

Report in Brief

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Report No. A-12-19-20003

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



Why OIG Did This Audit

HHS is one of the largest contracting agencies in the Federal Government and in fiscal year 2019 awarded contracts totaling approximately \$27 billion, of which \$7 billion related to Centers for Medicare & Medicaid Services (CMS) contracts. Congress has expressed concerns about and the media has reported on CMS's awarding of contracts for strategic communications services. Separately, OIG had begun preliminary work to review the strategic communications services contracts during CMS Administrator Seema Verma's tenure. Based on this preliminary work, we conducted an audit of these CMS contracts.

Our objective was to determine whether CMS awarded contracts for strategic communications services in accordance with Federal statutes, Federal regulations, and HHS (including CMS) policies and procedures.

How OIG Did This Audit

We audited three contracts, totaling \$6.4 million, awarded for strategic communications services from June 2017 through April 2019. We reviewed contracts, including task orders and modifications; invoices and deliverables; and documentation maintained in the contract files. We conducted interviews with CMS and HHS officials and contractor and subcontractor personnel. We also reviewed emails of select CMS officials. Our audit did not assess the allowability of all contract costs.

CMS Did Not Administer and Manage Strategic Communications Services Contracts in Accordance With Federal Requirements

What OIG Found

CMS prepared the required documentation for awarding contracts for strategic communications services in accordance with the Federal Acquisition Regulation (FAR). However, CMS (including the CMS Administrator and other senior leaders) did not administer and manage the contracts in accordance with Federal requirements. Specifically, CMS allowed a subcontractor individual to perform inherently governmental functions, such as making managerial decisions and directing CMS employees. CMS also administered its strategic communications services contracts as personal services contracts. CMS officials exerted a level of control over the contractors' work that exceeded what is allowed under service contracts; in essence, CMS administered these contracts as if the services had been procured under CMS's statutory authority to contract for experts and consultants. Lastly, CMS did not comply with FAR requirements in managing contract deliverables and approving the use of a subcontractor, did not maintain complete working files for all three contracts, and paid some questionable costs.

What OIG Recommends and Agency Comments

We make recommendations to both HHS and CMS to address the significant deficiencies we identified. Specifically, we recommend that HHS determine whether any HHS contractors or subcontractors are performing inherently governmental functions and whether any active CMS service contracts or task orders are being administered as personal services contracts, and take action to correct their administration. We also make recommendations to both HHS and CMS to improve contract management and provide training related to contract administration. Our specific recommendations to HHS and CMS are listed in the report.

In written comments on our draft report, HHS concurred with our recommendations and described actions that it planned to take to implement the recommendations in an effective and efficient manner. However, CMS did not concur with our findings, neither concurred nor non-concurred with three of our recommendations, concurred with one of our recommendations, and non-concurred with two of our recommendations. CMS offered corrective action plans for four of our recommendations. After considering CMS's comments, we maintain that our findings and recommendations are valid. We conducted this audit in accordance with generally accepted government auditing standards and stand by our audit methodology and procedures. Both sets of agency comments, along with OIG's response, are discussed in the report.