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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**AHTNA ENGINEERING SERVICES, LLC,  
CONTRACT NUMBER SS00-07-60063**

**October 2011      A-07-11-11140**

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**AUDIT REPORT**

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## 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: October 4, 2011

Refer To:

To: The Commissioner

From: Inspector General

Subject: Ahtna Engineering Services, LLC, Contract Number SS00-07-60063 (A-07-11-11140)

## OBJECTIVE

The objectives of our review were to (1) determine whether the contractor, Ahtna Engineering Services, LLC (AES), complied with the contract terms and applicable regulations; and (2) ensure Social Security Administration (SSA) personnel properly monitored the contract.

## BACKGROUND

Since 1992, SSA's National Records Center (NRC) has been a storage and maintenance site for millions of SSA's paper records. NRC is the largest of SSA's three folder storage facilities.<sup>1</sup> By 2017, the NRC is scheduled to be the final repository for all SSA paper records, including those records previously stored at other record storage facilities.

In 2007, SSA awarded a fixed-price contract to AES to store and manage approximately 18 million Title II and Title XVI folders at the NRC. The contract included 1 base year, 4 option years, and 5 additional incentive years. The contract is currently in Option Year 4. The total cost to SSA for full performance of this contract would be about \$100.6 million, as shown in Table 1 on the next page.

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<sup>1</sup> SSA also has record storage facilities in Baltimore, Maryland, and Wilkes-Barre, Pennsylvania.

<b>Table 1: AES Contract Number SS00-07-60063</b>		
<b>Contract Years</b>	<b>Period of Performance</b>	<b>Amount<sup>2</sup></b>
Base Year	August 1, 2007 - July 31, 2008	\$ 9,795,342
Option Year 1	August 1, 2008 - July 31, 2009	\$ 10,901,936
Option Year 2	August 1, 2009 - July 31, 2010	\$ 9,470,129
Option Year 3	August 1, 2010 - July 31, 2011	\$ 10,063,452
Option Year 4	August 1, 2011 - July 31, 2012	\$ 10,133,304
Incentive Option Year 5	August 1, 2012 - July 31, 2013	\$ 10,862,664
Incentive Option Year 6	August 1, 2013 - July 31, 2014	\$ 9,685,800
Incentive Option Year 7	August 1, 2014 - July 31, 2015	\$ 9,772,152
Incentive Option Year 8	August 1, 2015 - July 31, 2016	\$ 9,874,608
Incentive Option Year 9	August 1, 2016 - July 31, 2017	\$ 10,000,416
<b>Total</b>		<b>\$100,559,803</b>

## SCOPE AND METHODOLOGY

We reviewed the contract and contract modifications for the base year and Option Years 1 and 2.<sup>3</sup> To determine whether AES complied with the contract terms and applicable regulations, we reviewed

- services AES performed for compliance with the contract,
- deliverables AES completed for compliance with the contract, and
- invoices to ensure they were accurate and submitted to SSA timely.

To determine whether SSA properly monitored the contract, we reviewed SSA's procedures for ensuring

- AES accomplished the services outlined in the contract,
- AES personnel obtained the suitability determinations required by the contract, and
- SSA paid invoices accurately and timely.<sup>4</sup>

<sup>2</sup> These amounts are based on Contract Modification 12, the most recent modification that affected pricing.

<sup>3</sup> See Appendix B for additional scope and methodology.

<sup>4</sup> *The Prompt Payment Act*, Public Law Number 97-177, 96 Stat. 85 (1982), states the period available to an agency to make timely payment of an invoice shall be 30 days after the date of receipt of a proper invoice.

## **RESULTS OF REVIEW**

We determined AES complied with the contract terms and applicable regulations.<sup>5</sup> Specifically, AES provided the services and deliverables required by the contract and submitted accurate invoices to SSA timely.

We also determined SSA made accurate and timely payments to AES. However, SSA was not monitoring all the services AES was contractually required to complete. Specifically, SSA did not have procedures for monitoring AES' accomplishments for 16 of the 26 performance requirements outlined in the contract.

### **AES' COMPLIANCE WITH THE CONTRACT**

We determined AES complied with the contract terms and applicable regulations. Specifically, we determined AES performed the 12 services outlined in the contract (see Appendix C). We also determined AES provided SSA with all deliverables required by the contract. These deliverables included such information as operating procedure manuals and electronic copies of the AES employee roster. Finally, we determined AES submitted accurate invoices to SSA timely.

### **SSA's MONITORING OF THE CONTRACT**

We determined SSA did not monitor all the services the contract required AES to perform. The contract outlined 26 performance requirements for SSA to monitor AES' performance. SSA had procedures to monitor AES' performance for 10 of the 26 performance requirements (see Appendix D, Table 1). However, SSA did not have procedures to monitor AES' performance for the remaining 16 performance requirements (see Appendix D, Table 2).

SSA stated that it did not monitor the 16 performance requirements because

- 11 requirements did not reflect SSA's current service expectations of AES performance,
- 4 requirements were not critical services AES performed and did not need constant monitoring, and
- 1 requirement related to a service AES no longer performed.

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<sup>5</sup> AES complied with the Code of Federal Regulations (C.F.R.) 48 C.F.R. §§ 52.204-9, 52.212-4, and 52.228-5.

SSA further stated that it was revising the performance requirements for this contract to reflect the issues of contractor performance that the Agency needs to monitor. SSA expects the new performance requirements to be in place during Option Year 4 of the contract. Given that SSA is working on revisions to the performance requirements, we are not making a recommendation on this issue.

## **CONCLUSION**

We determined AES complied with the contract terms and applicable regulations. We also determined SSA made accurate and timely payments to AES. However, SSA did not have procedures for monitoring AES' accomplishment for 16 of the 26 performance requirements outlined in the contract. According to SSA, it did not monitor these requirements because the contract needed revised performance requirements. SSA expects new performance requirements to be in place during Option Year 4 of the contract; therefore, a recommendation on this issue is not warranted.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

# Appendices

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APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Ahtna Engineering Services, LLC, Contract Services

APPENDIX D – SSA Performance Requirements

APPENDIX E – Agency Comments

APPENDIX F – OIG Contacts and Staff Acknowledgments

## Acronyms

AES	Ahtna Engineering Services, LLC
C.F.R.	Code of Federal Regulations
CO	Contracting Officer
COTR	Contracting Officer Technical Representative
CPSPM	Center for Personnel Security and Project Management
IRG	Information Retrieval Group
NRC	National Records Center
OAG	Office of Acquisition and Grants
OF	Office of Finance
OIG	Office of the Inspector General
SSA	Social Security Administration
VA	Department of Veterans Affairs

# Scope and Methodology

To accomplish our objectives, we:

- Reviewed the contract between the Social Security Administration (SSA) and Ahtna Engineering Services, LLC (AES), contract number SS00-07-60063 and all modifications through July 31, 2010, to assess the contractor's ability to meet and comply with the contract requirements.
- Reviewed applicable sections of the Federal Acquisition Regulations, SSA Administrative Instructions Manual System, SSA Acquisition Regulations, Department of Health and Human Services Project Officers' Contracting Handbook, and the *Prompt Payment Act*.
- Ensured AES performed services required in the contract by:
  - ✓ Completing a walk-through of the National Records Center (NRC) facility led by the Contracting Officer Technical Representative (COTR). The COTR provided an explanation of each work area in the NRC facility and a description of the work AES personnel conduct.
  - ✓ Discussing with the COTR any services not being performed at the time of our walk-through of the NRC facility to ensure AES completed services required.
  - ✓ Reviewing AES' management information reports to determine whether AES processed the number of folders required by the contract for Option Year 2.
- Interviewed the COTR, the Contracting Officer (CO) in the Office of Acquisition and Grants (OAG), and staff in the Office of Finance (OF) to discuss the required contract deliverables and payment terms.
- Reviewed the deliverables AES provided SSA to ensure AES complied with the terms of the contract.
- Reviewed the performance requirements outlined in the contract and held discussions with the COTR and local Quality Assurance staff to determine whether quality assurance procedures in place were adequate to monitor contract performance.
- Interviewed the CO, the COTR and the Center for Personnel Security and Project Management (CPSPM) staff to discuss AES personnel suitability procedures. We also reviewed a sample of AES contractor employees' suitability letters to validate final determination dates provided by both CPSPM and AES.
- Obtained invoices for this contract from the OF.

We reviewed all invoices to ensure

- SSA paid amounts approved by the contract,
- invoices were approved by the COTR before payment of invoices,
- SSA paid invoices timely in accordance with the terms of the contract, and
- staff recorded invoice amounts correctly.

We conducted our audit in Kansas City, Missouri, from October 2010 through June 2011. We determined that the data used for this audit were sufficiently reliable to meet our audit objective. The entities audited were OAG and OF within the Office of Budget, Finance and Management and SSA's NRC staff within the Mid-America Program Service Center. 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 provided a reasonable basis for our findings and conclusions based on our audit objectives.

## Ahtna Engineering Services, LLC, Contracted Services

<b>Ahtna Engineering Services, LLC, (AES) Services Required under the Contract</b>		
	<b>Service Provided by AES</b>	<b>Description of Service</b>
<b>1</b>	Recalls	Folders removed from files (boxes) at the request of a Social Security Administration (SSA) component and shipped to customers.
<b>2</b>	Refiles	Includes returning folders shipped from any SSA component to storage.
<b>3</b>	Drop Files	Refers to placing paper documents in the appropriate folder without reviewing or removing the original folder.
<b>4</b>	Folder Destruction Pull	Refers to AES pulling folders for destruction based on the listing of folders provided by SSA.
<b>5</b>	Compaction	The process of combining partially filled boxes to form full boxes while maintaining proper order of the folders.
<b>6</b>	Validation	The process of "verifying" that all records are correctly filed and accurately recorded in the appropriate SSA computer tracking system.
<b>7</b>	Searches/Photocopying Services Related to Requests from the Department of Veterans Affairs (VA)	Consists of providing VA with photocopies of certain medical documents in SSA's records maintained at the National Records Center (NRC). It also includes performing electronic transfers of information from SSA's records to VA.
<b>8</b>	Title II Information Retrieval Group (IRG)	Responds to customer requests for certain limited information believed to be contained in a folder that is also believed to be housed at the NRC.
<b>9</b>	Systems Alerts/Messages Related to Title XVI Cases	This consists of the contractor handling or processing "alert" messages requesting Title XVI folders.
<b>10</b>	Operation of Mailrooms, Packaging, Shipping	AES is responsible for operating several mailrooms for receipt and processing of folders and materials at the NRC.
<b>11</b>	General Housekeeping Services	AES is responsible for maintaining its office space in a neat and professional manner and for cleaning contractor-furnished equipment.
<b>12</b>	Maintenance and Repair of Certain Government-Furnished Equipment and General Oversight for Service Related Infrastructure	AES is responsible for maintenance and repair of Government-furnished equipment and structural fixtures and furniture used in, or related to, the day-to-day performance of the contract and the operations of the NRC Folder Storage Facility.

## Social Security Administration Performance Requirements

<b>Table D-1: Performance Requirements the Agency Monitored</b>		
	<b>Required Task</b>	<b>Performance Requirement</b>
<b>1</b>	Drop Files	Material shall be filed within 2 business days of receipt of the material.
<b>2</b>	Folder Destruction Pull	All folders indicated on the destruct listing shall be located and pulled for destruction by the last day of the period of performance in which the activity occurs.
<b>3</b>	Barcoding	All folders shall be barcoded before shipping.
<b>4</b>	Compaction	All partially filled boxes shall be combined to form full boxes while maintaining proper numerical order of the folders. This process typically follows destruction of folders.
<b>5</b>	Validation	Verification that all records are correctly filed and accurately recorded in the appropriate SSA Computer Tracking System.
<b>6</b>	Processing Requests from the Department of Veterans Affairs (VA)	Timely and accurately respond to all requests for information from the VA.
<b>7</b>	Title II Information Retrieval Group	Timely and accurately respond to all requests for information and refile all folders.
<b>8</b>	Management Information Report – Daily	Reports are clear and accurate and submitted in accordance with delivery schedule.
<b>9</b>	Management Information Report – Monthly	Reports are clear and accurate and submitted in accordance with delivery schedule.
<b>10</b>	Facilities Equipment and Maintenance Services	Properly maintain Government-furnished property and service-related infrastructure.

**Table D-2: Performance Requirements the Agency Did Not Monitor**

	<b>Required Task</b>	<b>Performance Requirement</b>
1	Incoming Mail	All incoming mail shall be opened, sorted, and processed on the day it is received at the National Records Center (NRC).
2	Outgoing Mail	Outgoing mail shall be packaged, prepared, addressed, postage affixed, and delivered to the carrier on an as-needed basis, but at least once per day.
3	Misrouted Material	Misrouted material shall be repackaged/rerouted to the appropriate SSA component.
4	Refolder (Minimize Unable to Locate)	At all times, observe and refile all misfiled folders and refolder damaged, mislabeled, and/or non-conforming folders encountered while performing normal daily activities.
5	Recalls Located at the NRC	Recalled requests, in which all folders associated with the request are located at the NRC, shall be shipped within 24 hours after receipt of the request.
6	Refolder/Rejects	Damaged or mislabeled folders shall be repaired and nonconforming folders shall be processed before shipping to the requestor.
7	Title II Refiles	Title II folders shall be filed/refiled within 24 hours of receipt of the folder at the NRC.
8	Title II Refiles which Require Recordation	Title II folders, which require recordation must be filed/refiled within 24 hours after completion of recordation.
9	Title XVI Refiles	Title XVI folders must be filed/refiled within 48 hours of completion of recordation, allowing for any waiting period for "Alerts," which may be received on the case.
10	Title II Recordation	Title II records shall be "recorded" into SSA's data system (i.e., via Processing Control Action Center System) within 24 hours of receipt at the NRC.
11	Title XVI Recordation	Title XVI records shall be "recorded" within 24 hours of the time the record is assigned for recordation (the point at which the record is placed in the recordation staging area).
12	Shredding Material	All material to be shredded shall be accurately collected in shredder bags and shredded using the Government-furnished shredding equipment.
13	Queries	Queries shall be responded to within 2 business days of receipt of the material.
14	Remittance Handling	All remittances shall be accurately processed.
15	Ship Cassettes/ Video Tapes/ X-rays	All hearing cassettes, micro cassettes, video tapes, and X-rays received and/or found shall be labeled and shipped.
16	System Alerts for Title XVI	Alert messages must be accurately and timely resolved.

Agency Comments



## SOCIAL SECURITY

### MEMORANDUM

**Date:** September 12, 2011 **Refer To:** SIJ-3

**To:** Patrick P. O'Carroll, Jr.  
Inspector General

**From:** Dean S. Landis /s/  
Deputy Chief of Staff

**Subject:** Office of the Inspector General Draft Report, "Ahtna Engineering Services, LLC, Contract Number SS00-07-60063" (A-07-11-11140)—INFORMATION

Thank you for the opportunity to review the draft report. We do not have comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Frances Cord at (410) 966-5787.

Attachment

## OIG Contact and Staff Acknowledgments

### ***OIG Contacts***

Mark Bailey, Director, Kansas City Audit Division

Kenneth Bennett, Information Technology Specialist

### ***Acknowledgments***

In addition to those named above:

Nicholas Moore, Auditor

For additional copies of this report, please visit our web site at [www.ssa.gov/oig](http://www.ssa.gov/oig) or contact the Office of the Inspector General's Public Affairs Specialist at (410) 965-3218. Refer to Common Identification Number A-07-11-11140.

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## **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.