

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**CENTERS FOR DISEASE CONTROL AND
PREVENTION DID NOT FULLY
MONITOR SOME OF ITS CONTRACTS**

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Deputy Inspector General

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Office of Inspector General

<https://oig.hhs.gov>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

The Centers for Disease Control and Prevention did not fully monitor some of its contracts in accordance with the terms of the contracts and certain Federal requirements. Without current contract performance evaluations, it did not have information necessary for making future contracting decisions.

WHY WE DID THIS REVIEW

A growth in the number of grants and contracts has led to significantly increased workloads for the Centers for Disease Control and Prevention's (CDC) Procurement and Grants Office (PGO) staff. However, budget and staffing levels within PGO have remained the same. As a result, there is a risk that CDC cannot manage oversight of its contracts according to the terms of the contracts or Federal requirements.

The objective of our audit was to determine whether CDC monitored select contracts awarded under the Prevention and Public Health Fund (PPHF) program using funds provided through the Patient Protection and Affordable Care Act (ACA) in accordance with the terms of those contracts and certain Federal requirements.

BACKGROUND

The ACA, P.L. No. 111-148, was signed into law on March 23, 2010. The ACA funded, among other things, the PPHF. The PPHF expands and sustains national investment in prevention and public health programs to improve health and help restrain the rate of growth in private- and public-sector health costs. The PPHF provided for contracts to support efforts to improve HIV data collection; reduce tobacco use; and track, monitor, and respond to disease outbreaks.

In fiscal year 2010, CDC received \$192 million in ACA funding to be used for PPHF activities. CDC used \$55 million of the funding to award 19 PPHF contracts.

The Federal Acquisition Regulation, the Health and Human Services Acquisition Regulation, and the terms of each contract contain various requirements for contracting agencies to follow when monitoring contracts. One contract-monitoring requirement is that program officials evaluate contractor performance. The terms of the sampled contracts require that this evaluation be conducted at least annually.

WHAT WE FOUND

CDC did not fully monitor some of its contracts in accordance with the terms of the contracts and certain Federal requirements. Although CDC completed progress reports, reviewed and verified contractor invoices, and authorized contract modifications in writing for each of the contracts, CDC did not evaluate performance for three contracts in our sample of five PPHF contracts and did not do so timely for the remaining two.

CDC did not have procedures in place to ensure that staff conducted the required contractor performance evaluations timely. Specifically, CDC's standard operating procedures for contract administration did not address performance evaluations. Without current contract performance evaluations, CDC did not have information necessary for making future contracting decisions.

WHAT WE RECOMMEND

We recommend that CDC follow FAR section 42.1502 and update its standard operating procedures for contract administration to address performance evaluations.

CDC COMMENTS

In comments on our draft report, CDC concurred with our recommendation. CDC also described the corrective actions that it has taken to ensure improvement in the contract monitoring process.

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INTRODUCTION

WHY WE DID THIS REVIEW

A growth in the number of grants and contracts has led to significantly increased workloads for the Centers for Disease Control and Prevention's (CDC) Procurement and Grants Office (PGO) staff. However, budget and staffing levels within PGO have remained the same. As a result, there is a risk that CDC cannot manage oversight of its contracts according to the terms of the contracts or Federal requirements.

OBJECTIVE

Our objective was to determine whether CDC monitored select contracts awarded under the Prevention and Public Health Fund (PPHF) program using funds provided through the Patient Protection and Affordable Care Act (ACA) in accordance with the terms of those contracts and certain Federal requirements.

BACKGROUND

The ACA, P.L. No. 111-148, was signed into law on March 23, 2010. The ACA funded, among other things, the PPHF. The PPHF expands and sustains national investment in prevention and public health programs to improve health and help restrain the rate of growth in private- and public-sector health costs. The PPHF provided for contracts to support efforts to improve HIV data collection; reduce tobacco use; and track, monitor, and respond to disease outbreaks.

In fiscal year (FY) 2010, CDC received \$192 million in ACA funding to be used for PPHF activities. CDC used \$55 million of the funding to award 19 PPHF contracts.

The Federal Acquisition Regulation (FAR), the Health and Human Services Acquisition Regulation (HHSAR), and the terms of each contract contain various requirements for contracting agencies to follow when monitoring contracts. One such contract-monitoring requirement is that program officials evaluate contractor performance. The terms of the sampled contracts require this evaluation to be conducted at least annually.

HOW WE CONDUCTED THIS REVIEW

We judgmentally selected and reviewed five contracts to determine whether CDC monitored the contracts in accordance with the terms of the contracts and certain Federal requirements.¹ Specifically, we determined whether CDC performed the following contract monitoring tasks: (1) completing progress reports and performance evaluation reports, (2) reviewing and verifying contractor invoices, and (3) authorizing contract modifications in writing. We also confirmed

¹ In selecting these five contracts, we considered risk factors such as prior audit findings. We also considered each contractor's scope of work and the dollar value of the contracts to ensure that our review covered a variety of types and sizes of contracts.

that Contracting Officers and Contracting Officers' Representatives were certified and appointed in accordance with regulations.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A contains the details of our audit scope and methodology, Appendix B lists the Federal requirements related to contract monitoring, and Appendix C contains a list of the CDC contracts that we reviewed. Appendix D contains a list of related OIG reports.

FINDING

CDC did not fully monitor some of its contracts in accordance with the terms of the contracts and certain Federal requirements. Although CDC completed progress reports, reviewed and verified contractor invoices, and authorized contract modifications in writing for each of the contracts, CDC did not evaluate performance for three contracts in our sample of five PPHF contracts and did not do so timely for the remaining two.

CDC did not have procedures in place to ensure that staff conducted the required contractor performance evaluations timely. Specifically, CDC's standard operating procedures for contract administration did not address performance evaluations. Without current contract performance evaluations, CDC did not have information necessary for making future contracting decisions.

Contractor Performance Not Evaluated

Program officials were responsible for evaluating contractor performance on the sampled contracts at least annually (FAR § 42.1502 and the terms of the five contracts). The FAR requires performance evaluations because officials should consider past performance both when awarding contracts and when deciding whether to extend contract performance periods (FAR § 42.1501). Past performance assessments demonstrate whether the contractor conformed to contract requirements, forecasted and controlled costs, adhered to the contract schedule, was reasonable and cooperative, had a record of good business ethics, and had a businesslike concern for the interest of the customer. This information helps government representatives decide whether to do business with the contractor in the future.

Of the five contracts in our sample, CDC did not evaluate the annual performance of three contracts in accordance with the terms of the contracts. In addition, CDC completed the annual evaluations late for the remaining two contracts. (See the table on the next page.)

Annual Contract Evaluations

Contracts	Date Due²	Date Completed
Contract A	March 10, 2011	Not completed
Contract B	Sept 30, 2011	June 25, 2012
Contract C	July 1, 2011	Not completed
Contract D	Sept 28, 2011	June 29, 2012
Contract E	Sept 28, 2011	Not completed

CDC did not have procedures in place to ensure that staff conducted the required contractor performance evaluations timely. Specifically, CDC's standard operating procedures for contract administration did not address performance evaluations. Without current contract performance evaluations, CDC did not have information necessary for making future contracting decisions.

RECOMMENDATION

We recommend that CDC follow FAR section 42.1502 and update its standard operating procedures for contract administration to address performance evaluations.

CDC COMMENTS

In written comments on our draft report, CDC concurred with our recommendation and described the corrective actions that it has already taken. CDC's comments, except for technical comments, are included as Appendix E.

² The due date of the contract performance evaluations was 1 year from the effective date of the contract.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

The scope of our audit included a judgmental sample of five contracts (totaling \$15 million) awarded during FY 2010. Our review of internal controls was limited to gaining an understanding of CDC's policies and procedures for monitoring contract funds.

We performed our fieldwork at the CDC Procurement and Grants Office in Atlanta, Georgia, from April through December 2012.

METHODOLOGY

To accomplish our objective, we performed the following steps:

- We reviewed applicable Federal laws and regulations.
- We reviewed prior audits of CDC's contracting activities at the Centers for Disease Control and Prevention.
- We reviewed CDC's policies and procedures for monitoring contracts.
- We identified the universe of PPHF contracts awarded during FY 2010 using funds allocated through the ACA.
- We performed a risk analysis to judgmentally select a sample of five contracts valued at \$15 million. In selecting these five contracts, we considered risk factors such as prior audit report findings. We also considered each contractor's scope of work and the dollar value of the contracts to ensure that our review covered a variety of types and sizes of contracts.
- We reviewed the five selected contracts and associated contract files to determine whether:
 - a Contracting Officer was certified and appointed in accordance with HHSAR 301.603-72,
 - a Contracting Officers' Representative was certified,
 - all contract modifications were authorized in writing by the Contracting Officer,
 - progress reports and performance evaluation reports were completed, and
 - contractor invoices were reviewed and verified.

- We reviewed the contracts to determine their terms and conditions.
- We met with CDC to discuss our findings and recommendation.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX B: FEDERAL REQUIREMENTS

CONTRACT MONITORING REQUIREMENTS

The FAR, the HHSAR, and the terms of each contract contain various requirements for contracting agencies to follow when monitoring contracts. One such requirement is that program officials evaluate contractor performance. The terms of the sampled contracts require this evaluation to be conducted at least annually.

In accordance with FAR § 42.1501:

Past performance information is relevant information, for future source selection purposes, regarding a contractor's actions under previously awarded contracts. It includes, for example, the contractor's record of conforming to contract requirements and to standards of good workmanship; the contractor's record of forecasting and controlling costs; the contractor's adherence to contract schedules, including the administrative aspects of performance; the contractor's history of reasonable and cooperative behavior and commitment to customer satisfaction; the contractor's reporting into databases (see subparts 4.14 and 4.15); the contractor's record of integrity and business ethics; and generally, the contractor's business-like concern for the interest of the customer.

APPENDIX C: CONTRACTS SELECTED FOR REVIEW

Contract	Purpose	Amount
Contract A	Project management, planning, and implementation	\$193,593
Contract B	National Web-based data collection	3,106,740
Contract C	Support of life cycle application systems	130,209 ³
Contract D	Development and implementation of communication and marketing plans	8,427,044
Contract E	Data collection to detect changes in behavior of persons with HIV	3,164,520
Total		\$15,022,106

³ The amount shown (\$130,209) represents the ACA-funded portion of a larger contract.

APPENDIX D: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
<u>Centers for Disease Control and Prevention Did Not Meet Program Expansion Supplement Requirements for Awarding One Affordable Care Act Grant</u>	A-04-11-01003	4/13/12
<u>Review of the Centers for Disease Control and Prevention's Compliance With Appropriations Laws and Acquisition Regulations- Contractor E</u>	A-04-09-06108	11/12/10
<u>Review of the Centers for Disease Control and Prevention's Compliance With Appropriations Laws and Acquisition Regulations- Contractor D</u>	A-04-09-01066	11/12/10
<u>Review of the Centers for Disease Control and Prevention's Compliance With Appropriations Laws and Acquisition Regulations- Contractor C</u>	A-02-09-02006	11/12/10
<u>Review of the Centers for Disease Control and Prevention's Compliance With Appropriations Laws and Acquisition Regulations- Contractor B</u>	A-02-09-02005	11/12/10
<u>Review of the Centers for Disease Control and Prevention's Compliance With Appropriations Laws and Acquisition Regulations- Contractor A</u>	A-04-08-01059	1/12/10

APPENDIX E: CENTERS FOR DISEASE CONTROL AND
PREVENTION COMMENTS



U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Public Health Service

Centers for Disease Control
and Prevention (CDC)
Atlanta GA 30333

TO: Deputy Inspector General for Audit Services
Department of Health and Human Services

FROM: Director, Centers for Disease Control and Prevention

DATE: June 12, 2013

SUBJECT: Office of Inspector General's Draft Report: "Centers for Disease Control and Prevention Did Not Fully Monitor Some of Its Contracts" (A-04-12-01012)

The Centers for Disease Control and Prevention (CDC) and our Procurement and Grants Office (PGO) appreciate the opportunity to review and comment on the Office of Inspector General's (OIG) draft report, "Centers for Disease Control and Prevention Did Not Fully Monitor Some of Its Contracts." Thank you for your review of this important issue.

As stated in the draft report, the objective of this review was to determine whether CDC monitored select contracts awarded under the Prevention and Public Health Fund program, using funds provided through the Patient Protection and Affordable Care Act, in accordance with the terms of those contracts and certain federal requirements. The draft report identified one finding regarding the improper monitoring of contracts and provided the following recommendation to address this finding:

Office of Inspector General (OIG) Recommendation: OIG recommends that CDC follow Federal Acquisition Regulation (FAR) 42.1502 and update its standard operating procedures (SOP) for contract administration to address performance evaluations. FAR 42.15 requires all federal agencies to record and maintain contractor past performance information. FAR 42.1502 establishes thresholds and circumstances under which agencies must prepare an evaluation of contractor performance, and FAR 42.1503 requires all agencies to submit past performance information reports electronically to the Past Performance Information Retrieval System (PPIRS).

CDC Response: CDC concurs with this recommendation and believes we have addressed the finding in an appropriate manner. Prior to receiving the draft report on May 16, 2013, PGO proactively developed an SOP, "Contractor Performance Assessment Reporting," to improve evaluation of contractor performance and ensure compliance with FAR 42.15. The SOP was issued on April 9, 2013, and all PGO acquisition staff received training on the SOP on April 9, 2013.

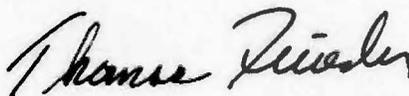
PGO's SOP codifies our policy to utilize the Contractor Performance Assessment Reporting System (CPARS) to electronically record evaluations of contractor performance and to submit past performance information into PPIRS. The SOP also provides guidance regarding when interim and final CPARS reports should be completed.

All CDC contracts that require reporting of contractor performance information will be registered in CPARS within 14 days of an award, and CPARS reports will be completed within 90 days of the end of the period of performance that is being evaluated. Contracts that were awarded prior to the issuance of the SOP, and not registered in CPARS at the time of award, will be registered within 14 days of exercising options or contract expiration.

The SOP includes a clause and provision to be included in all applicable contracts and solicitations. The clause and provision serve as notice to contractors of CDC's intent to use CPARS for recording and maintaining contractor performance evaluations. Contractors are also notified that information contained in the performance evaluations may be used by the U.S. Government for future source selections where past performance is an evaluation factor.

CDC's Contracting Officer's Representative (COR) Appointment Letter was also revised to notify CORs of their duty to use CPARS to complete interim and final past performance assessments of contractor's performance when required by FAR 42.15, as one of the terms and conditions of their appointment.

Technical comments on the draft report are provided in the attachment. We appreciate your consideration of the comments contained in this memo and the technical comments as you develop the final report. We are happy to discuss any of these issues with you. Please direct any questions regarding these comments to Priscilla Patin, OIG Liaison, at (404) 639-7094 or iggao@cdc.gov.



Thomas R. Frieden, M.D., M.P.H
Director, CDC

Attachment