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**TO:** Julie L. Gerberding, M.D., M.P.H.  
Director  
Centers for Disease Control and Prevention

**FROM:** Daniel R. Levinson *Daniel R. Levinson*  
Inspector General

**SUBJECT:** Emergency Response to Hurricanes Katrina and Rita: Audit of Centers for Disease Control and Prevention's Award Process for a Contract With Thrane and Thrane, Inc. (A-04-06-01030)

This report provides the results of our audit of the Centers for Disease Control and Prevention's (CDC) award process for a contract with Thrane and Thrane, Inc. (Thrane), of Virginia Beach, Virginia. The audit is one of several reviews of procurements by CDC and other components of the Department of Health and Human Services (HHS) in response to Hurricanes Katrina and Rita in 2005.

## BACKGROUND

### Hurricane Relief Efforts

During Hurricanes Katrina and Rita, CDC activated the Director's Emergency Operations Center to monitor and coordinate its relief efforts. The Emergency Operations Center tasked CDC's Procurement and Grants Office with arranging satellite telephone service to ensure adequate communications with CDC staff assigned to the affected areas. To accomplish this task, the Procurement and Grants Office modified its existing contract with Thrane.

The existing labor-hours contract obligated Thrane to supply CDC with labor, materials, and supplies for satellite telephone service from October 1, 2004, through September 30, 2005. The \$500,000 contract modification, effective September 12, 2005, added more satellite telephone time to the existing contract.

### Federal Acquisition Regulations

The Federal Acquisition Regulation (FAR) defines a contract as a mutually binding legal relationship obligating the seller to furnish the supplies or services and the buyer to pay for them. It includes all types of commitments that obligate a Government expenditure of appropriated

funds, including awards, job orders, letter contracts, orders, and bilateral contract modifications (FAR 2.101).

The FAR establishes the basic requirements for acquisitions by Federal agencies. The Health and Human Services Acquisition Regulation (HHSAR) implements and supplements the FAR and provides requirements that specifically govern the HHS contract process.

The FAR and the HHSAR provide, among other things, that HHS agencies award each contract to a responsible party (FAR 9.103(a)) and document compliance with requirements for full and open competition and the determination that the price was fair and reasonable (FAR 6.101(b) and 15.402(a)). With respect to full and open competition, FAR 6.001(c) specifies: “Contract modifications, that are within the scope of the contract . . .” are exempt from the requirements. Agencies also must develop a statement or description of the goods or services being requested (FAR 16.504(a)(4)(iii)).

Letter contracts may be used only for urgent needs. Unpriced orders, which must contain price ceilings, may be used only when it is impractical to obtain pricing. In addition, agencies must consider the appropriate contract type pursuant to guidance in FAR part 16. In certain situations, consideration must be given to small and minority businesses and local firms.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

The objective of our audit was to determine whether CDC complied with FAR and HHSAR requirements during the award process involving Thrane.

### **Scope**

We limited our audit to the award process for CDC’s October 28, 2004, contract 200-2005-F-10576 with Thrane and its September 12, 2005, modification to that contract. We did not assess CDC’s overall internal control environment. We did not review contract performance or the acceptance or inspection of goods and services received.

We performed fieldwork at CDC’s Procurement and Grants Office in Atlanta, Georgia, from January through April 2006.

### **Methodology**

To accomplish our objective, we:

- reviewed FAR and HHSAR requirements,
- met with CDC officials to ensure an adequate understanding of CDC’s actions during the award process and the basis for those actions,

- examined the records of negotiation and other documentation related to the award of the contract to determine whether CDC followed FAR and HHSAR requirements, and
- reviewed progress reports and payment history data to determine whether controls were in place to ensure contract performance and payment.

We performed our audit in accordance with generally accepted government auditing standards.

## **RESULTS OF AUDIT**

CDC complied with FAR and HHSAR requirements during the award process for its September 12, 2005, modification to contract 200-2005-F-10576 with Thrane. The existing contract was awarded under the General Services Administration's (GSA) Multiple Award Schedule, a list of contracts with commercial firms to provide supplies and services at stated prices for given periods of time. GSA had already determined that prices for goods and services on the schedule were fair and reasonable. Pursuant to FAR 6.001(c), the contract modification was exempt from requirements for full and open competition. Nevertheless, the modification was based on Multiple Award Schedule prices, which, in accordance with FAR 8.404(d), were determined by GSA to be fair and reasonable.

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This audit was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the Federal Government in the aftermath of Hurricanes Katrina and Rita. As such, a copy of the report has been forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors General reviews of this important subject.

If you have any questions about this report, please do not hesitate to call me, or your staff may contact Joseph J. Green, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1166 or through e-mail at [Joe.Green@oig.hhs.gov](mailto:Joe.Green@oig.hhs.gov). Please refer to report number A-04-06-01030.