



Highlights of [GAO-10-60](#), a report to congressional requesters

CENTERS FOR MEDICARE AND MEDICAID SERVICES

Deficiencies in Contract Management Internal Control Are Pervasive

Why GAO Did This Study

As a result of internal control deficiencies discussed in GAO's 2007 report on certain contracts at the Centers for Medicare and Medicaid Services (CMS), GAO was asked to identify the extent to which CMS (1) implemented effective control procedures over contract actions, and (2) established a strong control environment for contract management. GAO used a statistical random sample of 2008 CMS contract actions (including contract awards and modifications) to assess CMS internal control procedures. The results were projected to the population of 2008 CMS contract actions. GAO also determined the extent to which CMS implemented recommendations GAO made in 2007 to improve internal control over contracting and payments to contractors. GAO reviewed contract file documentation and interviewed senior acquisition management officials.

What GAO Recommends

GAO makes 10 recommendations for developing policies to improve oversight and strengthen CMS's control environment. It also reaffirms 7 prior recommendations that CMS has not fully implemented. CMS concurred with the new recommendations, but generally disagreed with GAO's assessment of progress on the prior recommendations. GAO's analysis confirmed the need for additional efforts on these recommendations.

What GAO Found

Pervasive deficiencies in CMS contract management internal control increase the risk of improper payments or waste. Specifically, based on our statistical random sample of 2008 CMS contract actions, GAO estimates that at least 84.3 percent of fiscal year 2008 contract actions contained at least one instance where a key control was not adequately implemented. GAO also estimates that at least 37.2 percent of fiscal year 2008 contract actions had three or more instances in which a key control was not adequately implemented. The contract actions GAO evaluated were generally subject to the Federal Acquisition Regulation. For example, CMS used cost reimbursement contracts without first ensuring that the contractor had an adequate accounting system. Also, project officers did not always certify invoices for payment. These deficiencies were due in part to a lack of agency-specific policies and procedures to help ensure proper contracting expenditures.

These control deficiencies also stem from a weak overall control environment as characterized primarily by inadequate strategic planning for staffing and funding resources. CMS also did not accurately capture data on the nature and extent of its contracting, which hinders CMS's ability to manage its acquisition function by identifying areas of risk, due to a lack of quality assurance procedures over data entry. CMS also has not substantially addressed seven of the nine recommendations made by GAO in 2007 to improve internal control over contracting and payments to contractors. For example, CMS has not made progress in clarifying the roles and responsibilities for implementing certain contractor oversight responsibilities and, as of July 2009, CMS still had a backlog of contacts that were overdue for closeout, putting CMS at increased risk of not identifying or recovering improper payments or waste.

GAO Assessment of CMS Actions to Address Prior Recommendations

	GAO recommendation	GAO assessment
1	Develop policies for pre-award contract activities.	No action taken
2	Develop policies regarding cognizant federal agency responsibilities.	Actions insufficient
3	Develop policies that clarify roles and responsibilities during the invoice review process.	Completed
4	Develop guidelines regarding sufficient detail to support contractor invoices.	No action taken
5	Establish criteria for negative certification for payment of invoices.	No action taken
6	Provide training on the invoice review policies.	Actions insufficient
7	Develop a centralized tracking mechanism for employee training.	Completed
8	Develop a plan to reduce the backlog of contracts eligible for closeout.	Actions insufficient
9	Review the questionable payments identified in GAO's 2007 report.	Actions insufficient

Source: GAO.

The continuing weaknesses in contracting activities and limited progress in addressing known deficiencies will continue to put billions of taxpayer dollars at risk of improper payments or waste.

[View GAO-10-60 or key components.](#)
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