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EVALUATION OF THE DEFENSE CONTRACT AUDIT AGENCY
AUDIT COVERAGE OF TRICARE CONTRACTS

Report Number D-2000-6-004

April 17, 2000

Office of the Inspector General
Department of Defense

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Acronyms

BC/BS	Blue Cross and Blue Shield
CAS	Cost Accounting Standards
CHAMPUS	Civilian Health Care and Medical Program of the Uniformed Services
	Services
DCIS	Defense Criminal Investigative Service
DCAA	Defense Contract Audit Agency
FHFS	Foundation Health Federal Services, Inc.
GAO	General Accounting Office
MCS	Managed Care Support
TMA	TRICARE Management Activity



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202

April 17, 2000

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (HEALTH
AFFAIRS)
DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY
EXECUTIVE DIRECTOR, TRICARE MANAGEMENT
ACTIVITY

SUBJECT: Evaluation of the Defense Contract Audit Agency Audit Coverage of
TRICARE Contracts (Report No. D-2000-6-004)

We are providing this report for your information and use. We considered management comments on a draft of this report when preparing the final report.

The TRICARE Management Activity comments conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the evaluation staff. Questions on the evaluation should be directed to Ms. Patricia A. Brannin at (703) 604-8802 (DSN 664-8802) (pbrannin@dodig.osd.mil) or Ms. Madelaine E. Fusfield at (703) 604-8739 (DSN 664-8739) (mfusfield@dodig.osd.mil). See Appendix D for the report distribution. The evaluation team members are listed inside the back cover.

A handwritten signature in black ink that reads "Robert J. Lieberman".

Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. D-2000-6-004
(Project No. 8OC-9015)

April 17, 2000

Evaluation of the Defense Contract Audit Agency Audit Coverage of TRICARE Contracts

Executive Summary

Introduction. Rapidly escalating health care costs and the closure of nearly 40 percent of the military medical treatment facilities in the past decade have challenged DoD to develop new ways to provide health care. In March 1995, DoD created TRICARE to provide health care for active duty Service members and their families, military retirees and their families, and other TRICARE-eligible recipients through managed care support contracts. As of 1998, TRICARE eligible beneficiaries numbered about 8.4 million persons. About 6.3 million use the TRICARE services.

To improve and enhance the implementation of TRICARE, DoD established the TRICARE Management Activity in February 1998. The purpose of the TRICARE Management Activity was to strengthen oversight and performance of the TRICARE program. The Military Departments, in partnership with the TRICARE Management Activity, administer the TRICARE program in the United States on a regional basis using military hospitals and clinics supplemented by contracted civilian services for care delivery. To support the 12 U.S. regions, TRICARE has awarded seven contracts to five contractors at an estimated cost of \$15.2 billion (over 6 years). As of September 30, 1999, there had been 420 definitized and 492 undefinitized change orders against these contracts.

Evaluation Objectives. Our objective was to evaluate the adequacy of the Defense Contract Audit Agency (DCAA) audit coverage of contracts for health care provided under TRICARE and the former Civilian Health Care and Medical Program of the Uniformed Services (CHAMPUS) contracts to military personnel, their dependents, and survivors. The evaluation also assessed the adequacy of the audit guidance, audit programs, training materials, and reporting. Due to the phasing out of the CHAMPUS program and the implementation of TRICARE, we limited our review to audit coverage of TRICARE contracts.

Evaluation Results. The DCAA provided the requested audit support for contract awards, change orders, and contract administration. All 37 audits evaluated complied with DCAA guidance and generally accepted government auditing standards. However, the TRICARE Management Activity limited its requests for audit coverage to the administrative costs, which were only about 15 to 20 percent of the proposed contract costs. The remaining 80 to 85 percent represented health care delivery costs. Because the requests for audit coverage were limited to administrative costs, DoD was at increased risk that unallowable costs were not identified or questioned.

Management Initiatives. During the evaluation we held discussions with TRICARE and DCAA management regarding the limited scope of the requests for DCAA services. As a result of these discussions and initiatives undertaken by the DCAA and the TRICARE Management Activity, audit coverage has expanded. The TRICARE Management Activity has initiated meetings with DCAA to better utilize DCAA audit support in awarding and administering TRICARE contracts. The TRICARE Management Activity has also implemented initiatives based on lessons learned during the initial TRICARE program implementation. The DCAA has created a Procurement Liaison Auditor position and four Financial Advisor positions to coordinate with DCAA field offices and to provide on-site audit, accounting, and financial advice to contracting officers; created a Health Care Audit Coordinator position for the DoD health care industry to coordinate contract audit matters within the group of managed care support service contractors and their subcontractors; added new guidance in the Contract Audit Manual on the audits of reasonableness, allowability, and allocability of health care costs; and established comprehensive program plans for the five TRICARE contractors for audit services to be performed during the fiscal year.

Summary. Management initiatives taken and planned have led to expanded use of DCAA audit support. Therefore, this report makes no recommendations.

Management Comments. The TRICARE Management Activity concurred with the draft report as written but requested that the final report recognize DCAA participation in semi-annual symposiums with the TRICARE Management Activity and the Defense Contract Management Agency, formerly the Defense Contract Management Command. We modified the final report accordingly.

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Background

Rapidly escalating health care costs and the closure of nearly 40 percent of the military medical treatment facilities in the past decade have challenged DoD to develop new ways to provide health care. DoD created TRICARE, a medical care program for active duty Service members and their families, military retirees and their families, and other eligible recipients.

Eligible beneficiaries numbered about 8.4 million, and approximately 6.3 million used these services in 1998. The Military Departments, in partnership with civilian contractors, manage the TRICARE program on a regional basis using military hospitals and clinics, supplemented by contracted civilian services.

The seven Managed Care Support (MCS) basic contracts were competitively negotiated through a source selection process without a requirement for certified cost or pricing data. The contracts were considered fixed-price with the health care costs subject to bid price adjustments for changes in beneficiary population (actuarial assumptions), military treatment facility workload, and other factors beyond contractor control. The health care costs were also subject to a risk-sharing arrangement under which the Government and the contractor share responsibility for costs that overrun/underrun the contract price. The five prime contractors subcontracted out claims processing to one of two companies, Blue Cross and Blue Shield (BC/BS) of South Carolina (also known as Palmetto Government Benefit Administrators) and the Wisconsin Physician Services.

All of the awarded contracts were protested due to such problems as DoD failure to properly gauge the Government's expected health care costs based on the offerors' proposed approaches. Three of the bid protests were sustained. A summary of the five contractors and seven basic contracts valued at \$15.0 billion and definitized and undefinitized change orders are presented in Appendix C.

On February 10, 1998, as part of a DoD-wide reform initiative to consolidate headquarters functions, DoD established an entity called the TRICARE Management Activity (TMA) within the Office of the Assistant Secretary of Defense for Health Affairs. The activity is expected to strengthen program oversight and performance by developing and using specific performance measures for the program's costs, quality, and health care access.

Objectives

The announced objective was to evaluate the adequacy of the Defense Contract Audit Agency (DCAA) audit coverage of contracts for health care provided to military personnel, their dependents and survivors under TRICARE, a managed care program, and the former Civilian Health Care and Medical Program of the Uniformed Services (CHAMPUS) program. Initially, we also intended to assess the adequacy of the audit guidance, audit programs, training materials, and reporting. We did not evaluate CHAMPUS contracts because they were superseded by TRICARE managed care contracts. Also, we did not address the

adequacy of DCAA audit guidance, audit programs, training materials, and reporting because of the major changes between the CHAMPUS and TRICARE programs. See Appendix A for a discussion of the evaluation scope and methodology.

Need for Expanded Audit Services

The DCAA provided the requested audit support for contract award, change orders, and contract administration. However, there is a need for expanded DCAA audit coverage because the TMA requests for pre-award audit coverage were normally limited to the administrative costs (about 15 percent of the proposal). TMA requested limited audit coverage because of TRICARE development and implementation problems. TRICARE did not coordinate with DCAA on what audit services should be performed. Also, coverage was limited because managed health care contracts were initially considered fixed-price contracts with bid price adjustments and, therefore, not subject to audit procedures. As a result of limited audit coverage, there was inadequate assurance that reasonable and allowable health care costs were charged to Government contracts. DCAA and TMA are addressing the problem and are expanding audit coverage.

Requests for Audit Support

Limited Use of DCAA Audit Services. We interviewed TMA contract managers to determine the extent of DCAA participation in the source selection process, as well as other audit services DCAA may provide. TMA had primarily used DCAA to audit administrative costs in the pre-award phase and in connection with subsequent change orders. Before the implementation of the TRICARE program, DCAA performed CHAMPUS financial management and fiscal integrity audits on claims paid directly from U.S. Treasury accounts. Under TRICARE, TMA contracting offices requested limited DCAA audit support because procurement offices had not coordinated on the type of audit services DCAA could provide. Also, TMA had not assessed the need for appropriate audit coverage of the new TRICARE MCS contracts.

At TMA, we reviewed bid proposals submitted for three MCS prime contracts and observed that DCAA had provided audited rate information on prime contractor administrative effort, which only accounted for 15 to 20 percent of the total contract. The remaining 80 to 85 percent represented health care costs not included in the TMA request. Requests for audits of change order proposals also were usually limited to the administrative costs. However, DCAA auditors have demonstrated the value of expanding the scope of the audit work beyond the administrative costs. During the audit of a change order proposal from Foundation Health Federal Services (FHFS), one of the seven TRICARE contractors, the auditors discovered a programming error in the mathematical calculation of the "experience to date" claim detail report. The error resulted in the proposal being overstated by \$533,000, a third of the proposed total amount. The same programming error was found in two other proposals submitted by FHFS. As a result, the DCAA auditors saved TRICARE about \$1.5 million.

DCAA Audit Coverage. Prior to 1995, DCAA determined health care costs were subject to incurred cost audits for planning purposes, because the health care cost portion of the contracts was subject to price redetermination. Since 1995, DCAA had identified no auditable dollars at FHFS because the field office ceased auditing the health care costs, and contractor administrative costs

were fixed-price and classified as non-auditable. DCAA provided labor and indirect rate information related to prime contractor administrative effort and examined the administrative cost portion in numerous change orders and requests for equitable adjustments submitted after the initial contract award. In addition, DCAA tested contractor compliance with Cost Accounting Standards (CAS) and performed accounting and estimating system reviews among other audit activities. However, DCAA recently reclassified health care contractors as major contractors for audit purposes. Major contractors are business segments that have 80 million or more auditable dollars. The reclassification should lead to an increase in DCAA self-initiated audits of health care contracts.

DCAA audit support to procurement and administration offices typically includes procurement liaison and financial management advisory services. Through interviews with TMA and DCAA management representatives, we determined that lack of coordination between the two agencies may also have resulted in TMA not fully utilizing DCAA audit services. We discussed these observations with both TMA and DCAA officials and, as a result, management has initiated several actions to improve future audit coverage.

Compliance with Government Auditing Standards. We evaluated 19 audits completed at FHFS from October 1, 1996, through March 1998 and 18 audits completed at BC/BS of South Carolina from October 1994 through May 1998. The 37 audits evaluated at the two DCAA field offices complied with DCAA guidance and government auditing standards. The audits encompassed forward pricing rates, tests for contractor compliance with CAS, equitable adjustments, accounting and estimating systems audits, and financial information. At the BC/BS subcontractor location, DCAA had performed verification of completed work (four audits) and incurred cost audits on contract line items (three audits). Each of the seven assignments covered \$1.5 million or less, and the incurred cost audits were performed using limited audit procedures.

TRICARE Implementation Efforts. Due to the significance of the TRICARE program and the major changes between CHAMPUS and TRICARE, the Director of Defense Procurement performed a review of the TMA. In her report dated May 21, 1998, the Director addressed several conditions at the TMA office that resulted in TRICARE implementation problems. The Director stated that TRICARE contracts were complex, which resulted in frequent change orders, price adjustments, and frequent bid protests during the initial award. The recommendations made by the Director should improve the TRICARE program and strengthen the contracting process at TMA.

TMA Perception of Existing Audit Support. TMA Management believed that the two support subcontractors were providing audit coverage of health care costs. Consequently TMA did not rely solely on DCAA audit services. One sub-contractor, Meridian Resource Corporation (Meridian), performed desk reviews of paid insurance claims. The purpose of the desk reviews was to detect and report errors in payment records. Meridian monitored the quarterly performance of the insurance claims processors and calculated a payment error rate and an occurrence error rate for comparison to standard rates. TMA used the two rates to determine whether increases or decreases in the health care service price were required. A second sub-contractor, Kennell and Associates, Inc., a consultant firm, developed independent Government cost estimates for

TRICARE, bid price adjustment factors, and price inflation reimbursement indices to determine potential bid price adjustment for inflation.

Audit Risk. Contractor submissions of multiple change order proposals for health care costs and requests for equitable adjustments represent a high risk of waste, fraud, and abuse to the Government, as reported by General Accounting Office (GAO) (see Appendix B). Change orders were numerous, averaging 43 per contract in 1996. Although an initial award for MCS services was a competitively negotiated fixed-price-incentive type contract, subsequent modifications were sole-source and negotiated fixed-price awards. In addition to contract modifications, bid-price adjustments and risk sharing provisions altered the nature of the contract. TMA has initiated action that should reduce or eliminate the need for numerous change orders.

A March 1999 GAO report on Defense Health Care, "DoD Needs to Improve Its Monitoring of Claims Processing Activities," noted that DoD did not know whether contractors were paying claims accurately. Fewer than half of the claims were subject to audit and the methodology used to calculate payment errors was statistically unsound.

The risk of fraud or irregular activities associated with health care programs is significant and should be considered in planning the scope of audit. To combat health care fraud, the Defense Criminal Investigative Service (DCIS) has an active partnership with TMA. DCAA has played a major role in supporting DCIS investigations of TRICARE cases. The high degree of cooperation and special priority given to health care fraud have led to a significant increase in the number of criminal cases investigated in that area. The DCIS had 531 open criminal investigations on health care fraud as of September 30, 1999. The efforts of the DCIS during FYs 1997 and 1998 resulted in recovery of \$793 million from health care fraud.

Plan for Expanded Audit Coverage. A September 30, 1998, Memorandum of Agreement between TMA and Defense Contract Management Agency outlined the type of contract administrative services TMA has requested from the agency that could be supported by expanded audit effort. Administrative support will include, but not be limited to, the evaluation of business proposals; interfacing with technical, audit, and other pricing personnel; review of change order proposals; postaward contract administration; business system reviews, and the establishment of forward pricing rates. The system reviews included accounting systems, CAS compliance reviews, billing systems, estimating systems, budgeting, and purchasing system reviews. Typically, DCAA supports the administrative contracting officer in conducting those system reviews. At FHFS, DCAA had completed accounting and estimating system reviews and CAS compliance reviews.

Management Actions

After the completion of our field visits, we contacted the Chief, Audit Liaison Division, DCAA, and also held discussions with the DCAA Deputy Regional Director, Mid-Atlantic Region, to discuss the type of audit assistance that could be helpful to TMA. As a result of these discussions, TRICARE management

has initiated meetings with DCAA to determine how they can better request and utilize DCAA support in awarding and administering contracts. The following actions have been taken by DCAA.

- DCAA has created and staffed a Procurement Liaison Auditor position and four Financial Advisor positions for the TMA. The purpose of the Procurement Liaison Auditor is to coordinate audit issues with field audit offices and the Financial Advisors are to provide on-site audit, accounting, and financial advice to contracting officers, negotiators, and buyers.
- DCAA has created and staffed a Health Care Audit Coordinator position for the DoD health care industry to coordinate contract audit matters and distribute information regarding activities of common concerns and interest within the group of managed care support service contractors and their subcontractors.
- DCAA added new guidance in the Contract Audit Manual on the audits of reasonableness, allowability, and allocability of health care costs.
- DCAA has designated the five TRICARE contractors as major contractors. As such, they have established comprehensive program plans for audit services to be performed during the fiscal year.

In addition, TMA invited the DCAA to participate in semi-annual symposiums with TMA, the Defense Contract Management Agency (formerly Defense Contract Management Command), and the TRICARE Lead Agents to discuss current issues relevant to the audit oversight and administration of the MCS contracts.

Management initiatives already taken and planned have led to expanded audit support, which should benefit future contract awards and change orders. Therefore, we are making no recommendations.

Management Comments on Finding and Evaluation Response

The TMA concurred with the draft report as written but requested that we add DCAA participation in semi-annual symposiums.

We added the additional information.

Appendix A. Evaluation Process

Scope and Methodology

Work Performed. We visited and interviewed officials from TMA and their support contractors, Meridian and Kennell and Associates, Inc. We also visited two DCAA field audit offices that performed audits at FHFS, a Managed Care Support contractor, and its subcontractor, BC/BS of South Carolina. We interviewed management personnel at the Defense Contract Management Agency and the GAO and discussed opportunities for interagency coordination with officials from the Department of Health and Human Services and the Office of Personnel Management.

- To determine the extent of TMA demand for DCAA support services, we reviewed extensive contract files supporting source selections of three major prime contracts and discussed with TMA managers the type of requests for audit services typically issued. We also discussed with TMA officials the type of contract administration and audit support services TMA had identified as necessary to improve the procurement process.
- To determine what type of advisory support services TMA receives from non-Government sources, we reviewed Meridian reports on its most recently completed quarterly desk reviews. To determine whether TMA provided any oversight controls over Meridian, we reviewed the results of a recently completed TMA quality control review over Meridian.
- To determine the adequacy of DCAA audit procedures, we visited the audit offices at FHFS and BC/BS of South Carolina. We reviewed 37 audit files completed during FY 1996 through FY 1998. We also reviewed contract briefs and other permanent audit files.

Limitations to Scope. The scope of the evaluation was limited to audits performed at two DCAA field audit offices. The two offices, covering one prime contractor and one subcontractor, were the only locations where a sufficient number of audits had been completed for an evaluation to be performed.

General Accounting Office High-Risk Area. The GAO has identified several high-risk areas in the Department of Defense. This report provides coverage of the "Defense Health Care" high-risk area.

Use of Computer Processed Data. We relied on computer-processed data from the DCAA Agency Management Information System to identify field audit offices conducting audits of prime MCS contractors and subcontractor service organizations audited by DCAA. Although we did not perform a formal reliability assessment of the computer processed data, we determined that the assignment numbers, dollars examined, and questioned costs for the selected

audit assignments generally agreed with the computer-processed data. We did not find errors that would preclude use of the data to meet the evaluation objectives or that would change our report conclusions.

Universe and Sample. Using the DCAA Agency Management Information System, we requested information on all audits performed from October 1996 through June 30, 1998, at contractor locations identified by TMA for which DCAA had an audit cognizance recognized in its database. Only one contractor had generated sufficient audit activity for our evaluation. At FHFS, we identified 40 audits and judgmentally selected 19 to evaluate, based on dollars covered in the audit and the complexity of the audit type. We also selected the major subcontractor, BC/BS of South Carolina, that processed health care claims under the prime contract. The subcontractor had been the subject of 40 audits completed since September 30, 1995, and we judgmentally selected 18 for review using dollars and audit type as selection criteria. Due to bid protests that delayed TRICARE implementation, only four audits, including accounting and estimating system reviews, had been completed at a second prime contractor, Humana Military Health Care Services. No audit activity was completed at Triwest Healthcare Alliance, Sierra Military Health Services and Anthem Alliance. Some of the contracts were only recently awarded, which partly explained the lack of audit coverage.

Evaluation Type, Dates and Standards. We performed this evaluation from April 1998 through February 1999. The evaluation was done in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. We did not include tests of management controls.

Contacts During the Evaluation. We visited the TRICARE Management Activity headquarters and field office. We visited the DCAA audit offices at FHFS and BC/BS of South Carolina. In addition we contacted other DCAA offices as necessary. We also contacted other Government agencies to determine the potential for coordinated audit support. Further details are available upon request.

Appendix B. Prior Coverage

The GAO, the Inspector General, DoD, and the Director of Defense Procurement have performed audits and evaluations of the health care industry and the TMA. Listed below are the Inspector General, DoD, audits and the GAO testimonies and reports relevant to TRICARE:

GAO (General Accounting Office)

- GAO/HEHS-99-142, Defense Health Care, "Improvements Needed to Reduce Vulnerability to Fraud and Abuse," July 1999, (OSD Case No. 1846A)
- GAO/T-HEHS-99-78 Defense Health Care, "DoD Needs to Improve Its Monitoring of Claims Processing Activities," March 10, 1999.
- GAO/T-HEHS-97-141 Defense Health Care, "TRICARE Resource Sharing Program Failing to Achieve Expected Savings," August 1997. (OSD Case No. 1409).
- GAO/T-HEHS-97-130 Defense Health Care, "Actions Under Way to Address Many TRICARE Contract Change Order Problems," July 1997. (OSD Case No. 1377).
- GAO/NSIAD-97-83BR, Defense Health Program, "Future Costs Are Likely to Be Greater Than Estimated," February 1997 (OSD Case No. 1292).

Director, Defense Procurement

- Director of Defense Procurement, Procurement Management Review. On-site review of the TRICARE Management Activity Aurora, CO. May 21, 1998.

Inspector General, DoD

- Inspector General, DoD, Report No. 00-016, "TRICARE Marketing," October 21, 1999.
- Inspector General, DoD, Report No. 99-152, "Overlapping Inpatient Treatment Expenditures for DoD Beneficiaries Enrolled in Medicare Health Maintenance Organization Plans," May 13, 1999.
- Inspector General, DoD, Report No. 99-127, "Data Supporting the FY 1998 Military Retirement Health Benefits Liability Estimate," April 7, 1999.

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- Inspector General, DoD, Report No. 98-136, "Military Health System Utilization Management program at Medical Centers," May 22, 1998.

Appendix C. Summary of TRICARE Contracts and Change Orders as of September 1, 1999 (In billions)

TOTAL VALUE OF TRICARE CONTRACTS AS OF SEPTEMBER 1, 1999

Contractor	Contract No.	Region	\$ Awarded	Definitized Change Orders ¹	Contract Value 10/30/99 ²
Foundation Health Federal Services	MDA906-94-C-0003	11 (Northwest)	\$.6	123	\$.5
Foundation Health Federal Services	MDA906-95-C-0005	6 (Southwest)	\$1.8	73	\$1.9
Foundation Health Federal Services	MDA906-95-C-0007	9, 10, 12 (Southern CA., Golden Gate, Hawaii-Pacific)	\$2.4	84	\$2.3
Humana Military Healthcare Services	MDA906-96-C-0002	3, 4 (Southeast and Gulf States)	\$3.7	78	\$4
Triwest Healthcare Alliance Corp	MDA906-96-C-0004	7, 8 (Central)	\$2.3	34	\$2.3
Sierra Military Health Services	MDA906-97-C-0003	1 (Northeast)	\$1.5	11	\$1.3
Anthem Alliance for Health	MDA906-97-C-0005	2, 5 (Mid-Atlantic and Heartland)	\$2.7	17	\$2.9
Totals:			\$15	420	\$15.2

¹A total of 420 change orders were definitized as of September 1, 1999. The negotiated values ranged from \$17.8 million in price increases to \$57.7 million in price reductions. In addition, 492 change orders were outstanding. TMA had received 175 change order proposals from contractors while 317 proposals were pending. The Government had prepared independent cost estimates for the 317 pending proposals totaling about \$93 million.

²Any increases in contract value are primarily due to bid price adjustments according to TMA. However, Humana received a \$300 million settlement of a Request for Equitable Adjustment in 1998, which partly explains the large increase in value of the Humana contract. Bid price adjustments are accounted for separately from change orders and requests for equitable adjustments.

Appendix D. Report Distribution

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Executive Director, TRICARE Management Activity

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Director, Defense Contract Audit Agency

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

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Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Government Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
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House Subcommittee on Government Management, Information, and Technology,
 Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International
 Relations, Committee on Government Reform

TRICARE Management Activity Comments



TRICARE
MANAGEMENT
ACTIVITY

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MAR 29 2000

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE
DIRECTOR, READINESS AND LOGISTICS SUPPORT
DIRECTORATE

SUBJECT: Draft Audit Report on Evaluation of Defense Contract Audit Agency Audit
Coverage of TRICARE Contracts

Thank you for the opportunity to review and provide comments on the draft report,
"Evaluation of the Defense Contract Audit Agency Audit Coverage of TRICARE Contracts"

Overall, we concur with the draft report as written. We have one recommendation for
DOD/IG consideration. On page 6 of the draft report under Management Actions, request the
following action be added to the four existing DCAA management actions noted. This addition
reflects the DCAA's involvement with the Department in oversight of our managed care support
contracts. It is appropriate to reflect this involvement in the report.

- DCAA participates in a semi-annual symposium with TMA, DCMC, and the Lead Agent
(Lead Agents are invited as of the May 00 symposium) to discuss current issues relevant
to the audit oversight and administration of the MCS contracts.

My points of contact are Mr. Russell Moulton (functional) at (303) 676-3669 or
Mr. Gunther J. Zimmerman (GAO/IG Liaison) at (703) 681-7889.

Diana G. Tabler
Diana G. Tabler
Deputy Executive Director

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This report was prepared by the Deputy Assistant Inspector General for Audit Policy and Oversight, Office of the Assistant Inspector General for Auditing, DoD.

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