

**Audit of Acordia Healthcare Solutions, Inc., Billings and
Processing of Health and Accident Insurance Claims For
the Period July 1993 through April 1998 under Contract
No. FAO-C-00-93-00012-00**

**Report No. 0-000-99-005-F
March 26, 1999**

Financial Audit



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT
Financial Audit

March 26, 1999

MEMORANDUM FOR M/FM, Michael T. Smokovich
M/OP, Marcus L. Stevenson

FROM: IG/A/FA, *Bruce N. Crandlemire*
Bruce N. Crandlemire

SUBJECT: Audit of Acordia Healthcare Solutions, Inc., Billings and Processing of Health and Accident Insurance Claims for the Period July 1993 through April 1998 under Contract No. FAO-C-00-93-00012-00; Report No. 0-000-99-005-F

This is our report on the subject contract. Comments on our draft report were received from the Office of Procurement and considered in completing this report (See Appendix II). Although requested, comments were not received from the Office of Financial Management.

The audit showed that Acordia Healthcare Solutions, Inc. (Acordia) performed most of the tasks under the contract and we could determine that the funds paid to Acordia were traceable to its records and reported to U.S. Agency for International Development (USAID). However, the audit showed that Acordia did not fully adhere to two contract provisions and clauses. As a result, USAID funds, which were to be returned to USAID, were held by Acordia longer than specified. In addition, the contract called for an audit of Acordia's records by private independent auditors per industry standards. This required audit was never performed. As a result, we cannot be assured that medical claims paid by Acordia were appropriate.

Further, the audit showed that USAID was maintaining a revolving fund account that was not authorized and should be closed. After our interim audit report, the USAID General Counsel's Office (GC) has issued two separate opinions allowing the use of the \$3.9 million collected from Acordia—each opinion addresses separate issues and each offering a different analysis on the use of these funds. However, we believe that both opinions contain the same flaw in analysis about proper handling of these funds. Specifically, we believe that the original obligations were completely discharged when the participants' sponsoring organizations claimed reimbursement from USAID for the monthly insurance coverage. Thus, any funds remaining with Acordia represent a surplus—premium receipts

less claims paid—and any surplus is a miscellaneous receipt, which should be returned to the U.S. Treasury.

Please advise this office of your management decision on Audit Recommendation Nos. 1 and 2 within 30 days of the date of this report.

I appreciate the courtesies and cooperation extended to my staff during this audit.

Background

Under its various programs, the U. S. Agency for International Development selects foreign nationals from less developed countries to participate in various types of academic and technical training, study and observation throughout the United States and Puerto Rico. Those selected are generally referred to as participants, and the overall activity is often referred to as the Participant Training Program. In conjunction with training, participants are provided with accident and health indemnity coverage under an USAID-sponsored Health and Accident Coverage (HAC) program. Approximately 19,000 participants are enrolled in this program. The program is arranged and managed by various educational institutions and private entities.

During 1992, USAID awarded Acordia Healthcare Solutions, Inc. (Acordia)¹ a contract to implement, manage, and administer the HAC program at fixed monthly rate based on the range of participants enrolled in one month.

In November 1997, the Associate Assistant Administrator, Center for Human Capacity Development, requested our assistance in reviewing billings from Acordia and their processing of health and accident insurance claims for participant trainees under the cited contract. The total value of the contract and funds available for premiums and claims was reportedly about \$ 7.0 million.

In an interim audit report,² we reported that Acordia was holding about \$3.9 million in Federal cash, which was more than its needs. Corrective action was immediately taken and on December 31, 1997, Acordia issued a check payable to USAID returning about \$3.9 million, which the Office of Financial Management (M/FM) deposited into its bank account.

¹ Acordia Healthcare Solutions, Inc. (Acordia) assumed the original contract with USAID under the name of AdminaStar Solutions, Inc. However, Acordia has changed its name recently to Outsourced Administrative Systems.

² Interim Audit Report of Acordia Healthcare Solutions, Inc.,—Excess Federal Cash Being Held—Contract No. FAO-C-00-93-00012-00 (Audit Report No. 0-000-98-002-F, March 26, 1998).

Since July 1993, Acordia has administered a major segment of the USAID's participant training programs' health and accident program. Under the cited contract, Acordia's requirements and services changed significantly, over three distinct periods:

1) July 1, 1993 to June 30, 1996: USAID collected premiums through fund transfers to a special account, called the HAC account. These funds were drawn from its Missions and Bureaus projects or programs for specific participants. Acordia administered the program. That is, Acordia enrolled the participants, issued identity cards, approved claims and drew funds from USAID-HAC account-to pay claims. For this service, Acordia was paid an administrative fee based on participant insurance enrollments. Under this arrangement, USAID was self-insured, in that USAID accepted the "financial risk" for the program.

2) July 1, 1996 to June 30, 1997: The contract with Acordia was modified³ to have Acordia assume the responsibility for collecting premiums from USAID contractors. Acordia continued to administer the program, *i.e.* enrolled the participants, issued identity cards, and approved claims. Acordia did not need to draw funds from USAID to pay claims, because it collected premiums and held these in an interest bearing account for use in paying claims. Like the earlier contractual arrangement with Acordia, USAID was self-insured, in that USAID accepted the "financial risk" for the program. Acordia acted as USAID's fiscal agent.

3) July 1, 1997 to June 30, 1998: The contract with Acordia was modified⁴ to have Acordia assume the financial risk for the program under an indemnity insurance program. Besides administering the program, Acordia collected the premiums for its own account and paid claims from its funds. Under this modification, USAID was no longer self-insured and USAID had no claim on any surplus resulting from the insurance premium collections exceeding expenses incurred by Acordia.

USAID awarded two new contracts for the HAC program in November 1998. USAID contractors may select either company to provide the insurance for participants.

In July 1996, USAID made an award to a prime contractor to complete the development of a new "re-engineered" training process and a newly designed computer system that enables the new training process. The purpose of this "re-engineered" process is to (1) maintain training data organized and easily accessible and (2) help mission strategic objectives and/or results package teams to analyze, target and achieve meaningful human

³ Contract Modification No. 16, dated June 3, 1996.

⁴ Contract Modification No. 18, dated September 9, 1997.

performance gains in a cost effective way. A subcontractor for the prime developed a primary data file (TraiNet) on all USAID participants enrolled in the HAC program. In addition, this subcontractor was responsible for transmitting participants' data to Acordia on a regular basis. Acordia was to use this participant data, transmitted by the subcontractor, for its billing and reimbursement purposes.

Audit Objectives

Based on our discussion with the managers of the Center for Human Capacity Development and risk assessment, we established specific audit objectives. This audit covers financial and performance aspects of the contract. As a result, the audit was designed to answer the following financial and performance audit objectives:

1. **Were the amounts billed by Acordia to USAID for the administrative fee accurate?**
2. **Were the Federal Cash Transactions Reports of Acordia, as submitted to USAID, traceable to Acordia records and were these accurate?**
3. **Did Acordia review the benefits claims submitted for participants to determine their legitimacy and were the claims accurate?**
4. **Did Acordia perform its services as intended by the contract?**
5. **Should USAID be contracting for HAC for its participants?**

Appendix I contains a discussion of the scope and methodology for the audit.

Audit Findings

1. **Were the amounts billed by Acordia to USAID for the administrative fee accurate?**

The amounts billed by Acordia to USAID for administrative fee were accurate. The billed administrative fees were for managing and administering the HAC program and based on the range of participants enrolled in one month. We were requested by Center for Human Capacity Development to review administrative fees incurred and billed by Acordia to USAID for the period July 1, 1996 through June 30, 1997. We have reviewed the fees incurred in the subject period and no exceptions were taken. The tested fees were billed according to the contract and its administrative fees schedule.

2. Were the Federal Cash Transactions Reports of Acordia, as submitted to USAID, traceable to Acordia records and were these accurate?

Federal Cash Transactions Reports submitted by Acordia to USAID were accurate and traceable to Acordia records. We verified cash balances reported on the June 1997 report to the Acordia's bank statements and reconciliation. For the period January 1997 through October 1997, we verified ending cash balance per books as shown on the Acordia bank reconciliation.

3. Did Acordia review the benefits claims submitted for participants to determine their legitimacy and were the claims accurate?

Acordia reviewed benefits claims submitted for participants to determine their legitimacy and accuracy. However, Acordia did not have an independent audit conducted on its operations, as required by the contract. Thus, the accuracy of claim processing cannot be assured.

Acordia use a computerized Health Claims Processing System (referred to in this report as the system) to process benefits claims submitted by various participants. This system contains participants data transferred by TraiNet to Acordia and prevailing customary and ordinary billing rates of various providers. The system compares participants' data presented in the benefits claims to the data received from TraiNet. Acordia receives TraiNet data via e-mail on a daily basis. Also, the subject system includes coverage level of participants enrolled in the HAC program. Benefits claims submitted by participants for non-covered medical expenses are rejected by the system. Additionally, for Acordia to pay claims, any participant's record must be listed in the TraiNet. Otherwise, the system will not be able to process any payments. Moreover, any differences, between participants' data presented by benefits claims and USAID provided data stored in the system, result in claims rejection. Acordia updates providers' rates annually.

According to Contract Modification No. 16, dated June 30, 1996: "HAC administrator's [Acordia] records will be audited by private independent auditors per industry standards." However, the Account Executive at Acordia never initiated the audit. As a result, the audit was not performed.

We randomly selected 54 claims to be tested for legitimacy and accuracy. However, Acordia could not locate 14 claim files; as a result, we were able to test 40 claims only. For the 40 tested claims, we verified claims submitted by various participants to Acordia payment's history. Based on our review of these claims, no exceptions were taken. Because of the lack of records, we cannot reach a conclusion on the accuracy and legitimacy of the remaining 14 claims from the sample.

In addition, the policy underwriter performed an audit of claims submitted to Acordia under the HAC program. The underwriter auditors reviewed on a random basis

approximately 30 percent of total claims expenses incurred during the policy period. The preliminary audit report was provided to us by the underwriter's auditors. This audit identified \$10,712 in claims that had been overpaid based upon the terms of coverage, \$3,146 in claims underpaid, and \$7,566 in claims paid by Acordia which required additional documentation.

Since claims incurred by participants prior to July 1, 1997 were reimbursed from USAID funds, government risk during this period was very high. Therefore, the audit, specified for in the contract, should have been performed and it should have been focused on claims incurred and paid from USAID funds. Based on our limited review of the benefits claims, underwriter's audit report, and the contract with Acordia, we believe that the audit of medical claims, as required by the contract, should be conducted.

Recommendation No. 1: We recommend that Office of Procurement require Acordia to have its records audited, by private independent auditors per industry standards, as specified in the contract.

4. Did Acordia perform its services as intended by the contract?

Acordia performed its services as intended by the contract for the period July 1, 1993 through June 30, 1996. However, according to Center for Human Capacity Development officials, Acordia services deteriorated and various contractors and recipients experienced numerous billing problems during the two option years ending June 30, 1998. Often, Acordia billed contractors or recipients⁵ for students who finished their training in the United States and returned to their countries. But, in other cases, Acordia sent no bills to contractors for participants enrolled in the HAC program.

The audit found that Acordia did not comply with the two significant reporting requirements of the contract. Modification No. 18, dated September 9, 1997, called for: "The HAC contractor [Acordia] shall provide a loss ratio report (Which shall include but not be limited to premiums collected, claims paid, other fees, etc.) as well as a lag report to USAID every six months." Additionally, Acordia failed to follow Modification No. 19, dated February 25, 1998, which calls for a weekly refund of USAID funds more than \$250.00.

Furthermore, managers at USAID's Center for Human Capacity Development evaluated the contractor's performance under the subject contract. The interim Contractor Performance Report, issued by USAID, rated Acordia low.

⁵ In this section, we refer to those organizations contacted as contractors to simplify our reporting. All USAID contractors, recipients, and grantees were required to use Acordia services for the HAC program.

We tried to survey USAID contractors to determine the level of their satisfaction with Acordia and the HAC program itself. We sent our questionnaire to 195 contractor locations, but we received 12 responses only, even after a follow-up. Seven of the 12 contractors surveyed said that they had billing problems with Acordia. In addition, eight responses revealed contractors' general satisfaction with the HAC program, but four were not satisfied. Only one contractor indicated its ability to obtain similar insurance from another insurance company, and nine contractors were not able to do so. Moreover, seven contractors ranked the accuracy level of the monthly reconciliation initiated by the subcontractor between 75 and 100 percent, one between 50 and 75 percent, and one between zero and 25 percent. (See Appendix III for the questionnaire.) The table, on the following page, shows a summary of contractors' responses related to Acordia's performance.

Contractor	Question No. 2 Are you pleased with USAID's HAC program operations, to date?	Question No. 3 Has Acordia Healthcare Solutions, Inc. Properly billed you for participants?	Question No. 4 Are you able to acquire health and accident coverage for USAID funded participants which meet or exceed the requirements of the Exchange Visitors Act - 22 CAR, part 514?	Question No. 5 How accurate was the monthly reconciliation initiated by the subcontractor? Please check off the accuracy level below.
A	Yes	Yes	Yes	75%-100%
B	Yes	No	No	No Response
C	No	No	No	75%-100%
D	Yes	Yes	No	50%-75%
E	No	No	No	75%-100%
F	No	No	No Response	50%-75%
G.	Yes	No	No Response	0-25%
H	Yes	Yes	No	No Response
I	No	Yes	No	75%-100%
J	Yes	No	No	75%-100%
K	Yes	No	No	75%-100%
L	Yes	Yes	No	75%-100%

Although Acordia's performance may have deteriorated over the period of the contract, we are not making any recommendations because the contract was due to expire.

5. Should USAID Be contracting for HAC for its participants?

USAID should be contracting for HAC for its participants. The subject health insurance coverage provided to the participants is mandated by the Mutual Educational and Cultural Exchange Act of 1961.

Since 1985, the OIG issued several audit reports commenting on the management of the HAC program and made various recommendations. These recommendations were closed and the current managers of the program believe that improvements, as a result of the recommendations, were in place. However, in our 1992 report, the auditors observed that the revolving accounts being used to manage the participant training program were operating without any legal authority. In addition, the head of cash management in USAID's Office of Financial Management told us that the \$10 million at the HAC account was never legislatively sanctioned.

Our interim audit report on excess cash being held by Acordia⁶ included a recommendation to M/FM that funds recovered from the Acordia's contract to be returned to the U. S. Treasury when determined that these funds are no longer needed for claims. USAID has already recovered \$3.9 million from Acordia as a result of our recommendation. However as of the date of this report, no action has been taken by M/FM to reach a management decision on that recommendation. We believe that since the account is improper, M/FM/CAR should close the account and return any balance to the U.S. Treasury.

General Counsel Opinion Allows USAID to Use Funds Remitted from Acordia, But OIG Disagrees

Subsequent to our interim audit report, the USAID General Counsel's Office issued two separate opinions on the use of the excess funds remitted from Acordia—each addressing separate issues and each offering a different analysis on the use of these funds. However, we believe that both opinions contain the same flaw in analysis pertaining to proper handling of these funds.

The first General Counsel opinion⁷ responds to the request to use about \$1.2 million for run-out claims from Acordia, repayment to a special agreement with U. S. Department of

⁶ Interim Audit Report of Acordia Healthcare Solutions, Inc.,—Excess Federal Cash Being Held—Contract No. FA-C-00-93-00012-00 (Audit Report No. 0-000-98-002-F, March 26, 1998).

⁷ Disposition of Excess Funds from the Health and Accident Coverage ("HA") Program, G/LP, Jan Miller, dated August 19, 1998.

Agriculture for "claims-related" functions, and repayment to a contract for data base and billing system problems related to the Acordia contract and the HAC program. This opinion concluded that these funds could be used for the stated functions because the purposes were related to the HAC program. The opinion went further to conclude that the better view was that these are not "new Obligations," but sub-obligations under hundreds of obligations for participant training. The opinion observed that grantees and contractors were required to pay premiums for HAC to USAID and Acordia. Thus, these funds came from program accounts, according to the opinion, and the disposition becomes an accounting problem in identifying them for sub-obligation purposes.

The second opinion⁸ responds to a request to use the remaining funds. This opinion notes that the intended use of the funds was not for purposes related to the original obligations. However, it concludes that under Section 511⁹ authority, these funds were converted to no-year funds upon obligation. Thus, while the initial obligation must meet the "bona-fide needs" rule, subsequent amendments of the obligation and sub-obligations can be used for "new" needs because they become "no-year" funds upon obligation.

The OIG does not agree with the General Counsel's opinions and the logic used. We believe there is critical flaw in both of these opinions. Specifically, we believe that the original obligations were completely discharged when the participants' sponsoring organizations claimed reimbursement from USAID for the monthly insurance coverage. Thus, any funds left with Acordia was a surplus—premium receipts in excess of claims paid—and miscellaneous receipts to be returned to the U.S. Treasury.

The original obligations for HAC premiums were created under various contracts, grants, and other USAID agreements—possibly numbering into the hundreds. Contractors and grantees agreed to pay these premiums for specified amounts to accounts or persons specified by USAID. These original obligations were discharged when the contractor or grantee was reimbursed for paying, either USAID or Acordia, the HAC premium. Subsequently, the various USAID accounting stations reported these premium payments as expenditures against the respective original obligation. These were recorded as expenditures because the contractor or grantee reported paying for HAC premiums and was reimbursed for these costs. Therefore, the original obligation was discharged and no longer exists.

This does not mean that USAID did not have a contingent liability to pay HAC claims. In fact, USAID had ensured that medical claims would be paid. It contracted with Acordia to administer the claims and make payments. However, during the first period of the Acordia contract, USAID provided the funds through an unsanctioned working fund.

⁸ Disposition of Remaining Excess Funds from the Health and Accident Coverage ("HAC") Program, G/LP, Jan Miller, dated December 9, 1998.

⁹ According to the GC opinion this section is from USAID appropriation acts.

Any surplus or loss was recorded in the "pseudo allotment" account maintained, and was called the "HAC account", within the Office of Financial Management's Central Accounting and Reporting Division.

The OIG believes that any use of the funds remitted by Acordia, for anything other than participant HAC claims, should be questioned. First, as we understand the case, the HAC working fund was never legally sanctioned. Since 1992, OIG audit reports on the Participant Training Program, including the HAC Program, observed that the working fund or revolving accounts being used to manage the participant-training program was operating without any legal authority. During our current audit, the head of cash management in USAID's Office of Financial Management told us the \$10 million recorded for the HAC account was never legislatively sanctioned. Second, these remitted funds were Federal Program Income, as reported by Acordia in financial statements submitted over the contract period. Each reporting period, Acordia showed the collections of HAC premiums as Federal Program Income and the payment of claims as an disbursement (expense). Thus, the amount of Federal Program Income less the expenses (claims paid) resulted in a surplus for USAID. Without legal authority for a working fund, the surplus must be remitted to the U.S. Treasury.

Recommendation No. 2: We recommend that Office of Financial Management:

- 2.1 Close the Health and Accident Coverage revolving fund account; and**
- 2.2 Classify all surplus funds generated by the Health and Accident Coverage revolving fund that are not needed to pay health service claims for participants as miscellaneous receipts and deposit the surplus funds to the U.S. Treasury.**

Management Comments and Our Evaluation

We received comments on our draft report from the contracting officer in the Office of Procurement (M/OP), but did not receive comments from the Office of Financial Management.

We were promised comments from the Office of Financial Management, but these were not forthcoming. We were advised that a great deal of attention was being focused on this report and on how to handle these funds. Also, we were advised that there were significantly differing opinions on these matters, and a final decision had not been made on actions to address this audit. However, these discussions, as we were advised, dealt more with the mechanics of how to use the funds rather than the General Counsel opinions.

We believe that the funds remitted from Acordia have lost their identity and represent a program surplus. Any surplus generated without specific statute authority must be remitted to the U.S. Treasury. We regret that the Office of Financial Management and the General Counsel could not provide us with their comments before we issue this report. We requested comments by February 4, 1999. We were advised on March 1, 1999, that we would have formal comments within two weeks.

The contracting officer brought out several technical points concerning the background and the status of contracts for the Health and Accident Coverage (HAC) for participants. The contracting officer questioned whether it was appropriate to request an audit on Acordia claims at this juncture. The contract at issue expired on December 31, 1998. The contracting officer stated that the audit fee should come from Acordia's administrative fees earned over the 3-year contract period.

The requirement for an audit was established in the contract with Acordia at the point where Acordia was collecting funds on behalf of USAID and also paying claims. As auditors, we can only recommend enforcing the contract clauses. We believe that at a minimum, M/OP should request Acordia to perform as required under the contract. We do not believe that the fact the contract expired impacts the need for an audit being performed in accordance with industry standards. The technical nature of medical claims requires the auditors to have the technical expertise to perform the audit. We believe that this audit should be performed and the results provided for USAID actions, if any.

AUDIT SCOPE AND METHODOLOGY

Scope

We audited Acordia's books and records for the period July 1993 through April 1998 in accordance with generally accepted government auditing standards. We conducted the subject audit at USAID in Washington, D.C. and Acordia offices in Indianapolis, Indiana. We started the field work in the beginning of March 1, 1998 and ended on March 22, 1998. The purpose of this audit was to (1) determine if administrative fees billed to USAID were accurate, (2) Federal Cash Transactions Reports submitted by Acordia to USAID are traceable to Acordia's books and records, (3) review claims submitted by participants to determine their legitimacy and accuracy, (4) evaluate Acordia's performance under the contract with USAID.

We were able to review administrative fees billed to USAID under the subject contract and financial relevant data reported to USAID via the Federal Cash Transactions Reports. However, we were unable to review the accuracy and legitimacy of claims submitted to Acordia by various participants. We randomly selected 54 claims to be tested and Acordia was able to locate 40 claims only. Therefore, we could not reach a conclusion based on our review of the 40 claims.

In addition we evaluated the contractor's performance under the subject contract. Our evaluation included surveying approximately 195 contractors via e-mail. In addition, we took into consideration USAID's interim evaluation of the contractor.

Methodology

We reviewed administrative fees billed to USAID under the subject contract with Acordia. The reviewed fees were for services rendered by Acordia from July 1, 1996 through June 30, 1997. Administrative fees reviewed amounted to \$563,784. We compared fees billed to USAID to the fees schedule stipulated in the contract. Additionally, we compared number of participants used by Acordia to assess such fees to USAID provided data base. Moreover, we verified amounts deducted by Acordia from USAID account for administrative fees to cancelled checks.

For Federal Cash Transactions Reports (transaction report) submitted by Acordia to USAID. We verified cash balances reported in the June of 1997 transaction report to the Acordia's bank statements and reconciliation. For the period January 1997 through October 1997, we verified ending cash balance per books as shown on the Acordia bank reconciliation.

In order to review claims received and processed by Acordia for accuracy and legitimacy, we used a computerized statistical sampling program to select our sample. The program randomly selected 54 claims to be tested. Our sample was an attribute sample with a precision level of 95 percent. Our materiality level was 3 or more differences with a value in excess of \$200. Of the 54 claims sampled, 30 claims represent large dollar values items and the balance of 24 claims represent small dollar value claims. We gained an understanding of Acordia claims processing system and assessed control risk. In addition, we attempted to test the entire sample, however, Acordia could not locate 14 claims. As a result we were able to test 40 claims only. For the 40 tested claims, we verified claims submitted by various participants to Acordia payment's history. Moreover, we did not expand our sample because it was time consuming. In addition some of the records were not readily available at Acordia's office in Indianapolis.

We also surveyed various contractors to determine the level of their satisfaction with Acordia and the HAC program itself. We sent out e-mails to approximately 195 contractors, but we received 12 responses only. Furthermore, we discussed the contractor's performance with USAID representatives to determine if the contractor has successfully provided the contracted service in accordance with the contract provisions and clauses.

USAID MANAGEMENT COMMENTS



U.S. Agency for International Development
Bureau for Management
Office of Procurement
OP/A/FAO, Room 7.10-061 RRB
Washington, D.C. 20523-7101

JAN 27 1999

MEMORANDUM

TO: IG/A/FA, Bruce N. Crandlemire

FROM: OP/A/FAO, Sherrill M. Facht *Sherrill M. Facht*

SUBJECT: DRAFT-Audit of Acordia Healthcare Solutions, Inc., Review of Acordia Billings and Processing of Health and Accident Insurance Claims For the Period July 1993 through April 1998 under Contract No. FAO-C-00-93-00012-00; Report No. 0-000-99-00X-F

I have reviewed the subject draft audit report dated January 4, 1999 and would like to correct some inaccuracies and request clarification of one item.

The first line of page 1 under Background does not make sense. Something is missing.

In the sixth paragraph on page 1 a correction is required in the first line. The line says "USAID collected premiums from its *contractors* for participants...". In fact, USAID collected premiums from Missions and AID/W Bureaus, not the contractors.

The fourth paragraph on page 2 should be deleted. You may insert the following to replace it:

USAID awarded two new contracts for HAC insurance in November 1998. USAID contractors are now able to choose one of the two companies to provide the HAC coverage for their participants.

In the fourth paragraph on page 4, shouldn't the amount of \$11,712 be \$10,712?

I have a couple of questions about Recommendation No. 1. The recommendation states that "the independent auditor's fees will be charged to the Health and Accident Coverage (HAC) account". What account is this and how would the contractor access it? If we do pursue the independent audit, OASYS should pay for it from the administrative fees collected from USAID during the first three years of the contract. The contract in question expired on 31 December 1998. Is it really appropriate to ask the contractor to have the audit done at this juncture?

Thank you for giving me an opportunity to review this report in draft. I look forward to hearing from you.

cc: M/OPI/A, Joyce E. Frame
M/FM/CONT, Tony L. Cully
G/HCD/AAA, Patrick Fleuret
G/HCD/HETS, John Jessup
IG/A/HLC, Toby Jarman
M/FM/CAR, David D. Ostermeyer,
M/MPI/MIC, Connie Turner

QUESTIONNAIRE ON ACORDIA PERFORMANCE

1. Could you please provide us with amounts of premium payments made to Acordia Healthcare Solutions, Inc. for participants enrolled in the HAC program. Please break down the payments by the following three periods.

Period 1: 7/1/1995 to 6/30/1996.

Period 2: 7/1/1996 to 6/30/1997.

Period 3: 7/1/1997 to 6/30/1998.

2. Are you pleased with USAID's HAC program operations, to date:

Yes _____ No _____

If No, please provide comments:

3. Has Acordia Healthcare Solutions, Inc. properly billed you for participants?

Yes _____ No _____

If No, please give examples:

4. Are you able to acquire health and accident coverage for USAID funded participants which meet or exceed the requirements of the exchange visitors act - 22 CFR part 514 (requirements on following page) [NOT INCLUDED HERE].

Yes _____ No _____

If Yes, please provide the following:

Name of company:

Name of contact person:

Telephone number:

Cost/rate (if known):

5. How accurate was the monthly reconciliation initiated by the subcontractor. Please check off the proper accuracy level down.

0-25% _____

25%-50% _____

50%-75% _____

75%-100% _____