



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

The Social Security Administration's
Information Technology Support
Services Contract with Northrop
Grumman Systems Corporation

A-04-13-13090 | June 2014

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: June 13, 2014

Refer To:

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Information Technology Support Services Contract with Northrop Grumman Systems Corporation (A-04-13-13090)

The attached final report presents the results of our audit. Our objectives were to (1) ensure the Social Security Administration received the services for which it contracted with Northrop Grumman Systems Corporation and (2) review the services Northrop Grumman provided and related costs charged to the Agency for adherence to the negotiated contract terms and applicable regulations.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



Patrick P. O'Carroll, Jr.

Attachment

The Social Security Administration's Information Technology Support Services Contract with Northrop Grumman Systems Corporation

A-04-13-13090



June 2014

Office of Audit Report Summary

Objectives

To ensure the Social Security Administration (SSA) received the services for which it contracted with Northrop Grumman Systems Corporation (NG) and review the services NG provided and related costs charged to the Agency for adherence to the negotiated contract terms and applicable regulations.

Background

SSA's Office of Systems designs, develops, and implements new software to support SSA's program, administrative, management information, and office automation systems. To do so, the Office of Systems must take advantage of current and emerging technologies and acquire skilled personnel.

On September 10, 2010, SSA awarded the Information Technology Support Services Contract (contract number SS00-10-60082) to NG for skilled information technology (IT) support services. The contract period was 7 years: 1 base year and six, 1-year options. SSA issues task orders against the contract on a firm-fixed-price, time-and-materials basis. Through option year 1, SSA had authorized about \$73.5 million under the contract.

Our Findings

We determined that SSA had received the IT services required under the NG contract. NG billed SSA for services (labor hours) in accordance with the contract terms. Specifically, NG billed the correct labor rates for the labor categories identified in the contract. Further, NG's employee or subcontractor time records properly supported the labor hours it billed SSA. NG submitted invoices to SSA promptly, and SSA made timely and accurate payments. SSA personnel also properly monitored the contract.

However, we found instances where SSA did not timely terminate contractors' and subcontractors' access to the Agency's systems when they stopped working on the contract. In some cases, the systems access termination date was more than 100 days after their departure date. While SSA implemented procedures during our audit period to improve this process, we believe the Agency has a responsibility to ensure these controls are effective in preventing untimely systems access terminations.

Our Recommendation

For the remaining contract option years, we recommend SSA management perform periodic reviews to ensure that system access for contractor staff no longer working under a contract is terminated in accordance with SSA's policies and procedures.

SSA agreed with our recommendation.

TABLE OF CONTENTS

Objectives	1
Background.....	1
Results of Review	2
SSA Did Not Always Comply with Its Systems Access Policies and Procedures	3
Conclusions.....	4
Recommendation	5
Agency Comments.....	5
Appendix A – Contract Technical Areas of Service	A-1
Appendix B – Scope and Methodology	B-1
Appendix C – Sampling Methodology.....	C-1
Appendix D – Agency Comments.....	D-1
Appendix E – Major Contributors.....	E-1

ABBREVIATIONS

CMT	Contract Management Tasks
CSO	Component Security Officer
FAR	Federal Acquisition Regulation
IT	Information Technology
NG	Northrop Grumman Systems Corporation
OIG	Office of the Inspector General
SSA	Social Security Administration

OBJECTIVES

Our objectives were to (1) ensure the Social Security Administration (SSA) received the services for which it contracted with Northrop Grumman Systems Corporation (NG) and (2) review the services NG provided and related costs charged to the Agency for adherence to the negotiated contract terms and applicable regulations.

BACKGROUND

SSA strives to provide enhanced services to the American public by reshaping its policies and procedures to take maximum advantage of information technology (IT). As such, the Agency makes significant investments in IT to change how it conducts business, build a stronger IT foundation, and improve its software and databases.

SSA's Office of Systems designs, develops, and implements new software to support SSA's program, administrative, management information, and office automation systems. To do so, the Office of Systems must take advantage of current and emerging technologies and acquire skilled personnel.

On September 10, 2010, SSA awarded the *Information Technology Support Services Contract* (contract number SS00-10-60082) to NG for skilled IT support services.¹ The effective date of the contract was September 29, 2010. The contract period was 7 years: 1 base year and six, 1-year options. This is an Indefinite Delivery, Indefinite Quantity,² contract that allows work to be performed under either firm-fixed-price³ or time-and-materials agreements⁴ with not-to-exceed limits. To establish NG's tasks and authorize costs, SSA added multiple *Amendment of Solicitation/Modification of Contract* or *Order for Supplies or Services* to the contract. For the base year and option year 1, SSA authorized costs of \$32.2 and \$41.3 million, respectively. See Table 1 for a summary of contract actions for the 2 contract years.

¹ Under the solicitation for services for this contract, SSA awarded four contracts to four different contractors. Pursuant to Federal Acquisition Regulation (FAR) § 16.504(a), the maximum quantity of services ordered from the combined contracts is not to exceed \$2.8 billion over the contract period, while the minimum guaranteed quantity of services ordered from each is \$2.5 million.

² FAR § 16.501-2(a) states, in part, "The appropriate type of indefinite-delivery contract may be used to acquire supplies and/or services when the exact times and/or exact quantities of future deliveries are not known at the time of the contract award." FAR § 16.501-2(b)(3) states, "Indefinite-quantity contracts limit the Government's obligation to the minimum quantity specified in the contract."

³ A firm-fixed-price contract provides for a price that is not subject to any adjustment based on the contractor's cost experience in performing the contract. FAR § 16.202-1.

⁴ FAR § 16.601(b) states, "A time-and-materials contract provides for acquiring supplies or services on the basis of (1) Direct labor hours at a specified fixed hourly rate that include wages, overhead, general and administrative expenses and profit, and (2) Actual cost for materials (except as provided for in 31.205-26(e) and (f))."

Table 1: Summary Contract Costs Reimbursement Agreements

Method for Billing and Reimbursement	Dollars Authorized	Percent of Total Dollars Authorized
Base Year		
Time-and-Materials	\$30,402,407	94.3
Firm-Fixed-Price	1,839,470	5.7
Base Year Total	\$32,241,877	100.0
Option Year 1		
Time-and-Materials	\$40,444,905	97.8
Firm-Fixed-Price	889,778	2.2
Option Year 1 Total	\$41,334,683	100.0
Base Year and Option Year 1 Combined		
Time-and-Materials	\$70,847,312	96.3
Firm-Fixed-Price	2,729,248	3.7
Combined Totals	\$73,576,560	100.0

The contract provides IT support services primarily to SSA's Office of Systems. The contract requires that NG provide technical services under nine technical areas⁵ and allows NG to charge for its contract management tasks (CMT) services.⁶

To achieve our audit objectives, we reviewed information pertaining to services received under the contract and related costs charged to SSA. We selected and tested a sample of task orders that SSA issued during the base year and option year 1 of the contract and a sample of NG and subcontractors from the selected task orders. We also contacted or interviewed SSA and NG officials who executed and managed the contract. See Appendix B for our scope and methodology and Appendix C for our sampling methodology.

RESULTS OF REVIEW

We determined that SSA had received the IT services required under the NG contract. NG billed SSA for services (labor hours) in accordance with the contract terms. Specifically, NG billed the correct labor rates for the labor categories identified in the contract. Further, NG's employee or subcontractor time records properly supported the labor hours it billed SSA. NG submitted

⁵ See Appendix A for a description of the nine technical areas.

⁶ CMT services are the non-technical management and administrative services that support the IT work. The intent of CMT services is to ensure the contractor effectively plans, staffs, and manages the technical services. Further, CMT includes costs for equipment, travel, specialized training, and preparation of various cost and production reports.

invoices to SSA promptly, and SSA made timely and accurate payments. SSA personnel also properly monitored the contract.

However, we found instances where SSA did not timely terminate contractors' and subcontractors' access to the Agency's systems when they stopped working on the contract. In some cases, the systems access termination date was more than 100 days after their departure date. Although SSA implemented procedures during our audit period to improve this process, we believe the Agency has a responsibility to ensure these controls are effective in preventing untimely systems access terminations.

SSA Did Not Always Comply with Its Systems Access Policies and Procedures

We found that SSA did not timely terminate SSA systems access for 11 (22 percent) of 50 sampled NG contractor and subcontractor staff. For 9 of the 11 staff, the systems access termination date was more than 100 days after their departure date. SSA's *Information Systems Security Handbook* states that ". . . [c]ontrolling and limiting systems access to its information systems and resources is the first line of defense in ensuring the confidentiality, integrity, and availability of SSA's IT resources."⁷ In addition, when access privileges are no longer required, security officers must immediately deactivate the personal identification numbers of employees who are inactive, have left the Agency, or are on leave longer than 74 days.⁸

During our audit period, SSA had procedures in place to terminate systems access for NG staff who no longer worked under the contract.⁹ Those procedures included NG emailing departure notifications to SSA's Contracting Officer's Technical Representative, Component Security Officer (CSO), and the Office of Personnel. Once notified, the CSO was responsible for terminating system access. However, SSA told us that, during the early part of the contract, NG did not always email the departure notifications to the appropriate CSO or SSA's contract oversight staff who received the email did not forward it to the responsible CSO.

SSA told us its process for terminating contractors' access to its systems has improved since October 2011—when the Agency implemented a checklist to ensure appropriate SSA staff received NG's departure notifications and completed the necessary system access terminations. SSA implemented this new procedure in response to an OIG report that identified occurrences where SSA did not timely terminate subcontractors' systems access.¹⁰ As shown in Table 2, our review found that 10 of 11 contract staff whose systems access termination was not timely had

⁷ *Information Systems Security Handbook*, Chapter 2, Systems Access Policy, Section 2.1.

⁸ *Id.* at Section 2.3.4.

⁹ To assist with administering the contract, SSA provided NG with the *Information Technology Support Service Contract, Contract Administrative Handbook*.

¹⁰ *The Social Security Administration's Agency-Wide Support Services Contract with Lockheed Martin* (A-14-10-11004), October 28, 2011, p. 8.

left NG's employ before SSA implemented its new procedure. Additionally, for the one departure date that occurred after procedure implementation, SSA reduced the elapsed days between staff departure and system termination.

Table 2: Number of Days Before Systems Access Terminated

Contract Staff	Staff Departure Date	Systems Access Termination Date	Elapsed Days Before Systems Access Terminated
1	01/31/2011	02/02/2012	367
2	04/29/2011	04/03/2012	340
3	02/18/2011	01/04/2012	320
4	09/28/2011	07/10/2012	286
5	09/28/2011	07/03/2012	279
6	09/28/2011	07/03/2012	279
7	09/07/2011	02/03/2012	149
8	05/23/2012	10/04/2012	134
9	09/28/2011	02/02/2012	127
10	06/03/2011	08/22/2011	80
11	04/10/2012	06/14/2012	65

We acknowledge that the new procedures appear to have improved SSA's timely termination of contractor staffs' systems access. However, our audit period ended October 31, 2012, and we did not perform tests after this date to determine the continued effectiveness of the procedure. We also note that, SSA had issued the IT contract to three other contractors, and we would expect that these contractors had staff with similar access to SSA systems who also occasionally stopped working under the contracts. Given the importance of protecting the personal and sensitive information in SSA's systems, we believe SSA management should perform periodic reviews to ensure system access for contractor staff no longer working under a contract is terminated in accordance with SSA's policies and procedures.

CONCLUSIONS

We determined that SSA received the IT services required under the NG contract. The costs for the services were allowable, accurate, and paid timely. Additionally, SSA personnel properly monitored the contract.

We found instances where SSA did not comply with its systems access policies and procedures. As a result, SSA did not always timely terminate contractors' and subcontractors' access to the Agency's systems when these individuals stopped working on the contract. While SSA implemented procedures during our audit period to improve this process, we believe the Agency has a responsibility to ensure these controls are effective in preventing untimely systems access terminations.

RECOMMENDATION

For the remaining contract option years, we recommend SSA management perform periodic reviews to ensure that system access for contractor staff no longer working under a contract is terminated in accordance with SSA's policies and procedures.

AGENCY COMMENTS

SSA agreed with our recommendation. The Agency's comments are included in Appendix D.

APPENDICES

Appendix A – CONTRACT TECHNICAL AREAS OF SERVICE

On September 10, 2010, SSA awarded the *Information Technology Support Services Contract* (contract number SS00-10-60082) to Northrop Grumman Systems Corporation (NG) for skilled information technology support services.¹ The effective date of the contract was September 29, 2010. SSA’s contract with NG requires that the contractor provide its services in nine technical areas. SSA considers Technical Areas 1, 2, and 3 to be critical requirements and planned the majority of services be provided under these technical areas. Table A–1 provides a description of the services for each of the technical areas.

Table A–1: Technical Areas of Service

Technical Area	Description of Technical Area Services
1	Application and Business Planning, Analysis, and Requirements
2	Application Design, Development, Testing, and Maintenance
3	Application Validation
4	Database Administration and Imaging and Document Management
5	Data Administration, Programmatic Repository, and Enterprise Architecture
6	Software Engineering and Technology
7	Emerging Technology Applications
8	Software Engineering Management
9	Systems Administration for Mainframe Software

¹ Under the solicitation for services for this contract, SSA awarded four contracts to four different contractors.

Appendix B – SCOPE AND METHODOLOGY

On September 10, 2010, the Social Security Administration (SSA) awarded the *Information Technology Support Services Contract* (contract number SS00-10-60082) to Northrop Grumman Systems Corporation (NG) for highly skilled information technology support services.¹ The contract period was 7 years: 1 base year and six, 1-year options. This is an Indefinite Delivery, Indefinite Quantity,² contract that allows work to be performed under either firm-fixed-price³ or time-and-materials agreements⁴ with not-to-exceed limits. To establish NG’s tasks and authorize costs, SSA added multiple *Amendment of Solicitation/Modification of Contract* or *Order for Supplies or Services* to the contract. We selected the contract base year and option year 1 for our review.

To accomplish our audit objectives, we:

- Reviewed the contract between SSA and NG.
- Obtained the invoices paid under this contract. We reviewed the invoices to ensure NG timely submitted invoices for payments. We also ensured SSA (1) paid the labor rates approved in the contract, (2) paid invoices timely and accurately, and (3) made payments in accordance with the contract terms.
- Determined whether SSA received the contracted services and NG met the contract’s deliverable schedule.
- Selected and tested a sample of 12 of 73 task orders that SSA issued during the base year and option year 1 of the contract (see Sampling Methodology in Appendix C). For the selected task orders, we reviewed
 - invoices and supporting documents,
 - contractor’s performance reports, and
 - SSA’s contract oversight reports.

¹ Under the solicitation for services for this contract, SSA awarded four contracts to four different contractors.

² Federal Acquisition Regulation (FAR) § 16.501-2(a) states, in part, “The appropriate type of indefinite-delivery contract may be used to acquire supplies and/or services when the exact times and/or exact quantities of future deliveries are not known at the time of the contract award.” FAR § 16.501-2(b)(3) states, “Indefinite-quantity contracts limit the Government’s obligation to the minimum quantity specified in the contract.”

³ A firm-fixed-price contract provides for a price that is not subject to any adjustment based on the contractor’s cost experience in performing the contract. FAR § 16.202-1.

⁴ FAR § 16.601(b) states, “A time-and-materials contract provides for acquiring supplies or services on the basis of (1) Direct labor hours at a specified fixed hourly rate that include wages, overhead, general and administrative expenses and profit, and (2) Actual cost for materials (except as provided for in 31.205-26(e) and (f)).”

- Selected and tested a sample of NG employees and subcontractors from the selected task orders (see Sampling Methodology in Appendix C). For the selected employees and subcontractors, we tested time records, résumés, suitability determinations, and security access.
- Contacted or interviewed SSA and NG officials who executed and managed the contract, including the following.
 - SSA’s contracting officer
 - Contracting officer’s technical representative
 - SSA’s Office of Budget, Finance, Quality, and Management staff
 - NG’s program director, business manager, and operations manager
- Reviewed the applicable sections of the FAR.

We conducted our audit from February through November 2013 in Atlanta, Georgia. We determined the data used for this audit were sufficiently reliable to meet our audit objectives. Our review of internal controls was limited to obtaining an understanding of the services required under the contract, SSA’s oversight and monitoring of those services, and verification and payment of costs charged the Agency.

The principal entity audited was SSA’s Office of Systems under the Office of the Deputy Commissioner for Systems. We conducted this performance audit 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.

Appendix C – SAMPLING METHODOLOGY

On September 10, 2010, the Social Security Administration (SSA) awarded the *Information Technology Support Services Contract* (contract number SS00-10-60082) to Northrop Grumman Systems Corporation (NG) for highly skilled information technology support services.¹ The contract period was 7 years: 1 base year and six, 1-year options. This was an Indefinite Delivery, Indefinite Quantity,² contract that allowed work to be performed under either firm-fixed-price³ or time-and-materials agreements⁴ with not-to-exceed limits. To establish NG's tasks and authorize costs, SSA added multiple *Amendment of Solicitation/Modification of Contract* or *Order for Supplies or Services* to the contract. We selected the contract base year and option year 1 for our review.

For our 2 selected contract years, SSA issued 70 time-and-material task orders totaling about \$70.8 million and 3 firm-fixed-price task orders totaling about \$2.7 million. Table C-1 summarizes the contract costs by time-and-material and firm-fixed-price task orders.

Table C-1: Task Order Summary – Base Year and Option Year 1

Time-and-Materials Task Orders		
Contract Year	Number	Dollars
Base Year	30	\$30,395,253
Option Year 1	40	40,372,759
Time-and-Materials Totals	70	\$70,768,012
Firm-Fixed-Price Task Orders		
Base Year	1	\$1,839,470
Option Year 1	2	889,778
Firm-Fixed-Price Totals	3	\$2,729,248
Combined Totals	73	\$73,497,260

¹ Under the solicitation for services for this contract, SSA awarded four contracts to four different contractors.

² Federal Acquisition Regulation (FAR) § 16.501-2(a) states, in part, “The appropriate type of indefinite-delivery contract may be used to acquire supplies and/or services when the exact times and/or exact quantities of future deliveries are not known at the time of the contract award.” FAR § 16.501-2(b)(3) states, “Indefinite-quantity contracts limit the Government’s obligation to the minimum quantity specified in the contract.”

³ A firm-fixed-price contract provides for a price that is not subject to any adjustment based on the contractor’s cost experience in performing the contract. FAR § 16.202-1.

⁴ FAR § 16.601(b) states, “A time-and-materials contract provides for acquiring supplies or services on the basis of (1) Direct labor hours at a specified fixed hourly rate that include wages, overhead, general and administrative expenses and profit, and (2) Actual cost for materials (except as provided for in 31.205-26(e) and (f)).”

For our review, we selected 12 of the 73 task orders. The costs of the 12 task orders totaled about \$29.7 million (40 percent) of the \$73.5 million contract authorized in the 2 contract years. Following is the criterion used for selecting the task orders.

- The largest dollar task order for each of the nine components that received services under the contract.
- Two contract management task orders—one for each of the selected contract years.
- The largest firm-fixed-price task order.

To determine whether NG charged, and SSA paid, costs according to the contract terms, we randomly selected 1 month in the respective contract year. For those instances in which NG did not perform work during the selected month, we randomly selected an alternate review month. For the selected month, we tested employee and subcontractor labor hours billed to SSA. Of the 221 NG and subcontractor staff that charged labor hours during our review month, we tested supporting time documentation for a sample of 96 staff. NG often assigns multiple staff to a task order. As such, we randomly selected our sample of 45 NG and 51 subcontractor staff using the following criterion.

- We identified the number of NG and subcontractor staff who charged labor hours to our sampled task orders during our review month.
- We selected five NG and five subcontractor staff from each task order.
- For certain sampled task orders, we tested the time records of all NG and subcontractor staff that performed work on the task order.

Appendix D – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: May 13, 2014 Refer To: SIJ-3

To: Patrick P. O’Carroll, Jr.
Inspector General

From: Katherine Thornton
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, “The Social Security Administration's Information Technology Support Services Contract with Northrop Grumman Systems Corporation” (A-04-13-13090) - INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“THE SOCIAL SECURITY ADMINISTRATION’S INFORMATION TECHNOLOGY
SUPPORT SERVICES CONTRACT WITH NORTHROP GRUMMAN SYSTEMS
CORPORATION” (A-04-13-13090)**

Recommendation

For the remaining contract option years, we recommend SSA management perform periodic reviews to ensure that system access for contractor staff no longer working under a contract is terminated in accordance with SSA’s policies and procedures.

Response

We agree. In April 2014, we put procedures in place to conduct quarterly reviews of system access for contractor staff to ensure timely termination upon departure. In addition, we will ensure our employees follow proper procedures upon receipt of a final departure notice from the contractor.

Appendix E – MAJOR CONTRIBUTORS

Theresa Roberts, Director, Atlanta Audit Division

Frank Nagy, Audit Manager

Teaketa Turner, Senior Auditor

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