

OIG

Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Westat Contract Close Out on
Contract Number SS00-05-60072

A-15-12-22118 | June 2013

MEMORANDUM

Date: June 13, 2013

Refer To:

To: The Commissioner

From: Inspector General

Subject: Westat Contract Close Out on Contract Number SS00-05-60072 (A-15-12-22118)

The attached final report presents the results of our audit. Our objective was to determine the allowability of Westat's direct contract costs and apply the final Fiscal Year (FY) 2005 through 2011 negotiated indirect rates to the direct costs to compute the total costs for Contract Number SS00-05-60072.

The Social Security Administration Office of Acquisition and Grants waived the discussion and formal drafts of this report; therefore, we are issuing only a final report. 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

**Westat Contract Close Out on Contract
Number SS00-05-60072
A-15-12-22118**



June 2013

Office of Audit Report Summary

Objective

To determine the allowability of Westat's direct contract costs and apply the final Fiscal Year (FY) 2005 through 2011 negotiated indirect rates to the direct costs to compute the total costs for Contract Number SS00-05-60072.

Background

The Social Security Administration's (SSA) Office of Acquisition and Grants (OAG) awarded Westat a \$51.5 million cost-plus-fixed-fee (CPFF) contract, Contract Number SS00-05-60072, to conduct a Mental Health Treatment Study.

OAG requested we audit Westat's direct costs claimed under Contract Number SS00-05-60072. Our audit will assist in the Agency's close out of this CPFF contract.

Our Findings

We determined that Westat's direct costs claimed were allowable according to applicable Federal regulations and the terms of the contract. In addition, we applied the final FY 2005 through 2011 negotiated indirect cost rates to the direct cost bases and computed the allowable indirect costs. Finally, we verified the amount SSA paid to Westat in SSA's Social Security Online Accounting and Reporting System.

Our Conclusion

Based on our audit of the accounting records, payroll records, vendor invoices and journal entries, nothing came to our attention, which would suggest costs claimed by Westat were unallowable according to applicable Federal regulations and the terms of the contract.

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ABBREVIATIONS

| | |
|--------|--|
| CPFF | Cost-Plus-Fixed-Fee |
| FY | Fiscal Year |
| MHTS | Mental Health Treatment Study |
| OAG | Office of Acquisition and Grants |
| OIG | Office of the Inspector General |
| SSA | Social Security Administration |
| SSOARS | Social Security Online Accounting and Reporting System |

OBJECTIVE

Our objective was to determine the allowability of Westat's direct contract costs and apply the final Fiscal Year (FY) 2005 through 2011 negotiated indirect rates to the direct costs to compute the total costs for Contract Number SS00-05-60072.

BACKGROUND

The Social Security Administration's (SSA) Office of Acquisition and Grants (OAG) is responsible for awarding and administering SSA contracts, orders, and grants as well as for issuing SSA's acquisition policies and procedures. OAG requested we audit Westat's direct costs claimed under Contract Number SS00-05-60072. Our audit will assist in the Agency's close out of this cost-plus-fixed-fee (CPFF) contract, which provides for payment to the contractor of a negotiated fee that is fixed at the contract's inception.

OAG awarded Westat a \$51,531,056 contract, Contract Number SS00-05-60072, to conduct a Mental Health Treatment Study (MHTS). Part of SSA's stewardship role involves finding ways to promote work and increase independence.¹ The purpose of the MHTS was to test the extent to which eliminating programmatic work disincentives, establishing an accurate diagnosis, and delivering appropriate mental health and employment support will lead to better employment outcomes and other benefits among Title II beneficiaries with a primary impairment of schizophrenia or affective disorder.

RESULTS OF AUDIT

Westat requested final payment of \$62,248 on its final voucher dated March 25, 2013, as shown in Table 1.

Table 1 - Westat's Final Voucher for Contract Number SS00-05-60072

| Description | Amount |
|-----------------------------|--------------|
| Incurred Cost Billed | \$51,501,359 |
| Incurred Cost Paid | \$51,439,111 |
| Final Voucher | \$62,248 |

¹ Section 234 of the *Social Security Act*, 42 U.S.C. § 434, gives the Commissioner of Social Security the authority to develop and carry out experiments and demonstration projects designed to determine the relative advantages and disadvantages of interventions that facilitate a beneficiary's return to work.

Incurred Cost Billed

We determined that Westat's direct costs claimed were allowable according to applicable Federal regulations and the terms of the contract. In addition, we applied the final FY 2005 through 2011 negotiated indirect cost rates² to the direct cost bases and computed the allowable indirect costs. SSA OAG determines the fixed fee; therefore, we did not audit the fixed-fee amount. We summarized the audit-determined costs as shown in Table 2.

Table 2 - Summary of Audit-Determined Cost

| Description | Amount |
|-----------------------|--------------|
| Direct Costs | \$40,273,700 |
| Indirect Costs | 8,947,341 |
| Total Cost | \$49,221,041 |
| Fixed-Fee | 2,280,318 |
| Total Price | \$51,501,359 |

Incurred Cost Paid

Westat's accounting system indicates that SSA paid Westat \$51,439,111 on this contract. We verified as of April 2013, SSA's Social Security Online Accounting and Reporting System (SSOARS) indicates that SSA paid Westat \$51,439,089. This results in an immaterial difference of \$22; therefore, we noted no exceptions.

CONCLUSIONS

We found the Westat contract costs allowable (see Table 2). Using the direct costs as a base, we applied the final FY 2005 through 2011 negotiated indirect rates to the allowable direct costs to compute the allowable indirect costs for Contract Number SS00-05-60072.

In addition, we determined that SSA should deobligate \$29,697 in unliquidated obligations. We compared the contract award amount of \$51,531,056 to the contract cost of \$51,501,359 to calculate the \$29,697.

² Department of Health and Human Services, National Institutes of Health established Westat's FY 2005 through 2011 indirect cost rates.

Based on our audit of the accounting records, payroll records, vendor invoices and journal entries, nothing came to our attention, which would suggest costs claimed by Westat were unallowable according to applicable Federal regulations and the terms of the contract.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

The Social Security Administration's (SSA) Office of Acquisition and Grants (OAG) requested we audit Westat's direct costs claimed under Contract Number SS00-05-60072. To accomplish our objective, we:

- Reviewed Westat Contract Number SS00-05-60072, and contract modifications, which cover the period of performance September 29, 2005 through July 31, 2011.
- Reviewed the applicable Federal Acquisition Regulations, SSA's Administrative Instructions Manual System, and Code of Federal Regulations.
- Reviewed the Westat Chart of Accounts and timekeeping policy. In addition, we obtained subcontractor service fee information (known as the Procedures for Supported Employment Encounter Claim Form).
- Interviewed Westat staff on the accounting process as related to Contract Number SS00-05-60072.
- Obtained electronic cost records for the contract costs. We compared those costs to the latest accumulated cost billing voucher from Westat to SSA OAG.
- Reviewed and tested internal controls over contract costs.
- Conducted substantive testing of the labor, other direct cost, and subcontractor costs for Contract Number SS00-05-60072
- Obtained and reviewed indirect cost rates, which were determined and approved by the National Institutes of Health.
- Analyzed the Westat cost base for the contract and verified the rates applied.

The audit work was limited to the review of the contract financial costs and did not include an assessment of the Mental Health Treatment Study performance and its results.

We conducted our audit at the SSA Headquarters in Baltimore, Maryland, and Westat site in Rockville, Maryland, from January through April 2013. We determined that the data used in this report is sufficiently reliable given the audit objective and intended use of the data. SSA's Office of the Deputy Commissioner for Budget, Finance and Management, Office of Acquisition and Grants requested we conduct the direct cost audit of Contract Number SS00-05-60072 awarded to Westat.

We conducted this 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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our objective.

Appendix B – MAJOR CONTRIBUTORS

Victoria Vetter, Director, Financial Audit Division

Mark Meehan, Audit Manager, Financial Audit Division

Jacqueline Patel, Senior Auditor, Financial Audit Division

Sig Wisowaty, Senior Auditor, Financial Audit Division

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