
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION



**SOCIAL SECURITY ADMINISTRATION
COMPUTER EQUIPMENT PURCHASED WITH
AMERICAN RECOVERY AND REINVESTMENT ACT
OF 2009 FUNDS**

August 2010

A-04-10-21029

AUDIT REPORT



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



SOCIAL SECURITY

MEMORANDUM

Date: August 20, 2010

Refer To:

To: The Commissioner

From: Inspector General

Subject: Social Security Administration Computer Equipment Purchased with *American Recovery and Reinvestment Act of 2009* Funds (A-04-10-21029)

OBJECTIVE

Our objectives were to determine whether (1) Hewlett Packard (HP) complied with contract terms (Contract Number SS00-08-40039) and applicable regulations; (2) Social Security Administration (SSA) personnel properly monitored the contract; and (3) *American Recovery and Reinvestment Act of 2009* (ARRA) funds were properly accounted for and used.

BACKGROUND

In September 2008, SSA entered into a Blanket Purchase Agreement (BPA) with HP to purchase computer workstations, monitors, peripheral equipment, accessories, and maintenance services. The ordering period under this BPA was 48 months from the date of award with an additional 48-month warranty period for each workstation ordered.

On February 17, 2009, the President signed ARRA into law.¹ SSA received about \$1.09 billion in ARRA funds for certain programs and operational purposes.² SSA used about \$2.2 million of these funds between April 30 and May 19, 2009 to purchase about 2,500 computer workstations and 3,400 monitors against the existing HP BPA. SSA purchased the computer equipment for various components, including field offices, Office of Disability Adjudication Review sites, regional offices, program service centers, and State disability determination services.³ HP used a shipping company to "drop

¹ Pub. L. No. 111-5.

² Pub. L. No. 111-5, Division A, Title VIII, H.R. 1-71 to H.R. 1-72; and Division B, Title II § 2201(e)(2), H.R. 1-339. For example, \$500,000,000 was provided for processing disability and retirement workloads, including information technology acquisitions and research in support of such activities. Pub. L. No. 111-5, Division A, Title VIII, H.R. 1-71.

³ Disability determination services are generally State-run agencies that make disability determinations for SSA using the Agency's regulations, policies, and procedures.

ship”⁴ the computer equipment to sites identified on the call orders.⁵ Table 1 summarizes the quantity of computer equipment purchased by SSA component.

Table 1: Distribution of Computers and Monitors by Component

Type of Component	Number of Computers	Number of Monitors	Total
Field Offices	1,055	1,055	2,110
Office of Disability and Adjudication Review Offices	621	1,221	1,842
Program Service Centers	113	137	250
State Disability Determination Services	300	641	941
Regional Offices	243	244	487
Teleservice Centers	106	106	212
Area Directors Offices	15	15	30
Other	14	27	41
Totals	2,467	3,446	5,913

Equipment prices were based on the General Services Administration’s schedule contract numbers GS-35F-4663G, GS-35F-0066N, GS-35F-0143R, and GS-35F-0195J.

The Office of Budget, Finance, and Management's (OBFM) mission is to provide leadership and oversight on key SSA programs and initiatives. The Office of Acquisition and Grants (OAG), a component within OBFM, issues and administers SSA contracts, purchases, and grants. The contracting officer, appointed by OAG, is responsible for the award and administration of SSA contracts. OAG also appoints an Agency-authorized representative as the Government Contracting Officer’s Technical Representative (COTR) to monitor contract technical requirements, including oversight of the contractor’s progress and invoices. For this contract, OAG appointed an employee from the Office of Telecommunications and Systems Operations (OTSO), Systems Installation and Integration Management Staff, as COTR. Finally, the Office of Finance, also a component in OBFM, directs SSA’s central accounting activities and payments to contractors. For a detailed description of the COTR and contracting officer’s duties, see Appendix C.

OTSO provides a Web page that details computer equipment purchased, with the type and quantity scheduled for delivery, and notifies components before delivery. After the scheduled delivery date, the COTR compares SSA’s delivery schedule to the shipping contractor’s delivery record and to HP’s invoice—when it is received.⁶ If all three

⁴ The term “drop ship” is when equipment is delivered to a site and unboxed and the trash is removed by the delivery company if the site desires.

⁵ A call order is an order placed against the BPA.

⁶ To verify the receipt of the computer equipment ordered, the project officer compares SSA’s delivery schedule to the shipping contractor’s delivery record.

records agree, the COTR authorizes the Office of Finance to pay the invoice. If a discrepancy exists in the shipping contractor's delivery record or a component notifies OTSO of a problem, the COTR works with HP, the shipping contractor, and the component to remedy the matter.

SCOPE AND METHODOLOGY

Our audit tests were limited to the computer equipment purchased with ARRA funds—call orders 15, 17, 18, and 20. To assess contract compliance, we verified that price and types of equipment billed on each of the contractor's invoices agreed with contract terms. We also tested the contractor's invoices to ensure SSA made accurate and timely payments.

We observed computers and monitors to determine whether the equipment was located in the component identified on HP's monthly *Inventory Report*.⁷ We selected and visited 53 components located within about 60 miles of an Office of the Inspector General audit office.⁸ We tested 274 computers and 311 monitors. For further details on our scope and methodology, see Appendix B.

RESULTS OF REVIEW

The type and quantity of computer equipment HP provided and prices it charged SSA adhered to contract terms. Specifically, the quantity of computers and monitors billed agreed with that ordered, computer equipment was delivered to SSA components as ordered, and unit prices charged to SSA agreed with contract prices. HP submitted invoices promptly, and SSA made accurate and timely payments. SSA personnel properly monitored the contract and ARRA funds were properly accounted for and used.

AGENCY COMMENTS AND OIG RESPONSE

SSA provided technical comments to our report, which we incorporated where appropriate.

⁷ According to the BPA, on the 10th of every month, the Contractor shall provide the COTR and contracting officer with an *Inventory Report*. This report should provide a complete inventory of all computers and monitors delivered and, at a minimum, include the equipment serial numbers, delivery dates, delivery addresses, delivery site codes, delivery contact information, and call order numbers.

⁸ The Office of the Inspector General has 11 Offices of Audit in Atlanta, Georgia; Baltimore, Maryland; Birmingham, Alabama; Boston, Massachusetts; Chicago, Illinois; Dallas, Texas; Falls Church, Virginia; Kansas City, Missouri; New York, New York; Philadelphia, Pennsylvania; and San Francisco, California.

OTHER MATTERS

The total cost of computer equipment and services under the September 2008 HP BPA is estimated at about \$145 million, with an ordering period 48 months from the date of award. However, the ARRA-funded purchases totaled only about \$2.2 million, or about 1.5 percent, of the total estimated BPA costs. At the time of our audit, SSA was still ordering computer equipment under this BPA.

Concurrent with this review, we audited SSA's September 2005 contract with HP (Contract Number SS00-05-40015). Under this contract, SSA purchased about 86,000 computers and about 110,000 monitors. Purchases under both the 2005 and 2008 BPAs were part of SSA's Workstation Replacement Projects. OTSO was responsible for oversight of both Projects.

During our audit of the September 2005 HP contract, we identified some areas where OTSO could improve its contract oversight. Although we found that HP complied with the contract terms for ARRA-funded computers and SSA properly monitored these purchases, ARRA-funded purchases represented only a little over 1 percent of planned purchases under the current HP contract. As such, it is possible that some issues we identified with the oversight of the September 2005 contract may be applicable to the September 2008 contract. For example, our review of the September 2005 contract determined that SSA's contract oversight would have benefited from a comprehensive system for tracking and reconciling equipment orders, delivery receipts, quantities invoiced, and asset inventories. Recommendations will be made in our upcoming report on contract oversight of HP contract number SS00-05-40015.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Contracting Officer and Contracting Officer's Technical Representative Responsibilities

APPENDIX D – OIG Contacts and Staff Acknowledgments

Acronyms

ARRA	<i>American Recovery and Reinvestment Act of 2009</i>
BPA	Blanket Purchase Agreement
CO	Contracting Officer
COTR	Contracting Officer's Technical Representative
HP	Hewlett Packard
OAG	Office of Acquisition and Grants
OBFM	Office of Budget, Finance and Management
OTSO	Office of Telecommunications and Systems Operations
SSA	Social Security Administration

Scope and Methodology

Our audit was limited to the computer equipment purchased with *American Recovery and Reinvestment Act of 2009* (ARRA) funds. Purchases under call orders 15, 17, 18, and 20 were paid for with ARRA funds.

To accomplish our objectives, we:

- Obtained and reviewed the Hewlett Packard (HP) contract. The contract was not modified during the time call orders 15, 17, 18, and 20 were placed.
- Obtained and reviewed call orders 15, 17, 18, and 20 that the Office of Acquisition and Grants placed against the Blanket Purchase Agreement (BPA). For the call orders that required multiple delivery locations, the Social Security Administration (SSA) attached a delivery spreadsheet that provided quantity, type of equipment, and delivery information for each location.
 - We randomly selected 59 delivery locations from the 4 call orders to test receipt of computer equipment. From the 59 sites, we tested receipt of 580 computers and 1,124 monitors.
- Reviewed Department of Health and Human Services, Project Officers' Contracting Handbook sections.
- Reviewed pertinent sections of SSA's policies and procedures and relevant Federal laws and regulations.
- Interviewed SSA's Office of Telecommunications and Systems Operations staff to gain an understanding of contract oversight procedures related to the HP contract.
- Obtained contractor invoices from the Office of Budget, Finance and Management. The contractor submitted 25 invoices under the BPA.
 - We reviewed 100 percent of invoices for price testing.
- Obtained HP's monthly *Inventory Reports*.¹

¹ According to the BPA, on the 10th of every month, the Contractor shall provide the COTR and contracting officer with an *Inventory Report*. This report should provide a complete inventory of all computers and monitors delivered and, at a minimum, include the equipment serial numbers, delivery dates, delivery addresses, delivery site codes, delivery contact information, and call order numbers.

- Compared each invoice to HP's monthly *Inventory Report* and call orders to determine whether the quantity of computer equipment billed agreed.

We observed computers and monitors to determine whether the equipment was located at the component identified on HP's monthly *Inventory Reports*. We selected 53 delivery locations to observe computers and monitors. The components were selected based on their proximity to the 11 Office of the Inspector General audit offices.² We selected five components for each of the audit offices, except for the Birmingham audit office, for which we only selected three components. From HP's monthly *Inventory Reports*, we selected the first 10 computers and monitors listed on the report, for each of the 53 sites. If a component received fewer than 10 computers or monitors, we selected 100 percent. In total, we tested 274 computers and 311 monitors.

The entities audited were HP and the Offices of Acquisition and Grants and Finance within the Office of Budget, Finance and Management. Our review of internal controls were limited to gaining an understanding of laws, regulations, and policies that govern Federal contracting procedures necessary to address our audit objectives. We conducted the audit between August 2009 and April 2010 in Atlanta, Georgia, and Baltimore, Maryland. The audit was conducted 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.

² The Office of the Inspector General has 11 Offices of Audit located in Atlanta, Georgia; Baltimore, Maryland; Birmingham, Alabama; Boston, Massachusetts; Chicago, Illinois; Dallas, Texas; Falls Church, Virginia; Kansas City, Missouri; New York, New York; Philadelphia, Pennsylvania; and San Francisco, California.

Contracting Officer and Contracting Officer's Technical Representative Responsibilities

During the pre-solicitation phase, the Contracting Officer's Technical Representative (COTR) had the lead and the Contracting Officer (CO) operated in an advisory capacity. In the solicitation, evaluation, and award phases, the lead shifted to the CO, with the COTR acting largely as an advisor. In the post-award phase, the COTR, (acting as the CO's authorized representative, within the authority limits designated by the CO), assumed lead responsibility for some functions, and the CO for others.

<u>PRE-SOLICITATION PHASE</u>	<u>LEAD</u>	<u>SUPPORT</u>
MARKET RESEARCH	COTR	CO
IDENTIFY REQUIREMENTS	COTR	CO
PLANNING SCHEDULE	CO	COTR
STATEMENT OF WORK	COTR	CO
TECHNICAL EVALUATION CRITERIA	COTR	CO
SPECIAL APPROVALS	COTR	CO
PREPARE SSA-393	COTR	CO
<u>SOLICITATION PHASE</u>		
PREPARE SOLICITATION	CO	COTR
ISSUE SOLICITATION	CO	COTR
RECEIPT OF OFFERS	CO	COTR
<u>EVALUATION & AWARD PHASE</u>		
TECHNICAL EVALUATION	COTR	CO
BUSINESS EVALUATION	CO	COTR
DISCUSSIONS (IF REQUIRED)	CO	COTR
CONTRACT PREPARATION & AWARD	CO	COTR
DEBRIEFING	CO	COTR
<u>POST-AWARD PHASE</u>		
MONITORING TECHNICAL PERFORMANCE	COTR	CO
REVIEWING PROGRESS REPORTS	COTR	CO
INSPECTION AND ACCEPTANCE	COTR	CO
CONTRACT ADMINISTRATION	CO	COTR

OIG Contacts and Staff Acknowledgments

OIG Contacts

Kimberly A. Byrd, Director, Atlanta Audit Division

Frank Nagy, Audit Manager

Acknowledgments

In addition to those named above:

Valerie Ledbetter, Senior Auditor

For additional copies of this report, please visit our Website at www.socialsecurity.gov/oig or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-04-10-21029.

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Social Security Advisory Board

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.