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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**THE SOCIAL SECURITY ADMINISTRATION'S  
AGENCY-WIDE SUPPORT SERVICES CONTRACT  
WITH LOCKHEED MARTIN**

**October 2011**

**A-14-10-11004**

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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 28, 2011

Refer To:

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Agency-wide Support Services Contract with Lockheed Martin (A-14-10-11004)

### OBJECTIVE

Our objectives were to (1) ensure the Social Security Administration (SSA) received the goods and services for which it contracted; and (2) review the services provided by Lockheed Martin Information Technology Commercial Corporation (LM) and the related costs charged to the SSA to ensure it adhered to the negotiated contract terms and relevant Federal Acquisition Regulation (FAR).

### BACKGROUND

In November 2004, SSA signed an Agency-wide Support Services Contract (AWSSC)<sup>1</sup> with LM. SSA used the contract to supplement existing staff with individuals who had the specialized technical skills to help SSA achieve its strategic goals. The contract supplied SSA with 600 to 800 programmers and information technology specialists. Under the contract, LM was to provide support in the following six technical areas:

1. application design, development, testing, and maintenance;
2. database administration, imaging, and document management;
3. data administration, programmatic repository, and enterprise architecture;
4. software engineering and technology;
5. emerging technology applications; and
6. software engineering management.

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<sup>1</sup> Contract Number SS00-05-60011.

The contract was an Indefinite Delivery Indefinite Quantity (IDIQ),<sup>2</sup> Time-and-Materials (T&M)<sup>3</sup> contract for commercial items.<sup>4</sup> The contract was for 1 year with 6 option years.<sup>5</sup> At the end of the fourth option year, SSA modified the contract to a firm-fixed-price contract.<sup>6</sup> The Agency modified the contract to comply with Office of Management and Budget (OMB) guidance that encouraged Federal agencies to use fixed-price contracts.<sup>7</sup> LM's efforts were to be identified and allocated via individual task and work orders that precisely define the scope, deliverables, and schedule of the work to be issued. SSA required that Agency senior management review and approve all planned tasks before LM initiated work.<sup>8</sup>

According to SSA's AWSSC Contract Administration Handbook,<sup>9</sup> "...tasks are reviewed to ensure: (1) consistency with SSA's strategic plans; (2) justification based on mission need or economic benefits; (3) accurate specification of the activities, resources, costs, and schedules needed to achieve stated objectives; and (4) adherence to the scope and provisions of the contract."

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<sup>2</sup> FAR § 16.501-2(a), states, in part, that "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 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."

<sup>3</sup> FAR, Subpart 16.601(b), states, ". . . A time-and-materials contract provides for acquiring supplies or services on the basis of (1) Direct labor hours at specified fixed hourly rates 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))."

<sup>4</sup> A commercial item includes any item, other than real property, that is of a type customarily used by the public or by non-government entities for purposes other than government purposes, and (i) has been sold, leased or licensed to the general public; or (ii) has been offered for sale, lease, or license to the general public. FAR § 2.101.

<sup>5</sup> The AWSSC was to expire on September 30, 2011; however, SSA spent all contract funding by the end of Fiscal Year 2010. SSA pursued an early recompetition to award a new contract before contract funding was exhausted.

<sup>6</sup> 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.

<sup>7</sup> OMB guidance states, "...time-and-materials and labor-hour (T&M/LH) contracts pose special risks of overspending....T&M/LH contracts pose a risk because they provide no direct incentive to the contractor for cost control....Accordingly, agencies should begin taking actions to reduce use of these high risk contracting authorities for new contract actions." OMB, M-09-25, *Improving Government Acquisition*, § II. (July 29, 2009).

<sup>8</sup> SSA, *Agency-wide Support Services Contract - Contract Administration Handbook*, September 2009, page 10.

<sup>9</sup> Id.

The contract ended on September 29, 2010. During the life of the contract, SSA issued 271 task orders<sup>10</sup> totaling approximately \$536 million.

<b>LM AWSSC (SS00-05-60011)</b>				
<b>Contract Year</b>	<b>Period of Performance</b>	<b>Total Hours</b>	<b>Total FTE<sup>11</sup></b>	<b>Total Amount (in Thousands)</b>
1	November 16, 2004 - September 29, 2005	810,208	564	\$48,599
2	September 30, 2005 - September 29, 2006	1,603,959	835	\$93,800
3	September 30, 2006 - September 29, 2007	1,336,561	696	\$84,354
4	September 30, 2007 - September 29, 2008	1,419,091	806	\$97,979
5	September 30, 2008 - September 29, 2009	1,594,010	938	\$115,285
6	September 30, 2009 - September 29, 2010	1,239,411	763	\$96,301
<b>Total</b>		<b>7,703,240</b>	<b>4,602</b>	<b>\$536,318</b>

To achieve our audit objectives, we obtained and reviewed the contract, supporting documents, and applicable Federal laws and regulations. In addition, we selected and tested 23 task orders. See Appendix B for our scope and methodology and Appendix C for our sampling methodology.

## **RESULTS OF REVIEW**

Based on our tests, we determined that SSA received the contracted goods and services and was generally satisfied with LM's work. Additionally, the related costs LM charged to SSA generally adhered to the negotiated contract terms and applicable regulations.

We also found that SSA had implemented controls and practices to help ensure LM adhered to the contract terms. Based on our review of the contract, it appeared the contract team, including the contracting officer's technical representative (COTR),<sup>12</sup> contracting officer (CO), task order manager, and work order manager, worked cooperatively and demonstrated professionalism and expertise in executing the contract. We found that the COTR reviewed and certified invoices timely, which in turn, helped SSA's Office of Finance comply with the *Prompt Payment Act*.<sup>13</sup>

<sup>10</sup> A task order is issued for services placed against an established contract or with Government sources.

<sup>11</sup> Full-time equivalency (FTE) is defined as one full-time employee working an entire fiscal year with no period of non-pay status, such as leave without pay, absent without leave, or suspension.

<sup>12</sup> The COTR is an individual designated and authorized in writing by the CO to perform specific technical or administrative functions.

<sup>13</sup> The *Prompt Payment Act*, requires that Federal agencies pay their bills timely, pay their interest penalties when payments are made late, and take discounts only when payments are made by the discount date. Pub. L. No. 97-177 § 2-3, 96 Stat. 85-87 (1982).

While we recognize that SSA diligently managed and monitored the contract, we identified a number of areas where the Agency can improve the administrative oversight and monitoring of the contract. Specifically, we found that SSA did not

- always comply with suitability determination<sup>14</sup> policies and procedures;
- always comply with its systems' access policies and procedures; or
- apply Cost Accounting Standards (CAS), as required by the FAR.<sup>15</sup>

### **SSA DID NOT ALWAYS COMPLY WITH SUITABILITY DETERMINATION POLICIES AND PROCEDURES**

During our review of a sample of 45 LM employees and 38 LM subcontractors working on the contract, we found 3 suitability determination issues.

1. Some contractor personnel were not pre-screened before working on the project.
2. Some suitability determinations were not performed every 5 years.
3. Contractor personnel received suitability determinations under other SSA contracts without notifying SSA's Center for Personnel Security and Project Management (CPSPM).<sup>16</sup>

According to the contract, contractor personnel are subject to the same personnel security and suitability requirements as SSA employees.<sup>17</sup> As testing in this area was conducted to analyze the strength of internal controls, the level of findings indicate internal controls were not working as intended, and the weaknesses in this area require SSA management's attention.

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<sup>14</sup> Federal regulation defines the suitability determination as a decision by the Office of Personnel Management or an agency with delegated authority that a person is suitable or is not suitable for employment in covered positions in the Government or a specific Federal agency. 5 C.F.R. § 731.101(b).

<sup>15</sup> FAR § 30.101(a).

<sup>16</sup> CPSPM manages SSA's nationwide programs for personnel security and suitability, national security, and drug testing for employees and contractors and SSA's nationwide worker's compensation program.

<sup>17</sup> AWSSC, § B.10(a)(2)(vi)(C), *Personnel Security*, page B-46.

### Some Contractor Personnel Were Not Pre-screened Before Working on the Project

We found three LM employees charged hours to the contract before they were pre-screened or a suitability determination was initiated.<sup>18</sup> We also found two LM subcontractors in temporary administrative positions who were not submitted for pre-screening or suitability determinations before working on the contract. Per SSA, these employees did not have access to sensitive information.

According to the AWSSC *Contract Administration Handbook*, contractor personnel must be authorized to enter SSA buildings, receive parking permits, and access SSA computer systems. This authorization may not be given until a favorable pre-screening for suitability is completed. This pre-screening authorizes an individual to perform on the contract pending a final suitability determination.<sup>19</sup> SSA policy states appropriate background investigations for all SSA appointees will be initiated on the day of, or before, appointment to Federal service as part of the entrance-on-duty process. According to SSA policy, investigations for contractors, volunteers, and special program personnel will be initiated before the assignment and/or access to SSA systems, information, and facilities is approved.<sup>20</sup> Although these individuals were ultimately found suitable, CPSPM staff stated that temporary personnel should have been pre-screened before working on the contract. In addition, CPSPM stated it is responsible for initiating a background investigation when a contractor submits the appropriate paperwork. However, CPSPM is not responsible for monitoring contract personnel working on a contract.

SSA should implement controls to ensure all contractor personnel (including subcontractors) receive the appropriate pre-screening and suitability determinations before accessing SSA systems, information, and facilities.

### Some Suitability Determinations Were Not Performed Every 5 Years

We found five LM employees and one LM subcontractor who had suitability determinations that were over 5 years old. According to the contract, “The Government must clear each contractor employee, other than a guard, for suitability every *five* years. The Government must clear each guard every *two* years.”<sup>21</sup> SSA staff stated that, in anticipation of SSA’s implementation of the Homeland Security Presidential Directive-12 (HSPD-12), the Agency did not resubmit several contractors for suitability

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<sup>18</sup> These three contractors were eventually found suitable to work on the AWSSC.

<sup>19</sup> SSA, AWSSC - *Contract Administration Handbook*, supra at page 33.

<sup>20</sup> SSA, Information Systems Security Handbook (ISSH), Appendix J: *Personnel Security and Suitability Program*.

<sup>21</sup> The original AWSSC C.3(w) Personnel Security Requirements Duration of Suitability Determination, page C-37.

determinations at the end of 5 years.<sup>22</sup> Instead of performing suitability determinations using previous requirements, SSA made a management decision to wait until the HSPD-12 investigations were performed, accept any risk involved, and not comply with the contract. Consequently, these LM employees and the LM subcontractor could have been security risks until they were re-investigated.

According to CPSPM staff, under HSPD-12 requirements, the initial suitability determinations for employees and contractors are considered valid indefinitely. CPSPM staff further stated SSA should have modified the contracts that included a clause about 5-year re-investigations to incorporate the new HSPD-12 requirements.

In December 2008, the Agency modified the contract to include HSPD-12 requirements and remove the statement that contractor employees must be cleared every 5 years and guards every 2 years. Although the Agency modified the contract, SSA had not complied with the original contract before the modification. As of the contract modification date, SSA had not performed re-investigations for over 8 years, accepting the risk that the five LM employees and one LM subcontractor became unsuitable since their last suitability determinations.

In its HSPD-12 implementation guide, OMB stated that the use of the standard identification does not replace the Agency's responsibility to follow existing laws, including laws and policies governing personnel security, acquisition, and information technology security.<sup>23</sup>

The Code of Federal Regulations (C.F.R.) Title 5, § 731.106 (d) states that agencies may require incumbents of certain public trust positions to undergo periodic re-investigations. Executive Order 13488<sup>24</sup> requires a re-investigation of individuals in positions of public trust, including employees and contractor employees, to ensure they remain suitable for continued employment.

Since SSA processes significant amounts of sensitive information, we believe the Agency should be a leader in ensuring the security of sensitive information; therefore, SSA should have performed the re-investigations as originally required and not accepted the risk. We recommend SSA continue to perform periodic suitability determinations, as appropriate.

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<sup>22</sup> HSPD-12 directs the implementation of a new standardized badging process, designed to enhance security, reduce identity fraud, and protect the personal privacy of those issued Government identification. SSA began implementing the HSPD-12 program Agency-wide on October 27, 2005.

<sup>23</sup> OMB, M-05-24, *Implementation of Homeland Security Presidential Directive (HSPD) 12 – Policy for a Common Identification Standard for Federal Employees and Contractors*, page 1, August 5, 2005.

<sup>24</sup> The Order, issued January 16, 2009, and published in the Federal Register on January 22, 2009, states that "This order is effective upon issuance and is applicable to individuals newly appointed to excepted service positions or hired as contractor employees beginning 90 days from the effective date of this order." 74 Fed. Reg. 4111 (January 22, 2009).

The following chart details the time lapse between the initial suitability determination and the modification date.

	<b>Suitability Determination</b>	<b>Contract Modification</b>	<b>Time Between Determination and Modification</b>
Contractor 1	12/17/2001	12/19/2008	7 years
Contractor 2	05/29/2001	12/19/2008	7 years, 7 months
Contractor 3	03/18/1999	12/19/2008	9 years, 9 months
Contractor 4	05/11/1999	12/19/2008	9 years, 7 months
Contractor 5	05/25/2001	12/19/2008	7 years, 7 months
Subcontractor 1	04/02/1999	12/19/2008	Re-investigation Not Completed

### Contractor Personnel Received Suitability Determinations Under Other SSA Contracts Without Notifying SSA's CPSPM

We found two LM employees and one LM subcontractor who worked on the contract and received suitability determinations under other SSA contracts without notifying SSA's CPSPM. In a previous audit,<sup>25</sup> we identified a similar issue where individuals received a suitability determination under one SSA contract then transferred to another SSA contract. We recommended SSA ensure that contractor personnel (including subcontractors) working on that specific contract receive the appropriate suitability determinations even if the individuals were previously cleared under another contract. SSA agreed with our recommendation.

When contracts have different suitability requirements, there is a risk that individuals assigned to one contract may not have the proper suitability determination to work under another contract. For example, some contractors may only need physical access to SSA facilities, and some contractors may need both physical access and access to sensitive information. CPSPM personnel indicated they should have been notified when these contractors began working on the contract.

Based on our review of individuals receiving suitability determinations under this contract, it appears that SSA is still having difficulty coordinating the suitability determinations when individuals were previously cleared under another SSA contract.

To address this issue, we reiterate our prior recommendation that SSA should ensure its contractor personnel (including subcontractors) receive the appropriate suitability determinations even for individuals previously cleared under another contract.

<sup>25</sup> SSA OIG, *The Social Security Administration's Oversight of MDRC Contract No. SS00-06-60075* (A-15-08-18010), December 22, 2008.

## SSA DID NOT ALWAYS COMPLY WITH ITS SYSTEMS' ACCESS POLICIES AND PROCEDURES

To evaluate SSA's controls, we reviewed 45 individuals employed under this contract. We found that SSA did not terminate the systems' access for four LM subcontractors timely. We believe the level of findings indicate internal controls are not working as intended. Therefore, weaknesses in this area require management's attention. See table below.

**Terminated or Separated LM Subcontractors**

Terminated/Separated LM Subcontractors	Date of Separation	Date Systems' Access Was Terminated	Number of Days Before Access Was Terminated
1	10/02/2009	10/07/2009	5
2	01/26/2007	11/02/2007	280
3	12/27/2006	01/05/2007	9
4	09/23/2005	09/05/2006	347

The following represents the distribution of the 45 individuals from our sample that separated or terminated under the contract.

Contract Year	1	2	3	4	5	6	Total
Number of separated employees	7	13	5	8	7	5	45

The ISSH states that security officers shall immediately deactivate the personal identification numbers of employees and contractors who are inactive or have left the Agency.<sup>26</sup> If SSA does not disable their systems' access, these contractors could have unauthorized access to SSA resources and data.

We recommend that SSA terminate contractor personnel's (including subcontractors) systems' access timely and in accordance with policies and procedures. After the conclusion of our fieldwork, we provided the Agency with the results of our testing. The Agency stated it had implemented corrective measures to ensure all departure notices are processed and accesses to systems terminated timely. Additionally, the Agency began using a checklist to ensure actions are completed when a contractor or subcontractor leaves the Agency.

<sup>26</sup> ISSH, Chapter 2, Systems Access Policy, Sections 2.2 and 2.3.1.

## **SSA DID NOT APPLY CAS, AS REQUIRED BY THE FAR**

We found that SSA did not require that LM follow CAS, as required by the FAR. The FAR restates the requirement set forth in Public Law 100-679 that certain contractors and subcontractors comply with CAS and submit a CAS disclosure statement for their cost accounting practices.<sup>27</sup> The C.F.R. provides a list of contract types that are exempt from all CAS requirements.<sup>28</sup> As an IDIQ and T&M contract, the contract was not exempt from the CAS requirement when it was awarded in September 2005.

The CAS disclosure statement would provide SSA a better understanding of the cost accounting practices the contractor intended to use, distinguish direct from indirect costs, and identify the contractor's basis for allocating indirect costs to the contract. Because SSA did not require that LM comply with CAS, we were unable to determine whether LM properly allocated and charged costs to SSA. The Agency did not provide us a CAS disclosure statement until March 7, 2011. However, the CAS statement was dated June 18, 2007—2.5 years after the contract was awarded.

The FAR indicates that the CO shall not award a CAS-covered contract until the cognizant Federal agency official<sup>29</sup> has made a written determination that a required disclosure statement is adequate unless, in order to protect the Government's interests, the agency head, on a delegable basis, authorizes award without obtaining submission.<sup>30</sup> SSA staff stated that, at the time of award, there was confusion Government-wide regarding commercial T&M contracts and CAS applicability. SSA believed that the LM contract was exempt from CAS because the contract was for the acquisition of commercial items. However, based on our review and understanding of the FAR, we believe T&M contracts for the acquisition of commercial items were not exempt from CAS requirements until October 1, 2007.

On March 17, 2011, we briefed SSA management, and they agreed with the finding. SSA management acknowledged that they created this commercial T&M contract as an authorized one-time deviation from the FAR with the expectation that the FAR would change. The FAR did change in 2007 and specifically exempted T&M commercial contracts from CAS. Because SSA believed the FAR was going to change, and the CAS board had indicated it was not appropriate to apply CAS to commercial item contracts, the CO believed CAS did not apply to this hybrid T&M/labor hours commercial contract.

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<sup>27</sup> FAR § 30.101(a).

<sup>28</sup> 48 C.F.R. § 9903.201-1(b).

<sup>29</sup> Cognizant Federal agency official is the CO assigned by the Defense Contract Audit Agency to administer the CAS for the contract.

<sup>30</sup> FAR § 30.202-6(b).

The CO, in accordance with the evaluation criteria set forth in the request for proposal, was also more concerned with obtaining a vendor with superior technical merit than with making an award at the lowest overall price/cost to the Government.

We recommend that SSA ensure compliance with CAS and include CAS clauses in future contracts, as appropriate.

## **CONCLUSION AND RECOMMENDATIONS**

We found that SSA received the contracted goods and services and was generally satisfied with LM's work. Additionally, the related costs LM charged to SSA generally adhered to the negotiated contract terms and applicable regulations. We also found that SSA has implemented controls and practices to help ensure LM adhered to the contract terms. While we recognize SSA diligently managed and monitored the contract, we identified a number of areas where the Agency can improve. We recommend SSA:

1. Implement controls to ensure all contractor personnel (including subcontractors) receive the appropriate pre-screening and suitability determinations before accessing SSA systems, information, or facilities.
2. Continue performing periodic suitability determinations, as appropriate.
3. Ensure contractor personnel (including subcontractors) receive the appropriate suitability determinations even for individuals previously cleared under another contract.
4. Terminate contractor personnel (including subcontractors) systems' access timely and in accordance with policies and procedures.
5. Ensure compliance with CAS and include CAS clauses in future contracts, as appropriate.

## **AGENCY COMMENTS**

SSA agreed with all our recommendations. The Agency's comments are included in Appendix E.

## **OTHER MATTERS**

During our review, we identified an additional area related to the contract's administrative oversight and monitoring that we would like to bring to the Agency's attention.

SSA paid the hourly rates for all labor performed on the contract that met the contract's labor category qualifications. The contract had 36 labor categories with position descriptions and corresponding hourly labor rates. LM was required to submit names

and resumes to the COTR for review and approval when it proposed new candidates to work on the contract. For COTR approval, a candidate must have met minimum requirements for the proposed labor category.

We selected 16 resumes that applied to 15 labor categories.<sup>31</sup> We reviewed the 16 resumes and applicable position descriptions for each contractor's labor category to determine whether the LM employees met the qualifications outlined in the position descriptions and was in accordance with the work requested in the task order.

We found three instances where the documentation provided did not clearly support that these LM employees met the qualifications based on position descriptions. For example, we found one *Senior Subject Matter Expert* who did not appear to meet the qualifications required for her position. The *Senior Subject Matter Expert* is to be an expert in highly specialized functional or technical areas related to application software design, development, testing, and maintenance support. However, we determined that the LM employee's education and experience strictly related to Human Resources. Although LM billed SSA for a *Senior Subject Matter Expert*, this employee's education and experience best reflected skills and experience of a *Principal Administrative Specialist*, resulting in a significant hourly rate variance of \$27. We can provide additional examples upon request.

Although we did not consider this issue a finding, we suggest SSA review its contract administration and monitoring process to ensure that only individuals who possess the appropriate skills and experience are approved for a specific labor category. Under the contract, it was important that contractors and subcontractors were assigned accurate labor categories to ensure SSA received the service it contracted for, at rates that coincided with an individual's qualifications. In these economic times, SSA needs to ensure it gets the best value for the goods and services provided.



Patrick P. O'Carroll, Jr.

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<sup>31</sup> See Appendix D for all labor categories included in the AWSSC.

# *Appendices*

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APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Sampling Methodology

APPENDIX D – Agency-wide Support Services Contract Labor Categories

APPENDIX E – Agency Comments

APPENDIX F – OIG Contacts

## Acronyms

AWSSC	Agency-wide Support Services Contract
CAS	Cost Accounting Standards
C.F.R.	Code of Federal Regulations
CO	Contracting Officer
COTR	Contracting Officer's Technical Representative
CPSPM	Center for Personnel Security and Project Management
FAR	Federal Acquisition Regulation
FTE	Full-Time Equivalent
HSPD-12	Homeland Security Presidential Directive-12
IDIQ	Indefinite Delivery Indefinite Quantity
ISSH	Information Systems Security Handbook
LH	Labor Hours
LM	Lockheed Martin Technology Commercial Corporation
OIG	Office of the Inspector General
OMB	Office of Management and Budget
SSA	Social Security Administration
T&M	Time-and-Materials

# Scope and Methodology

To accomplish our audit objectives, we

- Obtained and reviewed the Social Security Administration's (SSA) Agency-wide Support Services Contract (AWSSC) with Lockheed Martin Technology Commercial Corporation (LM), Contract No. SS00-05-60011, and 40 of 98 contract modifications.
- Selected and tested a sample of 23 of 271 task orders issued during the 6 years of the contract. See Sampling Methodology in Appendix C. We reviewed
  - associated invoices and supporting documents and
  - associated delivery and performance reports and supporting documents.
- Selected a sample of 45 LM employees and all<sup>1</sup> 38 LM subcontractors and tested the associated timesheets, suitability forms, security access, and 16 selected resumes with associated labor categories.
- Reviewed the applicable Federal acquisition regulations and laws.
- Reviewed SSA's *AWSSC Contract Administration Handbook*, September 2009.
- Contacted or interviewed key SSA and LM management and staff who executed and managed the contract, including the following.
  - SSA's Office of Systems Contracting, Acquisition, Planning, and Programs Staff
  - SSA's Offices of Budget, Finance, and Management; Financial Policy and Operations; and Finance
  - SSA's contracting officer's technical representative
  - SSA's contracting officers
  - SSA's security staff
  - LM's Business Operations Manager
- Requested and reviewed documentation of other costs to test SSA's adherence to contract terms.

In addition to the contract-level review, we tested a portion of the contract to determine how well SSA had executed and managed the contract in cost verification, timeliness, security and accountability. Our testing focused on the 23 task orders that we selected for our review. To select these task orders, we first selected all SSA divisions that used more than \$10 million of LM contractor services over the contract life. Then, we selected the largest task order issued by these divisions. (See Appendix C, Sampling Methodology.)

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<sup>1</sup> During the last reporting period of contract years 3 through 6, 38 subcontractors charged time to the contract.

We determined the computer-processed data were sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data, which allowed us to assess the reliability of the data and achieve our audit objectives.

We performed our fieldwork at SSA Headquarters in Baltimore, Maryland, from June 2010 through February 2011. 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 audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Sampling Methodology

The Social Security Administration (SSA) administered its Agency-wide Service Support Contract with Lockheed Martin Technology Commercial Corporation (LM) by issuing 271 task orders, totaling approximately \$536.3 million, for the life of the contract. There were 49 SSA divisions associated with the 271 task orders for the 6 years of the contract. For the review of contract deliverables and invoices, we selected 23 of 271 task orders based on following criteria.

- First, we selected SSA divisions with total task order amounts greater than \$10 million for the 6 years of the contract. This resulted in 23 SSA divisions selected.
- Then, for each of these divisions, we selected the largest task order initiated during the life of the contract.

Our review covered 47 percent of all divisions associated with the contract and 17 percent of the total contract value. In addition, we used other sampling to test the following areas.

### Cost Verification

To determine whether SSA was charged and paid costs according to the contract terms, we did the following.

- We randomly selected 45 LM employees and all 38 LM subcontractors who worked under the largest task order during the last reporting period of contract years 3 through 6. We reviewed timesheets and compared them with the actual time charged to SSA in the associated invoices. In addition, we determined whether the correct labor rates were applied for each of the samples.
- From the sample above, we reviewed 16 resumes that fell within 15 labor categories.<sup>1</sup> We selected 1 resume<sup>2</sup> from 14 labor categories and 2 from the remaining category. We compared the resumes to the position descriptions for which they were billed. We then determined whether the individuals were properly assigned to the labor categories for which they were being billed.

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<sup>1</sup> We selected the resumes from contract years 5 and 6 of the same sample.

<sup>2</sup> We reviewed two resumes for the Principal Subject Matter Expert. See Appendix D for all labor categories.

- We selected all invoices for contract years 3 through 6. For costs other than labor, we reviewed the monthly invoices and compared them with the contractor terms and applicable Federal acquisition regulations to determine whether these costs were billed and charged to SSA in compliance with such terms and regulations.

### Timeliness

To determine whether contract deliverables and payments were made timely according to the contract, we

- reviewed the invoices associated with the 23 selected task orders to determine the timeliness of invoices and payments and
- reviewed and compared each of the 23 selected task orders with the corresponding Task Order Closeout Report.

### Security

To determine whether the LM employees and subcontractors met contract security requirements, we tested the same sample of 45 LM employees and all 38 LM subcontractors as described above under Cost Verification and determined whether the suitability and pre-screening process was completed timely.

In addition, we randomly selected and tested 45 of the 1,582 terminated or separated LM employees and LM subcontractors to determine whether their access to SSA's information systems was removed timely.

### Accountability

For all samples reviewed, we also examined whether there was noncompliance with contract terms by either SSA or LM.

## Agency-wide Support Services Contract Labor Categories

**Program Director\***

**Senior Project Manager\***

**Project Manager\***

Principal Business/Architectural Expert

Business Operations Manager

**Principal Computer Systems Analysts/Programmer\***

**Senior Computer Systems Analyst/Programmer\***

**Computer Systems Analyst/Programmer\***

Associate Computer Systems Analyst/Programmer

Entry Level Computer Systems Analyst/Programmer

**Principal Information Technology Specialist\***

Senior Information Technology Specialist

Information Technology Specialist

Associate Information Technology Specialist

Entry Level Information Technology Specialist

**Principal Subject Matter Expert\***

**Senior Subject Matter Expert\***

**Subject Matter Expert\***

Principal Administrative Specialist

**Senior Administrative Specialist\***

**Administrative Specialist\***

Associate Administrative Specialist

Entry Level Administrative Specialist

**Principal Web Technology Specialist\***

Senior Web Technology Specialist

Web Technology Specialist

Associate Web Technology Specialist

Senior Database Management Specialist

Database Management Specialist

Associate Database Management Specialist

Enterprise Information Technology Specialist

**Lead Information Technology Specialist\***

Enterprise Subject Matter Expert

**Lead Subject Matter Expert\***

Lead Web Technology Specialist

Principal Database Management Specialist

\* Positions in **bold** were included in our sample of labor categories compared to employee resumes.

## Agency Comments



## SOCIAL SECURITY

### MEMORANDUM

Date: September 28, 2011

Refer To: S1J-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, "The Social Security Administration's Agency-wide Support Services Contract with Lockheed Martin" (A-14-10-11004)--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 Frances Cord at (410) 966-5787.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “THE SOCIAL SECURITY ADMINISTRATION’S AGENCY-WIDE SUPPORT SERVICES CONTRACT WITH LOCKHEED MARTIN” (A-14-10-11004)**

**COMMENT TO OTHER MATTERS**

Page 11, last paragraph reads:

“...we suggest SSA review its contract administration and monitoring process to ensure that only individuals who possess the appropriate skills and experience are approved for a specific labor category.”

Comment

We agree. We will place a greater emphasis on the need to document exceptions made to labor category qualification.

**RESPONSE TO RECOMMENDATIONS**

**Recommendation 1**

Implement controls to ensure all contractor personnel (including subcontractors) receive the appropriate pre-screening and suitability determinations before accessing SSA systems, information, or facilities.

**Response**

We agree. Our Information Technology Support Services Contract, the successor of the Agency-wide Support Services Contract, requires us to pre-screen all contractors before working on a contract.

**Recommendation 2**

Continue performing periodic suitability determinations, as appropriate.

**Response**

We agree. Once the Office of Personnel Management issues guidance on Executive Order 13488 Granting Reciprocity on Excepted Service and Federal Contractor Employee Fitness and Reinvestigating Individuals in Positions of Public Trust, we will implement the five-year review policy.

**Recommendation 3**

Ensure contractor personnel (including subcontractors) receive the appropriate suitability determinations even for individuals previously cleared under another contract.

**Response**

We agree.

**Recommendation 4**

Terminate contractor personnel's (including subcontractors) systems' access timely and in accordance with policies and procedures.

**Response**

We agree.

**Recommendation 5**

Ensure compliance with Cost Accounting Standards (CAS) and include CAS clauses in future contracts, as appropriate.

**Response**

We agree. We note that because the Federal Acquisition Regulation changed subsequent to the award of the Lockheed Martin contract, CAS standards are not applicable to this contract.

## OIG Contacts

Brian Karpe, Director, Information Technology Audit Division

Grace Chi, Audit Manager

For additional copies of this report, please visit our Website at <http://oig.ssa.gov/> or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-14-10-11004.

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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.