

Report in Brief

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



Why OIG Did This Review

The World Trade Center Health Program (WTCHP) was established in January 2011 by the James Zadroga 9/11 Health and Compensation Act of 2010 (Zadroga Act). The WTCHP is administered by the Centers for Disease Control and Prevention (CDC). CDC incurred WTCHP administrative costs by contracting with various entities that provide WTCHP services, including program management, member enrollment, claims processing, data center administration, privacy and security policy services, and outreach.

This review was conducted to fulfill Zadroga Act requirements that we review the WTCHP for unreasonable administrative costs.

Our objective was to determine whether CDC reimbursed contractors for WTCHP administrative costs that complied with Federal requirements.

How OIG Did This Review

Our audit covered approximately \$54 million in payments made to contractors for WTCHP administrative costs for the period October 2015 through September 2016. We separated 179 paid contractor invoices into 12,303 invoice line items. We then selected and reviewed a statistical sample of 234 invoice line items. In addition, we selected and reviewed a non-statistical sample of eight paid invoices related to fixed-price WTCHP administrative cost contracts.

CDC Reimbursed Contractors for Some Unallowable World Trade Center Health Program Administrative Costs

What OIG Found

CDC reimbursed contractors for some WTCHP administrative costs that did not comply with Federal requirements. Specifically, CDC improperly reimbursed contractors for 43 of the 234 invoice line items that we sampled, totaling more than \$1 million. On the basis of our sample results, we estimated that CDC improperly reimbursed contractors for WTCHP administrative costs totaling \$8 million that did not comply with Federal requirements. In addition, CDC paid contractors for claims management services at different rates. Our review quantified the impact of this payment differential and determined that CDC could have saved \$360,000 if contractors were reimbursed at the lowest negotiated rate. Finally, we determined that CDC complied with Federal requirements for all eight of the non-statistically selected fixed-price contract invoices.

CDC reimbursed the unallowable administrative costs because it did not ensure that WTCHP contractors' invoices were adequately reviewed and that staff responsible for reviewing the invoices were adequately trained. The potential cost savings for claims management services not realized were a result of contracting officer representatives not comparing the claims management services rates paid by various contractors to identify potentially unreasonable costs.

What OIG Recommends and CDC Comments

We recommend that the CDC: (1) recover the \$1 million associated with the 43 unallowable sampled items; (2) work with WTCHP contractors to identify and recover the remaining unallowable payments made during the audit period, which are estimated to be \$7 million; (3) improve its monitoring of WTCHP contractors' invoices; and (4) review contractor costs for claims management services for reasonableness, which could result in cost savings totaling \$360,000.

In written comments on our draft report, CDC agreed to recover costs associated with some sampled items and generally agreed with our procedural recommendations and described some of the actions it has taken or is considering to address them. CDC generally disagreed with our recommendation to identify and recover unallowable payments because it disagrees with some of our findings. After reviewing CDC's comments and additional documentation that CDC provided, we maintain that our findings and recommendations are valid.