



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

*Administrator*  
Washington, DC 20201

**JUL 24 2009**

The Honorable Charles E. Grassley  
United States Senate  
Washington, DC 20510-6200

Dear Senator Grassley:

Thank you for your letter regarding the Defense Contract Audit Agency's (DCAA) performance of financial audits of Quality Improvement Organization (QIOs) for the Centers for Medicare & Medicaid Services (CMS).

A July 2008 Government Accountability Office (GAO) Report concluded that, in certain audits, DCAA failed to comply with Generally Accepted Government Auditing Standards (GAGAS). Please find enclosed copies of all Intra-Agency Agreements between CMS and the DCAA regarding the performance of audit functions for the QIO contracts for fiscal years (FYs) 2005 through 2009.

Over the past 5 years, the DCAA has been paid the following amounts:

For FY 2005, \$561,155; for FY 2006, \$523,594; for FY 2007, \$925,700; and for FY 2008, \$845,333. The amount for FY 2009 has not yet been determined. CMS has increased funding to DCAA over the years in order to expand the scope of audit support because CMS has found their expertise to be beneficial in terms of financial contract oversight. In particular, CMS increased the number of accounting system reviews and added efforts to review and validate timekeeping practices.

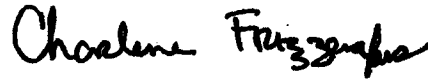
The CMS makes every effort to work with DCAA to ensure that we obtain quality and accurate work products. We also assume that in performing audits for CMS, DCAA is abiding by all applicable statutes, rules, and regulations. Prior to DCAA's performance of a QIO audit, we consult with the auditors to identify particular areas of cost or other concerns that we believe warrant audit scrutiny. A DCAA audit report makes recommendations regarding the allowability of costs to the responsible Contracting Officer. A CMS Contracting Officer reviews the DCAA audit recommendations and makes the final decision regarding the allowability of costs under a QIO contract. Based upon our experience with DCAA, we are satisfied with the quality and accuracy of its audits.

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I appreciate you sharing your Committee's review about this important issue. I look forward to continuing to work with you towards our mutual goals of strengthening the Medicare QIO program and safeguarding Medicare beneficiaries.

Sincerely,

A handwritten signature in cursive script that reads "Charlene Frizzera".

Charlene Frizzera  
Acting Administrator

Enclosures

091020094042  
Due - 9/24/09

**United States Senate**

COMMITTEE ON FINANCE  
WASHINGTON, DC 20510-6200

September 9, 2009

**RECEIVED**  
SEP 10 2009

OSORA, DIVISION  
OF CORRESPONDENCE MANAGEMENT

**Via Electronic Transmission**

Charlene M. Frizzera  
Acting Administrator  
Center for Medicare and Medicaid Services  
U.S. Department of Health and Human Services  
Hubert H. Humphrey Building  
Washington, DC 20201

Dear Acting Administrator Frizzera:

As Ranking Member of the United States Senate Committee on Finance (Committee), I have a responsibility to the more than 100 million beneficiaries of the Medicare and Medicaid programs to oversee the proper administration of these programs and to ensure that taxpayer dollars are appropriately allocated.

I am in receipt of your July 24<sup>th</sup> letter detailing the Defense Contract Audit Agency's (DCAA) execution of financial audits of Quality Improvement Organization (QIOs) for the Centers for Medicare & Medicaid Services (CMS). I thank you for your response, as well as for your continued interest in fortifying the QIO program. However, it has come to my attention that a recent investigation by the Government Accountability Office (GAO) determined that the DCAA's current auditing practices fail to meet the Generally Accepted Government Auditing Standards (GAGAS). An August 6, 2009 article authored by Robert Brodsky reports that the GAO reviewed 37 audit reports put out by the DCAA between 2004 and 2006. "GAO found [Generally Accepted Government Auditing Standards] issues with all audit reports reviewed."

The results of the most recent GAO investigation augment my concerns about the integrity of the DCAA audits at CMS. In your letter you stated that you "assume that in performing audits for the CMS, DCAA is abiding by all applicable statutes, rules, and regulations." I am curious as to why you would feel comfortable making this assumption, especially in light of the fact that all independent evaluations of the DCAA indicate the contrary. This unfortunate situation is exacerbated by the large amounts of taxpayer dollars that you are paying the DCAA for these audits. I am at a loss to understand how you could stake the integrity of CMS, as well as millions of taxpayer dollars, on auditors that are the subject of such troubling findings. As Ranking Member of the Senate Finance Committee, I ask that you, in your response, detail exactly how you came to the decision to hire the DCAA for the CMS QIOs. Furthermore, I request that you provide me with all of the documents involved in the process.

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Thank you for your immediate attention to this important matter. I look forward to hearing from you by no later than September 30, 2009. Should you have any questions regarding this letter, please contact Christopher Armstrong at (202) 224-4515. All formal correspondence should be sent electronically in PDF format to [Brian\\_Downey@finance-rep.senate.gov](mailto:Brian_Downey@finance-rep.senate.gov) or via facsimile to (202) 228-2131.

Sincerely,

A handwritten signature in black ink that reads "Chuck Grassley". The signature is written in a cursive, slightly slanted style.

Charles E. Grassley  
Ranking Member