

May , 2010

**Via Electronic Transmission**

Charlene Frizzera  
Acting Administrator  
Centers for Medicare and Medicaid Services  
U.S. Department of Health and Human Services  
200 Independence Avenue, SW  
Washington, DC 20201

Dear Acting Administrator Frizzera,

Thank you for your continued responses to my letters concerning the Defense Contract Audit Agency's (DCAA) execution of financial audits of Quality Improvement Organizations (QIO) for the Centers for Medicare & Medicaid Services (CMS). As you know, this is a matter that I have been concerned about for over a year (past letters enclosed), and despite CMS' assurances in its responses to my previous letters that, "we are satisfied with the quality and accuracy of its [DCAA's] audits," I remain very concerned with CMS' use of DCAA.

Shortly after I sent my latest letter regarding CMS' use of the DCAA to conduct financial audits of QIOs (see September 9, 2009 letter) the Government Accountability Office (GAO) issued yet another report concerning DCAA audits (GAO-09-468) (Report). This Report found audit quality problems at DCAA offices nationwide, including the compromise of auditor independence, insufficient audit testing, and inadequate planning and supervision. The GAO concluded in its Report that, "Without leadership commitment to a strong contract audit function and substantial changes to DCAA's mission, strategic plan, and management environment and culture, DCAA will continue to be challenged in its ability to perform quality audits that protect the public interest."

Although the Department of Defense (DOD) concurred with most of the recommendations, within the Report for improving DCAA audits, a recent article in the Federal Times (April 5, 2010, "DCAA Auditors Need Independence") suggests the actions DOD is taking to overhaul DCAA are not correcting the problems. The article states that DCAA headquarters is being resistant to meaningful changes and describes instances of this resistance. For example, a series of ad hoc groups were formed to examine DCAA's practices and suggest solutions. One such group, comprised of agency auditors, wanted to examine DCAA's promotion practices to address a perception within DCAA that auditors are promoted based on loyalty to management. Considering the fact that the GAO stated in its Report that Supervisors responsible for deficient audits have been promoted within DCAA, this is an important area to explore. However, the article states that when this group sought information that would allow its members to conduct compliance testing to see whether the perception was valid, DCAA headquarters denied the request. The group subsequently disbanded because it could not complete its mission. The GAO stated further in its Report that, "unless the overall problems with DCAA's culture and management environment that resulted in pervasive contract audit

failures are resolved, billions of taxpayer dollars will continue to be at risk for fraud, waste, abuse, and mismanagement (emphasis added) .”

CMS responded to an earlier letter I sent (see July 24, 2009 letter) by stating that, “We [CMS] also ASSUME that in performing audits for CMS, DCAA is abiding by all applicable statutes, rules, and regulations.” (emphasis added) However the GAO Report demonstrates that it is at best unwise to make any assumptions about any entity when taxpayer dollars might be at risk for waste, fraud, abuse or mismanagement. As you might imagine, this Report, coupled with the recent newspaper article, augments my deep concern that CMS is staking the integrity of its QIO audits and potentially other audits on the DCAA.

Accordingly, please provide in your response justification for CMS’ continued contracting of the DCAA to provide financial audits of QIOs and answers to the following questions.

Does CMS contract with DCAA for any other audits? If so, please describe in detail the nature of this work including the scope, the cost of these additional audits, whether results were completed, whether or not CMS took action pursuant to any of these audits and, if so, please provide information on the actions taken. The period for this question is for FY 2008, 2009 to the present.

Please describe in detail what independent validation and verification is being conducted by CMS to ensure that the audits conducted by DCAA are accurate and representative of the QIOs in light of the established deficiencies of the DCAA.

Lastly, you reported to me that CMS spent \$2,855,782 on the DCAA for Fiscal Years (FY) 2005 through 2008. Would you please update this figure for the total amount of taxpayer dollars spent on DCAA in FY 2009 and to date for FY 2010?

Thank you in advance for your prompt attention to this matter. I would appreciate receiving your response to this letter by June , 2010. Should you have any questions regarding this matter, please do not hesitate to contact David Bleich of my staff at (202) 228-0927. All documents responsive to this request should be sent electronically in PDF format to [Brian\\_Downey@finance-rep.senate.gov](mailto:Brian_Downey@finance-rep.senate.gov).

Sincerely,

Charles E. Grassley  
Ranking Member