

### Anti-Deficiency Act

The Department has discovered internal control weaknesses in a program managed by one of its operating divisions, which resulted in probable violations of the Anti-Deficiency Act (ADA). These weaknesses occurred over a period of several prior fiscal years and any amounts which could be involved would not be material to any year’s financial statements. The Department is investigating these weaknesses and is committed to promptly resolving the internal control weaknesses in this program, and complying with all aspects of the ADA.

## Other Management Information, Initiatives, and Issues

### Grants Management

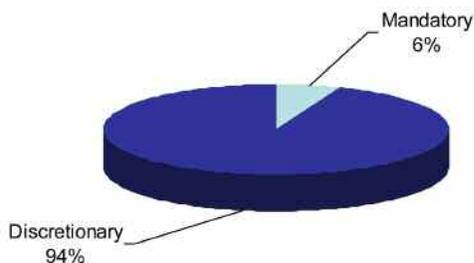
As the largest grant-awarding agency in the Federal Government, the Department plays a key role in Federal grants management. The Department is the lead agency for implementation of Public Law 106-107, the Federal Financial Management Assistance Improvement Act, which calls for grants streamlining across the 26 Federal grant-making agencies. The Department co-manages the government-wide effort with the Office of Management and Budget. Five cross-government workgroups (Pre-Award, Post-Award, Mandatory, Audit Oversight, and Training and Certification) have been established to develop government-wide streamlining policies in their respective areas. One of this year’s accomplishments was to use the interagency process to develop information with respect to the effect of Hurricanes Katrina and Rita on audits conducted under Office of Management and Budget Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Grants.gov, one of the 24 government-wide electronic government initiatives, serves as a mechanism through which Public Law 106-107 policies are implemented in an electronic forum. The Department serves as the managing partner for Grants.gov, which allows applicants for all Federal grants to search and apply for grants in a single location. Since the initiative’s inception in 2002, the Department has worked with the 26 grant-making agencies, the Office of Management and Budget, and the grants community to address long-standing inefficiencies in Federal grants processes. Grant.gov’s Find and Apply accomplishes the mandates of the President’s Management Agenda to provide to the public a unified, citizen-centric website that provides accurate and reliable information in a single location and simplifies the burden of the application process for the grants community.

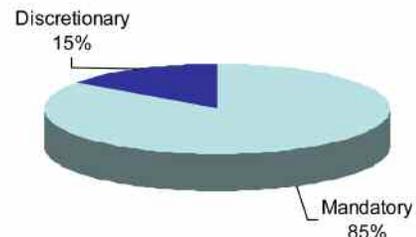
In addition to conducting grant program stewardship and oversight responsibilities involving a variety of administrative functions, the Department also manages the Tracking Accountability in Government Grants System, which contains Department-wide grants award information. Current policies, regulations, and other pertinent grants-related information are available at <http://taggs.hhs.gov>.

The Department manages an assortment of grant programs in basic and applied science, public health, income support, child development, and health and social services. Through these programs, the Department awarded 76,071 grants totaling more than \$241 billion in FY 2005. These programs are the Department’s primary means to achieving its strategic goals.

**Proportion of Mandatory vs. Discretionary Grant Volume for Fiscal Year 2005**



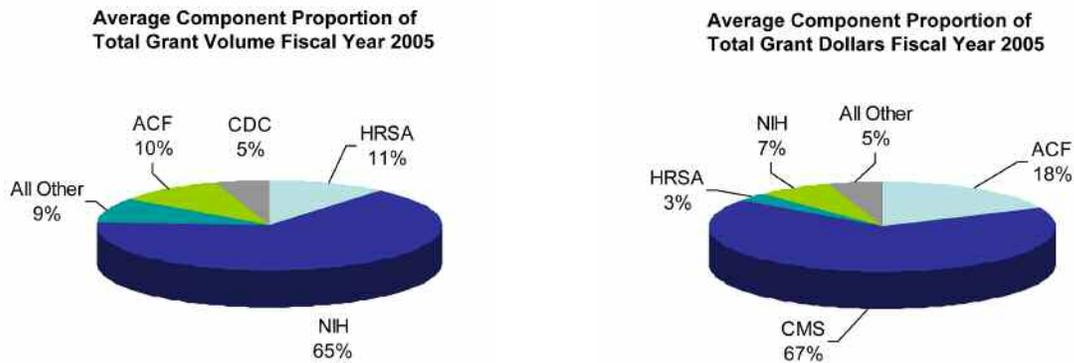
**Proportion of Mandatory vs. Discretionary Grant Dollars for Fiscal Year 2005**



The Department awards two types of grants: mandatory and discretionary. Mandatory grants are those that a Federal agency is required by statute to award if the recipient, usually a state, submits an acceptable application and meets the eligibility and compliance requirements of the grant program’s statutory and regulatory provisions. Discretionary grants permit the Federal Government, according to specific legislation, to exercise judgment in selecting the project or proposal to be supported and selecting the recipient organization through a competitive process.

As is the case with prior years, most Department-awarded grants were discretionary (94 percent of total grant volume awarded), yet most dollars associated with Departmental grants were mandatory (85 percent of total dollars awarded).

The NIH awards the majority (65 percent) of the Department’s total grants, but only 7 percent of total grant dollars, indicating a low dollar per grant ratio. Still, NIH grants annually account for the majority of total Departmental discretionary dollars awarded. While ACF awards the greatest proportion of mandatory grants, CMS awards the majority of mandatory and total (67 percent) grant dollars, but only a small percentage of total grant volume, indicating a high dollar per grant ratio. The percentages of Departmental component total grant dollars and volume are essentially the same since FY 2001.



## Looking Ahead to 2007 – Department Management Challenges and High-Risk Areas

The breadth of services that the Department delivers and the myriad support functions required to support them create a number of management challenges, which help set the course for Department improvement efforts each year. The Office of Inspector General (OIG) identifies these challenges and tracks Departmental progress in resolving them. Pursuant to the Reports Consolidation Act of 2000, the challenges identified by the OIG are included in this Report (see Section IV). As shown below, many of the initiatives discussed in this report, both under the auspices of the President’s Management Agenda and the Department’s own strategic goals, address these challenges. It should be noted that because many of the President’s Management Agenda initiatives address, in great part, government-wide issues, there will not necessarily be a complete correlation between the Department’s top management challenges and each of the President’s Management Agenda initiatives. There is, however, a more direct relationship between the challenges identified and the Department’s strategic goals. It is this relationship that articulates, in part, the Department’s efforts to resolve these challenges. As such, through the Department’s many initiatives, it continually strives to improve not only the quality of services it delivers to its “customers” and beneficiaries, but also to enhance management effectiveness and efficiency.

Crosswalk of HHS Challenges and Goals		
Department Top Management Challenges	President’s Management Agenda	Department Strategic Goal Number
Oversight of Medicare Part D		3
Integrity of Medicare Payments	Improper Payments	8
Medicaid Administration	Improper Payments	8
Integrity of Medicaid Payments	Improper Payments	8
Payment for Medicaid Prescription Drugs	Improper Payments	8
Quality of Care in Long Term Care Services		3,5
Public Health Emergency Preparedness and Response		2
Research and Regulatory Oversight		4
Grants Management	Improved Financial Performance Expanded Electronic Government	8
Integrity of IT Systems and Infrastructure	Expanded Electronic Government	8