (in millions)
Monetary recommendations:		
Questioned costs	\$70.7	\$515.8
Provide documentation or make financial adjustment	17.7	107.4
Funds put to better use	0.0	464.0
Obtain approval or make financial adjustment	0.0	48.0
Subtotal	\$88.4	\$1,135.2
Unable to express an opinion (set aside)	\$50.2	\$30.1
<b>Total</b>	<b>\$138.6</b>	<b>\$1,165.3</b>

**ALTHOUGH CMS HAS MADE PROGRESS, IT DID NOT ALWAYS FOLLOW ITS POLICIES AND PROCEDURES WHEN RESOLVING AUDIT RECOMMENDATIONS**

CMS had policies and procedures in place to ensure that audit recommendations were resolved in compliance with Federal requirements. Although CMS did not always issue management decisions and submit the related OCDs to OIG within the required 6-month resolution period,

CMS did make progress in this respect (compared with the findings of our previous review) by significantly increasing the percentage of audit recommendations that were resolved in a timely manner and by significantly reducing both the total number and associated dollar amounts of unresolved audit recommendations that were past due for resolution.

CMS officials attributed this improvement to CMS's implementation of stronger internal controls, which includes strengthening both its reconciliation process and its detailed audit resolution procedures.

### **ALTHOUGH CMS HAS MADE PROGRESS, IT DID NOT ALWAYS ENSURE THAT FEDERAL FUNDS WERE EFFECTIVELY AND EFFICIENTLY USED**

As a result of steps taken by CMS since our previous audit, as well as the fact that CMS had fewer audit recommendations in our current audit period (FYs 2015 and 2016) compared with our previous audit period (FYs 2006 and 2007), the total number of unresolved recommendations has been reduced (footnote 11). Similarly, the timeliness of resolved recommendations has improved significantly between the previous and current audit periods.

Notwithstanding these improvements, during our current audit period, 32.9 percent of resolved recommendations were not resolved within the required 6-month period. Without resolving all audit recommendations in a timely manner, CMS runs the risk of noncompliance with Federal requirements and mismanagement of Federal funds. The prompt resolution of audit recommendations helps ensure that Federal funds are effectively and efficiently used to carry out the activities for which they were authorized.

### **RECOMMENDATIONS**

We recommend that CMS:

- continue to follow its policies and procedures related to the audit resolution process, and enhance them where possible, to ensure that all management decisions are issued within the required 6-month resolution period and
- promptly resolve the 140 outstanding audit recommendations that were past due as of September 30, 2016.

### **CMS COMMENTS**

In written comments on our draft report, CMS concurred with both of our recommendations and described corrective actions that it had taken or planned to take. CMS stated that it would continue to assess and further refine its audit resolution process to ensure that recommendations are resolved within the required period. CMS also stated that it had already resolved 97 of the 140 open recommendations (with associated dollar amounts that totaled \$109 million) and added that it expected to resolve the remaining 43 recommendations by early 2019.

CMS also provided technical comments, which we addressed as appropriate. In those technical comments, CMS said that FSG is in the process of developing a formal standard operating procedure.<sup>17</sup>

CMS's comments, excluding technical comments, are included as Appendix C.

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<sup>17</sup> FSG is responsible for the resolution of internal CMS audits. See "CMS's Audit Resolution Process" earlier in this report.



## APPENDIX A: AUDIT SCOPE AND METHODOLOGY

### SCOPE

We reviewed the “Outstanding Audits and Actions Taken by Cognizance” stewardship reports to identify all outstanding audit recommendations that CMS resolved during FYs 2015 and 2016, as well as all outstanding audit recommendations that remained unresolved and were due for resolution as of September 30, 2016. These stewardship reports identified 461 audit reports and 1,371 corresponding recommendations (footnotes 10 and 11). The issuance dates for these audit reports ranged from March 13, 1996, through August 11, 2016.

We did not review CMS’s overall internal control structure. Rather, we reviewed only those internal controls related to our objective.

We conducted our audit work from April to August 2018.

### METHODOLOGY

To accomplish our objectives, we:

- reviewed applicable sections of OMB Circulars A-50 and A-133, HHS regulations at 45 CFR part 75, and other applicable Federal requirements;
- reviewed CMS’s policies and procedures for resolving audit recommendations and performed a walkthrough of the process;
- interviewed CMS’s staff and reviewed documentation provided by CMS officials;
- obtained CMS’s “Outstanding Audits and Actions Taken by Cognizance” stewardship reports for our audit period and used them to:
  - identify the total number of recommendations that were resolved timely or untimely by:
    - including only the recommendations that had the “management decision” data field populated (which indicated that a management decision had been made) and that had a decision date (i.e., the date that CMS issued the OCD) that fell within our audit period of FYs 2015 and 2016 and

- quantifying the timeframe it took to resolve those recommendations by calculating the number of days between the issued date and the decision date;<sup>18</sup>
  - quantify the total number of recommendations that were unresolved and beyond the required resolution period by:
    - including only the recommendations that had no decision date documented or that had a decision date that was after our audit period (indicating that a management decision had not been made as of the end of our audit period) and
    - quantifying the timeframe beyond the required resolution date for those recommendations by calculating the number of days between the required resolution date and the last day of our audit period (September 30, 2016); and
  - determine whether there were any dollar amounts associated with any unresolved recommendations that were beyond the required resolution period as of September 30, 2016 (after having removed the recommendation discussed in footnote 15); and
- discussed the results of our audit with CMS officials on September 19, 2018.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>18</sup> To determine whether a management decision was issued timely for a Federal audit, we reviewed the time period between the date that OIG issued the audit report and the date that CMS issued the management decision. To determine whether a management decision was issued timely for a non-Federal audit, we reviewed the time period between the date that NEAR assigned the single audit finding(s) to CMS and the date that CMS issued the management decision. Both the date that OIG issued the audit report and the date that NEAR assigned the single audit finding(s) are reported on the stewardship report in the “issued date” data field.

**APPENDIX B: PREVIOUSLY ISSUED  
OFFICE OF INSPECTOR GENERAL REPORTS**

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<i>The Indian Health Service Did Not Always Resolve Audit Recommendations in Accordance With Federal Requirements</i>	<a href="#"><u>A-07-17-03227</u></a>	9/24/2018
<i>The Administration for Children and Families Did Not Always Resolve Audit Recommendations in Accordance With Federal Requirements</i>	<a href="#"><u>A-07-17-03225</u></a>	7/2/2018
<i>Review of the Centers for Disease Control and Prevention's Resolution of Audit Recommendations</i>	<a href="#"><u>A-07-09-03131</u></a>	5/26/2010
<i>Administration for Children and Families Resolution of Audit Recommendations</i>	<a href="#"><u>A-07-09-03118</u></a>	10/28/2009
<i>Centers for Medicare &amp; Medicaid Services Resolution of Audit Recommendations</i>	<a href="#"><u>A-07-07-04112</u></a>	11/19/2008
<i>Indian Health Service's Resolution of Audit Recommendations</i>	<a href="#"><u>A-07-06-03077</u></a>	3/9/2007
<i>Administration on Aging's Resolution of Audit Recommendations</i>	<a href="#"><u>A-07-06-03084</u></a>	2/21/2007
<i>Food and Drug Administration's Resolution of Audit Recommendations</i>	<a href="#"><u>A-07-06-03083</u></a>	2/15/2007



## APPENDIX C: CMS COMMENTS

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

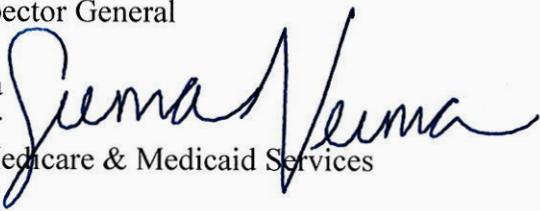
*Administrator*

Washington, DC 20201

**Date:** NOV 30 2018

**To:** Daniel R. Levinson  
Inspector General  
Office of Inspector General

**From:** Seema Verma  
Administrator  
Centers for Medicare & Medicaid Services



**Subject:** Office of Inspector General Draft Report: "Although the Centers for Medicare & Medicaid Services Has Made Progress, It Did Not Always Resolve Audit Recommendations in Accordance With Federal Requirements" (A-07-18-03228)

The Centers for Medicare & Medicaid Services (CMS) appreciates the opportunity to review and comment on the OIG draft report on the resolution of audit recommendations. As noted in the OIG report, CMS has made significant progress from the prior audit period (FYs 2006 and 2007) to the current audit period (FYs 2015 and 2016) in resolving audit recommendations within the required six month timeframe and in reducing both the total number and associated dollar amounts of audit recommendations that were past due for resolution.

CMS continues to strengthen and refine its audit processes to ensure that all audit recommendations are resolved timely thus continuing to strengthen our stewardship over Federal dollars. As part of these efforts, CMS has dedicated staff responsible for ensuring audit recommendations are resolved on a timely basis and has implemented stronger internal controls, including strengthening both its reconciliation process and its detailed audit resolution procedures since the prior audit period. In addition, CMS introduced a new audit recommendation resolution tracking system with improved audit tracking and reporting features.

These improvements to the CMS audit process contributed to the 48 percentage point increase in the number of recommendations resolved within the required six month window from the prior audit period to the current audit period. In the same time period, CMS also reduced the total dollar amounts associated with unresolved recommendations from 1.17 billion to 139 million dollars.

CMS is committed to achieving timely resolutions for all audits, ensuring OIG recommendations are resolved as expeditiously as possible.

**OIG Recommendation**

CMS should continue to follow its policies and procedures related to the audit resolution process, and enhance them where possible, to ensure that all management decisions are issued within the required 6-month resolution period.

**CMS Response**

CMS concurs with this recommendation. CMS will continue to assess and further refine its audit resolution process to ensure that recommendations are resolved within the required time period.

**OIG Recommendation**

CMS should promptly resolve the 140 outstanding audit recommendations that were past due as of September 30, 2016.

**CMS Response**

CMS concurs with this recommendation. Of the 140 open recommendations associated with this audit, CMS has already resolved 97 recommendations that are associated with 109 million dollars. CMS is dedicated to resolving all audit recommendations and expects to submit documentation to OIG on the remaining 43 recommendations by early 2019.