TECHNICAL SUMMARY
FINANCIAL MANAGEMENT PROFILE
OF THE
HEALTH RESOURCES AND SERVICES
ADMINISTRATION

PREPARED BY THE STAFF
OF THE
U.S. GENERAL ACCOUNTING OFFICE

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Foreword

The Health Resources and Services Administration is an organizational component of the Department of Health and Human Services. In fiscal 1982 it received approximately $2.8 billion in budget authority. The Health Resources and Services Administration is responsible for providing leadership and direction for programs and activities designed to improve health services for all people. In addition, it is required to develop health care and maintenance systems which are adequately financed, comprehensive, and responsive to the needs of individuals and families.

This technical summary is one of eleven volumes of detailed information that support the overall Financial Management Profile for the Department of Health and Human Services (AFMD 84-15, April 9, 1984). The technical summaries provide detailed information on the major organizational components of the Department of Health and Human Services (the Department), their financial management systems, and major internal control strengths and weaknesses in these systems.

The financial management profile of the Department and the eleven technical summaries were prepared by GAO as a pilot test of a new audit approach--called Controls and Risk Evaluation (CARE)--for (1) identifying and describing the financial management systems used by an agency and (2) assessing and ranking the internal control strengths and weaknesses of the systems. This analysis is based on reviews of available systems documentation, discussions with agency personnel, and reviews of prior GAO and Inspector General reports. Tests were not performed on actual information processed by and recorded in the systems, therefore, conclusions cannot be reached about whether the systems' internal controls were actually operating as designed.

The information in this technical summary is intended for use in:

--planning future tests and evaluations of the accounting and financial management system at the Health Resources and Services Administration,

--monitoring the Administration's efforts to implement the Federal Managers' Financial Integrity Act of 1982, and

--supporting and enhancing the understanding and application of the CARE-based methodology by designers, operators, and evaluators of agency accounting and financial management systems.

The summary provides a description of the financial management structure of the Health Resources and Services Administration. Eleven financial management systems form the financial management structure of the Administration. These systems are used to (1) control appropriated funds and other resources, (2) authorize the use of funds and other resources, and (3) capture, record, process,

and summarize financial information related to the execution of budget authority. The summary also provides a detailed analysis of the eleven systems and identifies specific internal control strengths and weaknesses within each system.

During the course of GAO's survey, agency officials were briefed. The summary was provided to cognizant agency officials for their review and comment. Agency comments were considered and appropriate changes were made in preparing the summary. The assistance and cooperation of agency management enhanced the successful completion of the work. The results of the survey will be used by GAO as the basis for planning future reviews of the Health Resources and Services Administration's financial management systems to ascertain if they conform to the Comptroller General's principles and standards for federal agencies. The summary is being provided to the Administration to assist it in its continuing efforts to improve financial management.

Contents

ABBREVIATIONS

ADAMHA	Alcohol, Drug Abuse, and Mental Health Administration
CARE	Controls and Risk Evaluation
DFAFS	Departmental Federal Assistance Financing System
GAO	General Accounting Office
DHHS	Department of Health and Health Services
HRSA	Health Resources and Services Administration

HEALTH RESOURCES AND SERVICES ADMINISTRATION--

ITS RESPONSIBILITIES, ACTIVITIES AND

FINANCIAL MANAGEMENT STRUCTURE

The Health Resources and Services Administration (HRSA) is responsible for operating federal programs designed to improve health services to residents of the United States. HRSA requested about $2.8 billion in fiscal 1982 budget authority and employed about 27,000 individuals. Of HRSA's total requested authority, $807 million was requested for the Indian Health Service.

Based upon our review and evaluation of available documentation and through discussions with agency personnel we determined that 11 systems were used to authorize and make payments, control assets and liabilities, record the receipt of funds, and produce required internal and external financial reports. Taken together these 11 systems form HRSA's financial management structure.

HRSA also processes all financial transactions for the Alcohol, Drug Abuse, and Mental Health Administration (ADAMHA) and the Office of the Assistant Secretary of Health. Since HRSA does all processing and provides all appropriate financial reports for ADAMHA, and the Office of Assistant Secretary of Health, separate technical summaries were not prepared for these two orgnaizational units.

In assessing the internal control strengths and weaknesses of HRSA's financial management systems, we determined that:

--User passwords and transaction codes (1) identify individuals authorized to enter information into the system and screen-out unauthorized system users, and (2) limit the kind of information that can be posted.

--Computer edits are used to (1) verify the completeness, accuracy, and validity of transactions and (2) reject incomplete, inaccurate, and invalid transactions.

--Automated vendor file is not used to verify procurement transactions.

--Property records and accounting records for the National Health Service Corps medical and dental equipment have not been reconciled for many years.

--Extensive manual procedures are involved in the collection of Medicaid/Medicare receipts.

HRSA has several system enhancement efforts underway and if effectively implemented, should improve the processing of financial transactions. For example, HRSA is phasing in a new automated accounts receivable module for its Health Accounting System. The module is eventually expected to cover 23 types of receivables. In addition, efforts are underway to develop and implement an accounts payable module for the Health Accounting System. One of the primary features of the module will be an automated vendor file. The development of an accurate and reliable vendor file will help ensure that payments are only made to approved vendors.

Appendix I discusses the objectives, scope, and methodology used in applying the Controls and Risk Evaluation audit approach to identify the financial management structure of HRSA. Appendix II lists the internal control strengths and weaknesses we identified in HRSA's financial management systems. Appendix III shows the interrelationship among those systems. This technical summary was discussed with HRSA officials and their comments were considered and appropriate changes were made to the summary.

RESPONSIBILITIES OF THE HEALTH RESOURCES AND SERVICES ADMINISTRATION

On September 1, 1982, the Health Resources Administration and Health Services Administration were merged to form HRSA. HRSA is responsible for providing leadership and direction for programs and activities designed to improve health services for all people of the United States. In addition, it is required to develop health care and maintenance systems which are adequately financed, comprehensive, and responsive to the needs of individuals and families. Specifically, HRSA:

- --provides leadership and supports efforts designed to integrate health services delivery programs with public and private financing programs--for example, health maintenance organizations,
- --administers the health services block grants and formula grant-support programs,
- --provides or arranges for personal health care services, including both hospital and outpatient care to designated beneficiaries,
- --administers programs to improve the utilization of health resources through health planning, and
- --provides technical assistance to states and other organizations for modernizing or replacing health care facilities.

In addition, HRSA is responsible for providing funds to participating educational institutions who train individuals for the health professions. The schools use the funds provided by HRSA to make low interest loans to eligible health profession students.

HEALTH RESOURCES AND SERVICES ADMINISTRATION'S ORGANIZATIONAL STRUCTURE

The organizational structure of HRSA consists of the Office of the Administrator and four bureaus. The Office of the Administrator is responsible for the overall efficient and effective implementation of HRSA programs, and as such, provides leadership and direction for the programs and activities of HRSA and advises the Assistant Secretary for Health on policy matters.

The four bureaus are responsible for the day-to-day operation of HRSA programs. The Office of Director, within each Bureau, is responsible to the Administrator for the program activities assigned to them. A brief description of each bureau follows:

--Indian Health Service is responsible for providing comprehensive health services for American Indians and Alaska Natives. IHS facilitates and assists in coordinating health resources available through federal, state and local programs. IHS is also responsible for providing comprehensive health care services--including hospital and ambulatory medical care and preventive and rehabilitative health services. The mission of IHS is accomplished through its various area and program offices.

--Bureau of Health Maintenance Organizations and Resource Development is responsible for the development, administration, direction, coordination and support of federal policy and programs pertaining to health planning and resource allocation for health care systems. The Bureau also administers grant, loan, loan guarantee and interest subsidy programs related to the construction and modernization of health facilities and development of health care organizations. In addition, the Bureau is responsible for the administration of grant, contract, and loan aspects of Title XIII, of the Health Maintenance Organizations of the Public Health Service Act.

--Bureau of Health Professions is responsible for coordinating, evaluating, and supporting the development and utilization of the nation's health care personnel. Specifically, the Bureau assesses the nation's health personnel supply and requirements. The Bureau also provides financial support to institutions and individuals for health profession educational programs and administers federal programs for targeted health care personnel development and utilization.

--Bureau of Health Care Delivery and Assistance is the focal point for assuring the availability and delivery of health care services in medically underserved areas and to special service populations. The Bureau assists states through program and clinical efforts to

provide health care to underserved population through the Primary Health Care Block Grant and the Maternal and Child Health Services Block Grant programs.

FINANCIAL MANAGEMENT STRUCTURE OF HRSA

HRSA uses 11 systems to authorize and make payments, control assets and liabilities, record the receipt of funds due the government and produce required internal and external financial reports. These systems taken together form the financial management structure of HRSA. A brief description of each system follows:

--Health Accounting System is the primary HRSA financial management system. All other HRSA financial systems provide input information to the Health Accounting System.

--Supply Control Program is an automated perpetual inventory system for HRSA's medical supplies at its stock point in Perry Point, Maryland.

--National Health Service Corps Site Billing System bills health care providers that use the services of National Health Service Corps personnel.

--National Health Service Corps Equipment Inventory System is an automated inventory system for equipment on loan to health care providers.

--National Health Service Corps Scholarship Fiscal System manages payments to students and schools participating in the scholarship program.

--Indian Health Service Stores System is an automated perpetual inventory for Indian Health Service supplies located at various stocking points.

--Nonexpendable Control Program System is an automated property control system for nonexpendable equipment.

--Facility Engineering Automated Management System is the Indian Health Service's real property control system.

--Indian Health Service Contract Health Service Management Information System is an automated system that processes payments to and collects statistical data on medical services provided by contactors to patients in Indian Health Services facilities.

--Indian Health Service Medicare/Medicaid Automated System bills and collects reimbursements from the (1) Social Security Administration for Medicare, and (2) states for Medicaid, for health services rendered to eligible individuals in selected Indian Health Service facilities.

--Indian Health Service Medicare/Medicaid Manual System bills and collects reimbursements from the Social Security Adminstration for Medicare and (2) states for Medicaid for Health services rendered to eligible individuals in Indian Health Services facilities not covered by the above automated system.

HRSA'S HEALTH ACCOUNTING SYSTEM--THE MAJOR FINANCIAL MANAGEMENT SYSTEM

The HRSA Health Accounting System is the primary financial management system. It controls HRSA's total budget authority, which amounted to over $2.8 billion in fiscal 1982. The system also provides accounting support to the Alcohol, Drug Abuse, and Mental Health Administration (ADAMHA) and the Office of Assistant Secretary for Health. In addition to fulfilling internal financial information needs, the system produces all financial information required by the Congress, OMB, and Treasury.

System overview

The HRSA Health Accounting System operates on two IBM 3033 computers located at the Parklawn Computer Center, Rockville, Maryland. The system interfaces with the Departmental Central Payroll System, Departmental Federal Assistance Financing System (DFAFS) and the Regional Accounting System. The Health Accounting System also receives input information from 10 feeder systems. The HRSA Health Accounting System maintains the general ledgers for HRSA, ADAMHA, the Office of Assistant Secretary for Health ,and a series of automated files to control the processing of financial transaction information.

System inputs

The Health Accounting System receives inputs on a daily, semi-monthly and monthly basis. Input transactions are received on a daily basis from HRSA Headquarters and field accounting points via computer terminals. On a semi-monthly basis a magnetic tape is received from the Departmental Central Payroll System detailing salary and expense data for all HRSA employees. In addition, on a monthly basis magnetic tapes are received from DFAFS and the Regional Accounting System.

The HRSA Health Accounting System and DFAFS exchange information by magnetic tapes. The tapes use a standard format for data elements and are used to exchange financial data related to HRSA's grant program. The initial obligation and any needed adjustments are first recorded in the Health Accounting System and then the data is sent to and entered into DFAFS. DFAFS first records all cash advances, disbursements, and expenses relating to HRSA grants and sends this data to HRSA for entry into the Health Accounting System. As transactions are processed, each system provides the other with current information as to the financial status of each grant.

The Regional Accounting System provides the Health Accounting System with obligation, disbursement, and expense information for transactions relating to HRSA programs that were initiated by HRSA personnel working in the Department of Health and Human Services' ten regional offices.

The Health Accounting System receives input information from the feeder systems operated by HRSA as shown below:

--HRSA Supply Control Program provides information on supplies provided to HRSA's bureau's from HRSA's Supply Services Center in Perry Point, Md.

--Nonexpendable Control Program provides information on the acquisition and disposition of capitalized property.

--National Health Service Corps Site Billing System provides information on billings and collections for services provided private health care provider facilities by National Health Serice corps personnel.

--National Health Service Corps Equipment Inventory System. provides information on equipment acquisitions.

--National Health Service Corps Scholarship Fiscal System provides information on payments made to health profession schools and students participating in the scholarship program.

--Indian Health Service Stores System provides information on supplies used by Indian Health Service facilities.

--Indian Health Service Facility Engineering Automated Management System provides information on transactions involving Indian Health Service real property.

--Indian Health Service Contract Health Service Management Information System provides information on payments made to health service providers who treat patients in Indian Health Service hospitals.

--Indian Health Service Manual Medicare/Medicaid System provides information on collection of Medicare and Medicaid payments for eligible patients in Indian Health Service Hospitals.

--Indian Health Service Automated Medicare/Medicaid System provides information on collection of Medicare and Medicaid payments for eligible patients in Indian Health Service hospitals.

An overview of the operations of these systems and the information provided the Health Accounting System are presented in the next major section of this summary.

System files

The Health Accounting System maintains nine automated masterfiles. These files contain individual accounting transactions and summarizations of accounting data at various levels. For example, data is summarized by accounting points, agency, fiscal year, and appropriation. The nine masterfiles are:

--Daily Transaction History File (Edited Transaction File) provides the basis for reconstruction of other data files in the event of system failure, and serves as an automated audit trail by which transactions may be traced through the system. This file is retained on a weekly basis and kept for two years. The file is the final repository for all valid, posted accounting transactions processed by the system. As such, its contents will balance to all data files except the Error File.

--Error File contains all error transactions detected and rejected by the system in the current and previous processing cycles. The Health Accounting System employs the "rotating error file concept" which means that rejected transactions are retained on the error file until all errors have been corrected. As corrected trasactions are accepted by the system, the originally rejected transactions are purged from the error file. The file is a sequential file containing all erroneous accounting transactions detected and rejected by the system.

--Open Obligation Document File contains information pertaining to each document which is opened and to those closed obligation documents which have not yet been purged from the file. The file is updated during the daily process and is used for data validation and fund control as well as for reporting.

--Open Miscellaneous Document File contains records of open commitments, advances, and receivables. This file is used for data validation, fund control and reporting. It is updated concurrently with the Open Obligation Document File since both are required to validate certain types of transactions; e.g., previously committed obligations and travel advance liquidations. A record is retained on this file only as long as its cumulative-to-date amount is not equal to zero. When a transaction posting causes this amount to be set to zero, the file record is deleted by the Daily Processing Update Program.

--Inactive Document File contains records on all obligation documents which have been closed and removed from the Open Obligation Document File. Previously closed documents can be returned to the Open Obligation Document File.

--General Ledger File contains balances by general ledger account, accounting point, region, appropriation, and fiscal year. It serves as a master control file and is used in preparation of reports. All accounting transactions in the daily process are posted to the General Ledger File. As a result, the General Ledger File reflects the current status of all general ledger accounts.

--Allotment/Allowance File reflects the current status of allotment and allowance amounts. The file is used primarily in validating commitment and obligation transactions against available allowance balances and in preparing the allotment/allowance Reports.

--CAN-Object Class File is used for reporting purposes and contains summary data necessary to provide a full range of financial reports. The file reflects the status of allotments, allowances, commitments, obligations, etc. This file is updated during the weekly processing cycle.

System processing and reporting

As input data is received by computer terminal from accounting points, it is recorded on a file pending initiation of the daily processing routine. Input data received from the Central Payroll, DFAFS, and Regional Accounting System is also recorded on the pending transaction file. After all input data has been received, processing begins.

Input data is edited based on information in the masterfiles maintained by the system. For example, the system will check an obligation transaction with information in the Open Obligation Document File to insure that duplicate obligations are not recorded. Transactions that do not pass the system edit criteria are written onto the Error File. The Error File contains all error transactions detected by the system in the current and previous processing cycles. Also, all input data is grouped into batches. Each batch consists of a Batch Header Record followed by at least one detail accounting transaction and a Batch Trailer Record. The batch is used to control the accounting transactions contained therein. Each batch and the accounting transactions therein, are separately numbered. Each batch is treated as an individual entity and is not separated until after editing and error reporting has been completed.

A number of edits are performed on each batch to ensure correctness and batch integrity. Each Batch Header Record must be followed by an accounting transaction, which in turn, must be followed by a Batch Trailer Record. Any accounting transaction not preceded by a Batch Header Record is written onto a report entitled "Unidentified Transactions Listing". The listing is returned to the appropriate accounting point in order that proper documentation can be prepared and resubmitted for processing.

Edits are performed on all data elements recorded on the Header and Trailer records. In addition, the Header and Trailer records are edited for agreement in respect to batch date, batch number, machine number, agency, and accounting point. Each batch is also counted and totaled by the computer, with results recorded and compared to the transaction count and hash dollar amount in the Batch Trailer Record.

All records processed by the edit routine are written onto the Daily Transaction History File (Edited Transaction File). From this file, Daily Audit and Error Reports are prepared and sent back to the various accounting points. The Daily Transaction History File is the basic input to daily and weekly update procedures.

The daily update procedure involves posting transactions from the Daily Transaction History File to the the Open Document, Miscellaneous Document, and Allowance Summary files. The weekly update procedure involves merging the Daily Transaction History File into a Weekly Transaction History File and posting the information on the file to the General Ledger. Each week, a magnetic tape of obligations for new grant awards is produced and sent to DFAFS. Various hardcopy reports are also generated from the updated General Ledger and the "Weekly" Transaction History File.

Monthly, a number of management reports are prepared from the Open Document and General Ledger Files for distribution to HRSA components. The Health Accounting System tailors the reports that are produced to the reporting needs of each particular user. No single user gets a copy of every report. Some organizations receive 12 or 13 reports and others receive only one report. Overall, about 200 reports are produced each month.

Internal control strengths and weaknesses

The internal control strengths and weaknesses in the HRSA Health Accounting System are discussed below. These strengths and weaknesses impact on ADAMHA and the Office of Assistant Secretary for Health, since HRSA does their accounting and financial reporting.

The key internal control strengths in the HRSA Health Accounting System are:

--User passwords and transaction codes that (1) identify individuals authorized to enter information into the system and screen-out unauthorized system users and (2) limit the kinds of data that can be posted.

--Extensive computer edits to verify the completeness, accuracy, and validity of transaction information and to reject incomplete, inaccurate, and invalid data.

--Monthly and year end management reports on the status of funds and general ledger account balances.

The key internal control weaknesses of the HRSA Health Accounting System are that:

--An automated vendor file is not used to verify procurement transactions.

--Excessive paperwork is involved in the authorization of payment by Treasury and the recording of transactions in the Health Accounting System.

Enhancements to HRSA'S Health Accounting System

HRSA has extensive efforts underway to expand the Health Accounting System. Projects are underway to develop, design and implement a new automated accounts receivable and accounts payable modules.

Accounts receivable module

The accounts receivable module is being designed to cover 23 different classes of receivables, such as, audit disallowances, student loan programs, and Hill-Burton loans. Besides HRSA, the module will provide service to the Office of the Assistant Secretary for Health, and ADMHA. Once the module has been implemented it will provide for centralized accounting and control of all accounts receivable.

The module will use a data base management system and will use computer terminals for information entry and retrieval. The module will maintain an accounts receivable subsidiary ledger and automatically update general ledger control accounts when changes are made to the accounts receivable data base.

The module will operate under two levels of password security. The first level of password security will provide the user access to the system. The second level will provide specific access to the system's functions depending on the privileges assigned to the user's password. Basic functions of the module include establishing pending accounts receivable, conversion to actual accounts receivable, entry of collections of amount due, adjustment of amounts due, write-off of uncollected accounts and preparation of bills.

As of March 1983, receivables from audit disallowances has been implemented. The initial implementation of audit disallowances covers about 225 accounts. These receivables arise from audits of grants and contracts by the HHS Inspector General's Office. Design work has started on three National Health Service Corps components: site billings, start-up loans, and private practice start-up loans.

Accounts payable module

HRSA is also developing an accounts payable module for the Health Accounting System. One of the key features of the module is

an automated vendor file, Patient Profile Index, and a Provider Index. The Health Accounting System does not currently use an automated vendor file.

The Vendor File and Provider Profile Index will be used to provide all pertinent information concerning vendors, contractors, consultants, grantees, and government travelers. The primary information contained on the index will be the mailing addresses for purchase orders, check payments, and electronic funds transfers. Additional information in the files will be used to identify payments that should be withheld due to such items as tax liens, offsets or administrative holds, or if payments should be made to an assignor. The Vendor File and Provider Profile Index will be capable of referencing to various source files through the use of codes.

The accounts payable module will contain a Patient Profile Index, Provider Profile Index, and all records pertaining to individual medical services. The Patient Profile Index will contain information on all beneficiaries and will be used to determine the eligibility status of an individual. The Provider Profile Index will list all health care institutions providing medical services, all pertinent information concerning the provider, applicable fee schedules, and whether payment should be withheld. Credit memos will be entered into the computer in order to withhold future payments until the entire credit is used.

The system will print the purchase order, generate accounting entries and produce computer reports as needed by the Division of Fiscal Services. The system will generate a letter to be sent to the patient to certify that services were performed. The computer will edit for duplicate invoices. If the computer detects duplicate invoices, the system will generate a letter to the health care provider indicating that payment has been made or is in the process of being paid.

HRSA officials also stated that the accounts payable module will provide a tape to Treasury for the payment of funds to authorized vendors for goods and services received. This process will eliminate the excessive paperwork that is now involved and reduce the monthly effort required to prepare the monthly Treasury SF-224 report.

FEEDER SYSTEMS TO THE HEALTH ACCOUNTING SYSTEM

The Health Accounting System is supported by 10 feeder systems that control assets, make payments, or collect receipts. These systems provide information to the Health Accounting System. Their inputs, processing, outputs and internal control strengths and weaknesses are discussed below.

HRSA Supply Control Program

The HRSA Supply Control Program is an automated perpetual inventory of supplies at HRSA's Supply Service Center, Perry Point, Maryland. The average inventory value is estimated at $2 million. The system operates on an IBM 34 Minicomputer at the Center. The Supply Control Program provides the Health Accounting System with the amounts that HRSA bureau's are to be billed for supplies.

Transactions are entered by terminal from source documents on a daily basis. Files are on magnetic disks and diskettes. Selected files include a detailed transaction file, a customer file, an item file, and a vendor file. Information is available via computer terminal, print-out, and diskette. Bills are printed monthly which are sent to the Health Accounting System for recording the receivables due the Supply Services Center from HRSA's bureaus and for transferring the billed amounts from the bureau's appropriation accounts to the Supply Service Center's accounts.

Selected reports include monthly transaction reports, voucher summary reports of receipts and sales, invoice registers, sales reports, and stock status reports. System controls include passwords, item and customer validity edits, input control totals, and audit trail data.

Nonexpendable Control Program

The Nonexpendable Control Program is an automated property control system for nonexpendable (capital) equipment. The system, subject to some modifications, is separately run by certain components of the Public Health Service. Except for the Indian Health Service system, which is operated by the Data Processing Service Center, Albuquerque, the system is run at the Parklawn Computer Center. The inventory value controlled by the system is estimated at $127 million.

Transaction reports are produced monthly and inventory reports are generated annually. Computer files are supplemented by equipment listings held by property custodians and accountable property officers. Physical inventories are scheduled annually. The Nonexpendable Control Program provides the Health Accounting System with information on the acquisition and disposition of capitalized property.

The system handbook provides for the custodial officers to conduct the annual physical inventory. For improved internal control, some method of independent count or verification should be done by someone other than the custodian.

National Health Service Corps
Site Billing System

The National Health Service Corps Site Billing System bills about 800 health care provider facilities (clinics for example) for the cost of services provided by National Health Services Corps personnel. The system is operated at the National Institutes of Health Parklawn Building and is supported by the IBM 370 facility at NIH, Bethesda, Maryland.

Under certain circumstances, all or part of the recovery of these costs may be waived. Waiver circumstances include the facility's inability to pay or location of the facility in a federally designated health shortage area in which a significant percentage of the people served by the facility are elderly, living in poverty, or have other characteristics indicating their inability to pay for health care services received. Net annual billings, after waivers, is estimated at $18 million.

Semi-annually, health care provider facilities submit financial and statistical data to the Department of Health and Human Services regional offices, which send the data to HRSA for entry into the National Health Service Corps Site Billing System. The system also maintains a file of personnel--doctors, dentists, and nurses--assigned to the various health care provider facilities. The system merges the two files into a single master billing file.

The system uses the merged file to produce semi-annual bill/waiver worksheets for review by regional offices and HRSA program office personnel to determine whether bills to particular facilities should be waived based on requests for waivers received from health care facilities. Waiver requests require submission of supporting data and usually include certified financial statements.

After review of the bill/waiver data and the worksheets, final bills/waivers are prepared. The bills are entered into the Health Accounting System to record the accounts receivable due from health care facilities. Where payments are received from the facilities they are posted in the Health Accounting System to record the collections and eliminate the corresponding accounts receivable.

Bill computations and waiver determinations are based largely on information received from the health care facilities. About 80 percent of gross billings are waived. Because the National Health Service Corp Site Billing System depends on the validity of health care facility provided data, the system by its nature could be considered vulnerable to fraud and abuse.

National Health Service Corps
Equipment Inventory System

The National Health Service Corps Equipment Inventory System is an automated inventory system for government-owned medical equipment at National Health Services Corps health care

facilities. The acquisition cost of the equipment accounted for and controlled by the system is about $12 million. The system utilizes computer facilities at the Parklawn Computer Center and National Institutes of Health. Physical inventories are scheduled annually and transactions are processed monthly.

Source documents are coded on a form for entry by computer terminal to the National Institutes of Health computer facility where punch cards are prepared. The cards are then sent to the Parklawn Computer Center computer to update the system files. A master inventory file and a file of equipment sites are maintained. Basic output reports include listings of equipment transfers, inventory at reporting site, and nonreporting sites (monthly), property numbers (twice a year), and write-offs (annually). The system provides the Health Accounting System with information on equipment acquisitions.

Our survey disclosed that a reconciliation of the system's records and the inventory value in the HRSA Health Accounting System has not been performed for several years. In addition, equipment dispositions have not been recorded in the accounting system.

National Health Service Corps
Scholarship Fiscal System

The National Health Service Corps Scholarship Fiscal System initiates payments to participants in the scholarship program. This program pays for the education of health care professionals--nurses, doctors, dentists--in exchange for several years service after graduation in federally designated health care shortage areas. Program obligations in fiscal year 1982 amounted to about $42.5 million.

The system maintains files of eligible health profession schools and students participating in the program. The system initiates payments to schools for tuition costs and payments to students for living costs and books. Payments to schools are processed through the Health Accounting System, and payments to students are processed through HHS's Central Payroll System.

Each year, health profession schools send information on the cost of tuition, fees, books, and reasonable living expenses at their respective schools as well as enrollment information for program participants that were enrolled during the previous academic year. Also, program participants that attended classes the previous academic year annually provide The National Health Service Corps with updated program eligibility information. New applications for program participation are accepted once a year. All this information is entered into the Scholarship Fiscal System. Based on this information, the system builds the program participant masterfile for the coming academic year and related masterfiles for tuition, fees, and reasonable living costs for the health profession schools.

After the Scholarship Fiscal System builds the current year's masterfiles, the annual program obligations are computed and sent to the Health Accounting System to be recorded in HRSA's general ledger accounts. The system adjusts program obligations during the academic year as changes occur and payments are made.

Invoices for tuition and fees received from the schools are compared to the current masterfile data prior to being forwarded to the Health Accounting System for payment. Program participants are paid a stipend for reasonable living expenses on a monthly basis. Monthly, the Scholarship Fiscal System prepares magnetic tape of monthly stipends to make the stipend payments through HHS's Central Payroll System. Various output reports are prepared for program management, congressional reporting, and accounting purposes.

The system relies on the accuracy of information from the schools. Accordingly, periodic audit of such data would be an additional means of internal control. At the present time, such audits are not being performed.

Indian Health Service
Stores System

The Indian Health Service Stores System maintains a perpetual inventory of supplies located at various stock locations. The inventory value controlled by the system is estimated at $8.7 million.

Stock locations mail transactions daily to their applicable area offices for processing. The area offices prepare magnetic tape files of inventory transactions which are the basic input to the Indian Health Service Stores System. Financial transactions relating to the inventory transactions entered into the Indian Health Service Stores System are sent by computer terminal to the Health Accounting System by the area offices. Stock points maintain manual property voucher files representing all transactions sent to area offices for processing.

The system generates a monthly voucher summary report for comparison to stock point voucher registers to enable the stock points to ensure that all transactions are accounted for and are processed. Weekly and monthly reports are also produced to assist stock points to account for, control and manage the inventory.

Indian Health Service
Facility Engineering
Automated Management System

The Facility Engineering Automated Management System is the Indian Health Service's real property control system that updates the inventory value annually. The real property inventory is valued at about $134 million.

The Indian Health Service units mail real property transactions to their respective area offices, who forward the data to the Facility and Equipment Management Office in Albuquerque.

Once a year, the data is keypunched to magnetic tape and the real property masterfile is updated. The masterfile is then reconciled to the area office records. Annual inventory reports are distributed to components.

Indian Health Service Contact Health Service Management Information System

The Indian Health Service Contract Health Service Management Information System accounts for and controls payments made to and collects statistics on health service providers who treat patients in Indian Health Service hospitals. The system is operating at eight hospitals and annual payments processed by the system total about $8 million.

System processing begins when a private health care provider requests authorization to provide a health service for a patient in an Indian Health Service hospital. The information requesting authorization is entered into the system by computer terminal. The system compares information in the request with information in vendor, patient, and obligation files it maintains, to determine the patient's eligibility to receive services and availability of funds. Terminal operations are controlled by the use of passwords.

If the patient is eligible for the proposed service and funds are available, an order is generated by the system and mailed to the provider. Upon receipt of accepted orders from providers, both payment and statistical data is entered into the system and the system files are updated.

Each week approved requests for authorization to provide health care services and related accepted orders are sent to the appropriate area offices. The area offices perform voucher audits of each transaction. After audits are completed, the area offices enter the audited transaction into the system to update statistical masterfiles. The area offices, also by computer terminal, enter obligation and payment data for health care services into the Health Accounting System. The area offices prepare and send magnetic tapes of payments to be made to health care providers to the Treasury regional disbursing offices for preparation and issuance of checks.

Some key control features of the system are patient and vendor files; separation of order issuance, and payment functions; and various files tracking the status of transactions from order issuance through transmission to area offices for payment, payment approval, and submission to Treasury for payment.

Indian Health Service Manual Medicare/Medicaid System

The Indian Health Service Manual Medicare/Medicaid System bills, accounts for, collects, and controls reimbursements for Medicare and Medicaid claims made on behalf of patients in Indian Health Service hospitals. The system covers claims,inpatient and

outpatient Medicare reimbursements from the Health Care Financing Administration and Medicaid claim reimbursements from states. Annual payments initiated and processed by this system total about $20 million. Plans are underway to fully automate all Indian Health Service Medicare/Medicaid billing operations. Conversion to an automated system is expected to be completed in fiscal year 1984.

Medicare claims processing is initiated at the Indian Health Service hospital where a patient's eligibility for Medicare inpatient benefits is determined by preparation of a query form to the Health Care Financing Administration. The query and the response notice is processed through the appropriate area office. After health care services are provided, the Indian Health Service hospital will prepare separate multicopy forms for inpatient, outpatient, and physician services. These forms are forwarded to the appropriate area office for review. After reviewing the forms, the area office forwards them, along with a transmittal form, to the Health Care Financing Administration for payment. The Indian Health Service area office prepares and sends summary financial information on Medicare billings and collections to the Health Accounting System for recording of the billings and collections in the general ledger accounts.

In contrast to Medicare processing, the Indian Health Service hospitals deal directly with the states, instead of going through Indian Health Service area offices, in billing states for health care services provided to patients eligible for Medicaid benefits. The Indian Health Service hospital initially determines a patient's Medicaid eligibility and prepares the necessary forms when services are rendered. The actual forms used and processing details vary from state-to-state. Indian Health Service hospitals batch individual billings and prepare a summary listing which are sent to the states for reimbursement. An informational copy of the summary listing is sent to the appropriate Indian Health Service area office. The area offices monitor the bills until they are settled.

The states send checks and payment data directly to the appropriate IHS area offices. Area offices deposit checks received in the local Treasury depository and send summary billing and collection information to the Health Accounting System via computer terminal.

Indian Health Service
Automated Medicare/Medicaid Systems

The Indian Health Service Automated Medicare/Medicaid System bills, accounts for, collects, and controls reimbursements for Medicare and Medicaid claims for eligible patients in Indian Health Service hospitals. The system covers outpatient Medicare reimbursements from the Health Care Financing Administration, and inpatient and outpatient Medicaid reimbursements from states. This system is currently operating at a limited number of Indian Health Service hospitals. Annual payments under these systems are estimated at $7 million. Plans are underway to automate inpatient

Medicare reimbursements at these locations early in calendar year 1984.

The Indian Health Service automated Medicare/Medicaid System maintains a central database of the program eligibility and the health care services received by each eligible patient in an Indian Health Service hospital. This database forms the basis for reimbursement billings. Using this database, and additional Medicaid eligibility data received from states, the system produces periodic billing records on magnetic tape and generates a series of reports. The magnetic tapes containing billing data is sent to the Health Care Financing Administration and state offices for payment. The system also produces various reports on Medicare and Medicaid billing and collection information which are sent to the appropriate area offices for review.

Checks from the Health Care Financing Administration and states are sent directly to the appropriate area offices, and a payment listing or magnetic tape is also sent for processing through the Indian Health Service automated Medicare/Medicaid System. The checks are deposited in the area office's local Treasury depository. The area offices transmit summary billing and collection information to the Health Accounting System for posting to general ledger accounts. Procedures vary somewhat depending on the particular state involved and whether the payment is for Medicare or Medicaid.

OBJECTIVES, SCOPE, AND METHODOLOGY

This survey viewed the HRSA as a financial entity and focused on identifying its financial management structure, related systems, and internal control strengths and weaknesses in the structure. The survey applied GAO's Controls and Risk Evaluation (CARE) audit approach.

SURVEY OBJECTIVES

Our survey objectives were to (1) document all manual and automated systems at HRSA that process financial transactions from the time they are authorized through final reporting of these transactions in internal and external reports, (2) identify the relationships between these systems, that is, the flow of information among different systems, and (3) identify and document internal control strengths and weaknesses in the systems.

SURVEY SCOPE

This survey viewed HRSA as a financial entity. Therefore, we identified and surveyed the financial management systems in the various organizational components. Survey work was performed at the Headquarters, HRSA, Rockville, Maryland.

We documented the financial management systems in operation and identified, based on available system documentation and through discussions with agency accounting, ADP systems, and program officials, and review of prior GAO, Inspector General and special system study group reports, the internal control strengths and weaknesses in these systems. We did not perform any tests of system operations or actual financial information and transactions.The following sections present the definitions of a financial management system, internal control, and an agency system of internal control used in this survey.

DEFINITION OF A FINANCIAL MANAGEMENT SYSTEM

In consonance with GAO's Policy and Procedures Manual for Guidance for Federal Agencies (Titles 2 through 8), we defined a financial management system for this survey, as the manual and/or automated systems that capture, record, summarize, and/or report financial and related quantitative information related to the:

--Authorization of the use of resources.

--Management of liabilities.

--Control of receipts.

--Disbursement of funds.

--Control of assets.

--Control of appropriated funds.

--Development and issuance of reports on the financial status of assets, liabilities, and appropriated funds and the financial results of program and administrative operations.

In an April 18, 1983, letter to the heads of Departments and agencies, the Comptroller General announced changes to GAO's procedures for approving agency accounting systems. In this letter, the Comptroller General reiterated the definition of an accounting system in GAO's Policy and Procedures Manual for Guidance of Federal Agencies.

DEFINITION OF INTERNAL CONTROLS

On June 16, 1983, the Comptroller General issued the Standards for Internal Controls in the Federal Government to be followed by agencies in establishing and maintaining systems of internal controls. The standards define systems of internal controls as

"The plan of organization and methods and procedures adopted by management to ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports."

Processing procedures are those manual and/or automated procedures that govern capturing, recording, processing, summarizing, and reporting of financial and related quantitative information. Internal control procedures and independent procedures provide evidence that processing procedures have, in fact, been followed.

DEFINITION OF AN AGENCY'S SYSTEM OF INTERNAL CONTROL

Most agencies operate several financial management systems that process different types of financial transactions and provide information to each other. The individual financial management systems--taken together--form the agency's overall financial accounting, control, and reporting system. For example, most agencies have a general ledger/administrative control of funds system, and a subsidiary system that, for example, processes transactions relating to personnel/payroll actions, personal property, disbursements, receipts, loans, accounts receivable, and accounts payable. These systems--taken together--are the agency's overall financial accounting, control, and reporting system.

The financial management systems that make up an agency's overall financial accounting, control, and reporting system include both processing procedures and independent internal control procedures, as defined in the preceding two sections. For this survey, we defined an agency's system of internal control as all the internal control procedures--taken together--that are included in all the financial management systems that comprise the overall financial accounting, control, and reporting system.

APPENDIX I

HEALTH RESOURCES AND SERVICES ADMINISTRATION FINANCIAL MANAGEMENT SYSTEMS INCLUDED IN OUR SURVEY

Based on the foregoing definitions, we included in our survey all manual and automated systems at HRSA that:

--Maintain general ledger accounts and produce financial reports.

--Control appropriated funds.

--Validate information from subsidiary financial management systems that feed information to general ledger systems.

--Determine eligibility for, and authorize the making of payments to vendors.

--Authorize acquisition of resources.

--Record and account for assets and liabilities.

SURVEY METHODOLOGY

Our survey work followed the requirements of GAO's CARE survey approach. Accordingly, our survey included identification and documentation of HRSA's:

--Organizational structure and major organizational components and the mission of each component.

--Accounting and related financial management systems, as previously discussed, and the interrelationships between these systems.

--Internal control strengths and weaknesses in the Administration's systems based on the internal control strengths and weaknesses identified during the survey.

In consonance with the CARE survey approach, our work entailed identification and documentation of the operations and related internal control strengths and weaknesses of HRSA's financial management systems based on (1) available agency system documentation, (2) discussions with cognizant agency accounting, program, and ADP systems officials, and (3) prior issued GAO, Inspector General, and special study group reports. Our survey was made in accordance with our current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions": except that no tests were performed of system operations or of information processed by and recorded in these systems.

HEALTH RESOURCES AND SERVICES
ADMINISTRATION—OTHER DISBURSEMENT CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	Cont
Authorization		
1. Disbursements should be authorized in accordance with laws, regulations and management's policy.	The disbursement of funds for such things as Travel Orders and Purchase Orders appear to be adequately controlled. There is a separation of duties for approval and authorizations. Also, in regard to purchase orders, there is a separation of duties between requisitioning and actual procurement.	The system does n because according Central Registry vendor file, is i
2. Adjustments to disbursements and account distributions should be authorized in accordance with laws, regulations and management's policy.	Initial obligation for contracts, travel orders and purchases orders are recorded in the Health Accounting System once the authorizing official has given approval. For a travel order, if an advance was received or a portion must be returned, payment is made to the collection officer who records the payment on a Document History Record, which is forwarded to the Accounting Finance Branch for entry into the Health Accounting System. For purchase orders, the Accounting Finance Branch compares the receiving report, which has been signed by the Division of Material Management, with the vendors invoice, determines the discount and at the same time prepares documentation necessary for payment by Treasury.	
3. Disbursement processing procedures should be established and maintained in accordance with laws, regulations and management's policy.	This cycle control objective was not included in our survey.	

HEALTH RESOURCES AND SERVICES
ADMINISTRATION—OTHER DISBURSEMENT CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	Cont
Economy, Efficiency and Effectiveness		
4. Disbursement cycle results should be in accordance with laws, regulations and management's policy and plans.	Procedures are in place to assure that disbursements are authorized for only goods and services received. Prior to authorizing payment by Treasury, the receiving report, vendor invoice and purchase order are compared to ensure that the goods and services ordered have been received. Similar procedures are to be followed by the Indian Health Service. The accounting system processes the data received; certification of funds for payment is the responsibility of Indian Health Service.	Lack of comprehen is not used becau unreliable data c Registry System.
5. Disbursements should be made in an economical and efficient manner.		Excessive paperwo authorization of the recording of Health Accounting enhancement effor provide a tape to the flow of paper See cycle control
6. Disbursement processing procedures used to create, recognize and report events and related transactions should be economical and efficient.		

HEALTH RESOURCES AND SERVICES
ADMINISTRATION—OTHER DISBURSEMENT CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	
Transaction Processing		
7. Only those requests for disbursements that meet management's policy should be approved.	See cycle control objective 2.	See cycle
8. Disbursements should be accurately and promptly reported.	Monthly reports are prepared by the system showing the status of funds and general ledger account balances. In addition, each month a Treasury Report SF-224 must be prepared. Also, see cycle control objective 2.	
9. Amounts due to vendors for goods and services accepted, and the accounting distributions of such amounts, should be computed and recognized as liabilities promptly.	See cycle control objectives 2 and 8.	
10. Each disbursement of cash should be based upon a recognized liability, be accurately prepared and be appropriately authorized.	See cycle control objectives 2, 4, and 8.	
11. Disbursements should be accurately and promptly classified, summarized and reported.	See cycle control objectives 2 and 8.	
12. Cash disbursements and related adjustments should be accurately and promptly classified, summarized and reported.	See cycle control objectives 2 and 8.	

HEALTH RESOURCES AND SERVICES
ADMINISTRATION—OTHER DISBURSEMENT CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	
13. Liabilities incurred, cash disbursements and related adjustments should be accurately applied to the proper vendors' accounts.	See cycle control objectives 2, 4, and 8.	
Classification		
14. Transactions for amounts due to vendors, cash disbursements and related adjustments should be prepared each period.	See cycle control objectives 8.	
15. Disbursements should be summarized and classified in accordance with management's plan.	See cycle control objectives 1, 2, 4, and 8.	
Substantiation and Evaluation		
16. Recorded balances of disbursements, and related transaction activity, should be periodically substantiated and evaluated.	See cycle control objectives 2, 4, and 8.	Lack of com

HEALTH RESOURCES AND SERVICES ADMINISTRATION
ASSET AND LIABILITY MANAGEMENT CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	Con
Authorization		
1. Sources of assets and liabilities should be authorized in accordance with laws, regulations and management's policy.	The requestor for goods and services prepares a requisition which is submitted to the Division of Material Management - Procurement via the approving official. Procurement is responsible for preparing the purchase order and sending it to the vendor, with a copy to the Accounting Finance Branch. Once items have been received the Division of Material Management - Procurement signs the receiving report and forwards all appropriate documentation to the Accounting Finance Branch.	The system docum file. However, it is not used b System which pro inaccurate. This particular to the Office of Health; and the Mental Health Ad HRSA accounting financial transa
2. The amounts, timing and conditions of transactions should be authorized in accordance with laws, regulations and management's policy.	See cycle control objective 1.	
3. The amounts, timing and conditions of expenditures of funds should be authorized in accordance with laws, regulations and management's policy.	Initial obligation for contracts, travel orders, and purchase orders is recorded in the Health Accounting System once the authorizing official has given approval. For a travel order, if an advance was received or a portion must be returned, payment is made to the collection officer, who records the payment on a Document History Record, which is forwarded to the Accounting Finance Branch for entry into the Health Accounting System. For purchase orders, the Accounting Finance Branch compares receiving report, which has been signed by the Division of Material Management, with the vendors invoice, determines discount and at the same time prepares documentation necessary for payment by Treasury.	

HEALTH RESOURCES AND SERVICES ADMINISTRATION
ASSET AND LIABILITY MANAGEMENT CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	Cont
4. Adjustments to assets and liabilities accounts and account distributions should be authorized in accordance with management's policy.	See cycle control objective 3.	
5. Asset and liability management procedures should be established and maintained in accordance with management's policy.	See cycle control objectives 1,2, and 3.	See cycle control Also during our s reconciliation of Corps property re ing records for p been performed. tion of property accounting as a m pointed this out, acknowledged in a action would be t

HEALTH RESOURCES AND SERVICES ADMINISTRATION
ASSET AND LIABILITY MANAGEMENT CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	Co
Economy, Efficiency and Effectiveness		
6. Cycle results should be in accordance with laws, regulations, and management's policy and plans.	The HRSA Health Accounting System is an automated double-entry accrual accounting system, using a uniform chart of general ledger accounts. The HRSA system issues various reports monthly and yearly on the status of funds and general ledger account balances. Also, the Treasury SF-224 report is prepared monthly.	
7. Cycle results should be achieved in an economical and efficient manner.	See cycle control objectives 1,2,3, and 6.	Indian Health S approximately $ Medicaid/Medica manual processi automate the pr
8. Processing procedures used to create, recognize and report events and related transactions should be economical and efficient.	See cycle control objectives 1,2,3, and 6.	See cycle contr
Transaction Processing		
9. Only those requests to buy or sell assets that meet laws, regulations and management's policy should be approved.	See cycle control objectives 1 and 3.	See cycle contr

HEALTH RESOURCES AND SERVICES ADMINISTRATION
ASSET AND LIABILITY MANAGEMENT CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	Co
10. Assets and liabilities acquired should be accurately and promptly reported.	See cycle control objectives 1,3, and 6.	See cycle contr
11. Retirements or dispositions of assets to outsiders should be accurately and promptly reported.		See cycle contr
12. Amounts due from or to purchasers and creditors, and the accounting distribution of those amounts, should be computed accurately and promptly recognized as assets or liabilities.	See cycle control objectives 3 and 6.	
13. Changes in values should, where required by generally accepted governmental accounting principles, be computed accurately and recognized promptly.	See cycle control objectives 3 and 6	
Classification		
14. Amounts due to creditors, and related adjustments, should be accurately and promptly classified, summarized and reported.	See cycle control objectives 3 and 6.	
15. Purchases and sales of assets, changes in liabilities and related adjustments should be accurately applied to the proper subsidiary accounts.	See cycle control objectives 1,3, and 6.	See cycle contr

HEALTH RESOURCES AND SERVICES ADMINISTRATION
ASSET AND LIABILITY MANAGEMENT CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	C
16. Journal entries for assets and liabilities acquired and retired, and related adjustments, should be prepared and posted each accounting period.	See cycle control objectives 3 and 6.	
17. Journal entries should summarize and classify economic activities in accordance with management's plan.	See cycle control objectives 3 and 6.	
Substantiation and Evaluation		
18. Recorded balances of asset and liability accounts, and related transaction activity, should be periodically substantiated and evaluated.	See cycle control objectives 3 and 6.	Lack of comprel HRSA Health Ac The Nonexpendal covering capit certain other physical inven Officer, rathe independent co than the custo

HEALTH RESOURCES AND SERVICES
ADMINISTRATION - REPORTING CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	Con
Authorization.		
1. Data entered into reporting systems should be authorized in accordance with laws, regulations and management's policy.	The HRSA Health Accounting System is an automated double-entry accrual accounting system, using a uniform chart of general ledger accounts. This system is responsible for controlling HRSA's annual budget authority.	National Health Fiscal System da outside the auth
2. Reporting system processing procedures should be established and maintained in accordance with laws, regulations and management's policy.	The HRSA Health Accounting System issues the various managerial reports monthly and yearly on the status of funds and general ledger account balances.	Reported problem and Nursing Stud upon accuracy of
Economy, Efficiency and Effectiveness		
3. Reporting should be in accordance with laws, regulations and management's policy and plans.	See cycle control objective 2.	

HEALTH RESOURCES AND SERVICES
ADMINISTRATION - REPORTING CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	Contr
4. Reporting should be achieved in an economical and efficient manner.		Approximately 200 month to various H problem that is en month-end process distribution of re particular user wa to have any report user's report is p
5. Reporting procedures used should be economical and efficient.		See cycle control Also, extensive ma used for majority payments by Indian
Transaction Processing		
6. Only those reports that meet management's policy should be approved.	See cycle control objective 2.	See cycle control
7. Reports should be prepared accurately and promptly.	Internal system edits such as the rotating error file and miscellaneous code description file are used to edit accounting transactions as they are input into the system. If the transaction does not pass the various edit criteria, it is rejected and printed onto the rotating error file and will remain there until corrected or deleted by the component that originated the transaction.	Lack of reconcilia records and accoun National Health Se dental property.
8. Relevant disclosure data should be gathered accurately and promptly.	See cycle control objectives 2 and 7.	See cycle control Health Professions Programs. Also, s objective 7.

HEALTH RESOURCES AND SERVICES
ADMINISTRATION - REPORTING CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	Contr
9. Relevant disclosure data should be accurately summarized and reported.	See cycle control objectives 2 and 7.	See cycle control
10. File and account balances should be accurately and promptly reported.	See cycle control objectives 1,2, and 7.	See cycle control
11. Consolidation of reports should be accompanied accurately and promptly.	See cycle control objectives 1,2, and 7.	
Classification		
12. Reporting entries should classify activities in accordance with management's plan.	See cycle control objectives 1 and 2.	
13. Reports should be prepared accurately and promptly, be prepared on consistent basis and fairly present the information they purport to display.	See cycle control objectives 1,2, and 7.	See cycle control
Substantiation and Evaluation		
14. Recorded balances in the records should be periodically substantiated and evaluated.		A comprehensive au Accounting System

HEALTH RESOURCES AND SERVICES
ADMINISTRATION—LOAN CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	Cor
Authorization		
1. Borrowers, types of loans, and loan terms should be authorized in accordance with laws, regulations and management's policy.	Loans for the Health Professions and Nursing Student Programs are granted in accordance with Congressional authorizations and Departmental guidelines. Loan funds are made available to schools participating in the two programs. The schools are to use the loan program funds to make low interest loans to health professions and nursing students.	
2. Adjustments to loan accounts, interest income and account distributions should be authorized in accordance with management's policy.		In a review of t Nursing Student that interest or the schools was program. In add did not record i amount of inter repaid loans. T that correctly
3. Loan cycle processing procedures should be established and maintained in accordance with management's policy.	The Department has established and implemented procedures by which loans are made available to participating schools.	

HEALTH RESOURCES AND SERVICES ADMINISTRATION—LOAN CYCLE INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	Cont
Economy, Efficiency and Effectiveness		
4. Loan program results should be in accordance with laws, regulations and management's policy and plans.		GAO reported that not reflect the c funds and cannot management of the recording and rep receivable, inter and uncollectible
5. Program results should be achieved in an economical and efficient manner.		Because of the pr control objective ascertain whether being achieved in efficient manner.
6. Procedures used to review, process and report loans and related transactions should be economical and efficient.		See cycle control
Transaction Processing		
7. Only those loan requests that meet management's policy should be approved.	See cycle control objectives 1 and 3.	
8. Loan documents that are approved and signed by the borrower should be required before funds are disbursed, and loan disbursements should be promptly and accurately reported		As GAO has report adequately execut notes. The promi borrower provides exists and is a l the borrower to r

HEALTH RESOURCES AND SERVICES
ADMINISTRATION--LOAN CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	Contr
9. Loan principal repayments and interest payments should be promptly and accurately reported. Interest income and loan fees should be accurately and promptly computed and reported.		The programs opera basis. Loan repay schools who in tur long as they parti However, as previo schools did not bi and there was inad delinquent loans. income, see cycle
10. Accountability for loan collateral should be established before the collateral can be misdirected.		See cycle control
11. Interest income and loan fees should be accurately and promptly computed and reported.		See cycle control
12. Adjustments to borrower accounts, interest income and related account distributions should be accurately and promptly classified, summarized and reported.		See cycle control
13. Loan transactions should be accurately and promptly reported.		See cycle control
14. Loan transactions and related adjustments should be accurately applied to the proper borrowers' accounts.		See cycle control

HEALTH RESOURCES AND SERVICES
ADMINISTRATION--LOAN CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	C
Classification		
15. Entries for loan transactions should be prepared on a timely basis and should classify and summarize activities in accordance with management's plan.		See cycle cont
Substantiation and Evaluation		
16. Recorded balances of loans and related transaction activity should be periodically substantiated and evaluated.		GAO and Inspec disclosed seri Professions ar Department has if effectively many of the pr
Physical Safeguards		
17. Access to loan collateral should be permitted only in accordance with management's policy.		See cycle cont
18. Access to loan and loan collateral records, critical forms, processing areas and processing procedures should be permitted only in accordance with management's policy.		See cycle cont See cycle cont

HEALTH RESOURCES AND SERVICES
ADMINISTRATION—PROCUREMENT CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	
Authorization		
1. Vendors should be authorized in accordance with laws, regulations and management's policy.		The system [illegible] file. How[illegible] it is not [illegible] System wh[illegible] inaccurate.
2. The types, estimated quantities, and prices and terms of goods and services needed should be authorized in accordance with laws, regulations and management's policy.	The requestor of goods and services prepares a requisition which is submitted to the Division of Material Management - Procurement via the approving offical. Procurement prepares the purchase order and sends it to the vendor, with a copy to the Accounting Finance Branch. When items are received, the Division of Material Management - Procurement signs the receiving report and forwards documentation to the Accounting Finance Branch.	
3. Adjustments should be authorized in accordance with laws, regulations and management's policy.	Receiving report, invoice, and purchase order are compared when shipment has been received. If items are broken or partial shipment is received, this data is annotated. Documentation is forwarded to Accounting Finance Branch for entry to HRSA Health Accounting System. The Accounting Finance Branch also prepares documentation for payment of bills by Treasury.	

HEALTH RESOURCES AND SERVICES ADMINISTRATION--PROCUREMENT CYCLE INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	Co
4. Procurement cycle processing procedures should be established and maintained in accordance with laws, regulations and management's policy.	This particular cycle control objective was not included in our survey.	
Economy, Efficiency and Effectiveness		
5. Procurement cycle operations should be in accordance with laws, regulations and management's policy and plans.	See cycle control objective 2.	
6. Procurements should be achieved in an economical and efficient manner.		The system d[illegible] because a[illegible] Central Reg[illegible] vendor file[illegible]
7. Procurement procedures used should be economical and efficient.	See cycle control objective 4.	
Transaction Processing		
8. Only those requests of vendors for goods or services that meet management's criteria should be approved.		See cycle co[illegible]
9. Only requests accepted should be accurately and promptly reported.	See cycle control objective 3.	

HEALTH RESOURCES AND SERVICES
ADMINISTRATION—PROCUREMENT CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place
10. Goods and services accepted should be accurately and promptly reported.	Initial obligation for contracts, travel orders and purchase orders is recorded in the Health Accounting System, once authorizing official has given approval. For a travel order, if an advance was received, or a portion must be returned, payment is made to a collection officer who records the payment on a Document History Record, which is forwarded to the Accounting Finance Branch for entry into the Health Accounting System. For a purchase order, the Accounting Finance Branch compares the receiving report, which has been signed by the Division of Material Management, with the vendors invoice, determines the discount and at the same time prepares documentation necessary for payment by Treasury. These same procedures are to be followed by Indian Health Service. HRSA accounting system has no authorization over the disbursement of IHS funds. The accounting system simply processes the data received.
11. Amounts due to vendors for goods and services accepted, and the accounting distributions of such amounts, should be computed and recognized as liabilities promptly.	See cycle control objective 10.
12. Amounts due to vendors should be accurately and promptly classified, summarized and reported.	See cycle control objectives 3 and 10.
13. Purchasing adjustments should be accurately and promptly classified, summarized and reported.	See cycle control objectives 3 and 10.
14. Liabilities incurred, and related adjustments, should be accurately applied to the proper vendor's accounts.	See cycle control objectives 3 and 10.

HEALTH RESOURCES AND SERVICES
ADMINISTRATION--PROCUREMENT CYCLE
INTERNAL CONTROL STRENGTHS AND WEAKNESSES

Cycle Control Objectives	Controls in Place	C
15. Journal entries for amounts due to vendors and related adjustments should be prepared each accounting period.	See cycle control objective 10.	
16. Purchasing journal entries should summarize and classify economic activities in accordance with management's plan.	See cycle control objectives 3 and 10.	
Substantiation and Evaluation		
17. Recorded balances of accounts payable, and related transaction activity, should be periodically substantiated and evaluated.		A comprehensiv Accounting Sys

Health Resources and Services Administration
Financial Management Structure