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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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*AMERICAN RECOVERY AND REINVESTMENT ACT  
OF 2009*

**FUNDS USED FOR HEALTH INFORMATION  
TECHNOLOGY CONTRACTS**

**July 2012**

**A-15-11-11199**

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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: July 19, 2012

Refer To:

To: The Commissioner

From: Inspector General

Subject: *American Recovery and Reinvestment Act of 2009* Funds Used for Health Information Technology Contracts (A-15-11-11199)

## OBJECTIVE

Our objectives were to determine whether (1) the Social Security Administration (SSA) properly accounted for *American Recovery and Reinvestment Act of 2009* (Recovery Act) funds, (2) SSA achieved its objective of requesting and receiving medical information through health information technology (HIT), (3) the contractors complied with the contract terms and applicable regulations, and (4) SSA personnel properly monitored the contracts.

## BACKGROUND

On February 17, 2009, the President signed the *Recovery Act* into law.<sup>1</sup> The *Recovery Act* was designed to save and create jobs as well as cushion the economic downturn and make crucial public investments.<sup>2</sup> SSA has used *Recovery Act*<sup>3</sup> funds in developing the HIT process.<sup>4</sup>

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<sup>1</sup> Pub. L. No. 111-5, 123 Stat. 115 (2009).

<sup>2</sup> Executive Office of The President, Council of Economic Advisers, *Estimates of Job Creation from the American Recovery and Reinvestment Act of 2009*, May 2009.

<sup>3</sup> The *Recovery Act* reporting requirements of job creation or job maintenance were not included as part of this audit.

<sup>4</sup> The *Recovery Act* provided SSA with "\$500,000,000 for processing disability and retirement workloads, including information technology acquisitions and research in support of such activities: *Provided*, That up to \$40,000,000 may be used by the Commissioner of Social Security for health information technology research and activities to facilitate the adoption of electronic medical records in disability claims, including the transfer of funds to "Supplemental Security Income Program" to carry out activities under section 1110 of the Social Security Act." Pub. L. No. 111-5, 123 Stat. 115, 185-186 (2009).

Processing disability applications has become significantly difficult because of increased volume, the complexity of applications, outdated policies and procedures, and limited resources. One way SSA is meeting this challenge is by partnering with medical providers to request and receive medical information in a standardized electronic data format through HIT. The goal of this effort is a more efficient and effective medical evidence gathering process to support the decisionmaking process for disability claims.

SSA awarded 15 HIT contracts with *Recovery Act* funds. In an earlier audit, we evaluated the performance of 1 of the 15 contracts.<sup>5</sup> For this review, we selected four contracts. In February 2010, SSA awarded firm-fixed-price contracts to Central Virginia Health Network/MedVirginia (MedVA), Douglas County Individual Practice Association (DCIPA), EHR Doctors Inc. (EHRDOC), and CareSpark, Inc. (CareSpark). The purpose of these contracts was to expand the number of healthcare providers participating in the Nationwide Health Information Network. This will allow providers to receive a standardized electronic request for medical records along with a patient's authorization. Medical providers will then be able to automatically respond to SSA requests with structured medical information.

## RESULTS OF REVIEW

We found that SSA properly accounted for *Recovery Act* funds. We reviewed the contract award amounts and SSA payments to the contractors. With the exception of the CareSpark contract, which SSA terminated, we found the payments equaled the award amounts.

Additionally, we reviewed SSA documentation, which indicated the contractors achieved the objective of requesting and receiving medical information through HIT. We found the contractors completed the contract requirements as described in the contract statement of work, with the exception of CareSpark. Our review also found the contractors complied with the contract terms. We reviewed the information provided by the contracting officer technical representative, in the Office of the Deputy Commissioner for Systems, and assigned Division of Disability Health Information Services implementation staff to ensure there was proper oversight of the HIT contractors' work activity. We found that SSA staff required stakeholders involved in the HIT process review and approve achieved contract milestones, which ensured the process was adequate for all staff who works with HIT. Therefore, it appeared that SSA personnel properly monitored the contracts.

### HIT Contract Success Tied to Achievement of HIT Process Milestones

We found that three of the four HIT contractors were successful in meeting contract-prescribed milestones, which, when completed, represented a level of performance. Each contract described the progress necessary to achieve three milestones. The three contract milestones as presented in the contract addendum follow.

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<sup>5</sup> SSA OIG, *Recovery Act Exchange Contract with Lovelace Clinic Foundation - Contract SS00-10-60030 (A-15-11-11157)*, October 13, 2011.

**Milestone 1** Submittal and approval of Sample Continuity of Care Document<sup>6</sup>; and verified certification of Electronic Health Record application.

**Milestone 2** Submittal and approval of Verification Continuity of Care Documents.

**Milestone 3** Production submittal of up to 5 percent of expected annual volume, complying with specifications outlined in the Statement of Work.

On successful completion of each milestone, the contractor was paid. However, we did find that one of the four HIT contractors failed to fulfill the contract requirements and was terminated at the Government’s convenience. The contract award amounts and payments, as well as the unused obligation balance, are as follows.

Summary of Audited HIT Contract Awards and Payments						
HIT Contractor and Contract#	Award Date	Award/Obligation Amount	Contract Milestone*	Payment Amounts	Unused Obligation	
<b>MED Virginia</b>	2/1/2010	\$1,138,603	1st	\$170,790		
SS00-10-60033			2nd	284,651		
			3rd	683,162		
total		\$1,138,603		\$1,138,603	\$0	
<b>EHR Doctors</b>	1/31/2010	\$1,000,000	1st	\$112,500		
SS00-10-60029	**Mod 1 9/16/2010	(\$250,000)	2nd	187,500		
			3rd	450,000		
total		\$750,000		\$750,000	\$0	
<b>Douglas County IPA</b>	2/1/2010	\$502,310	1st	\$75,347		
SS00-10-60035			2nd	125,578		
(Total dollar difference due to rounding)			3rd	301,386		
total		\$502,310		\$502,311	(\$1)	
<b>CareSpark, Inc</b>	2/1/2010	\$1,363,277	***none	0		
SS00-10-60036	total	\$1,363,277		0	\$1,363,277	

\* Payment is based on percentage of contract on achieved milestone (1st = 15% of contract, 2nd = 25%, 3rd (final)=60%)  
 \*\*Modification 000001 - contract amount reduced to \$750,000 resulting from change in EHRDOC medical provider  
 \*\*\*CareSpark never achieved a milestone. The contract was terminated at the government's convenience on 03/14/2011

<sup>6</sup> The Continuity of Care Document “... permits creation of flexible documents that contain the most relevant and timely core health information about a patient, and to send these electronically from one care giver to another. It contains various sections such as patient demographics, insurance information, diagnosis and problem list, medications, allergies, and care plan.”

## Termination of the CareSpark, HIT Contract

CareSpark did not meet the contract's terms because of its inability to process medical documents, as required by the contract. As a result, CareSpark failed to qualify for its initial milestone payment, and SSA terminated the contract<sup>7</sup> after several attempts to resolve the problems. The contract includes a provision that states if progress for payment is not achieved within the specified timeframe, SSA can terminate the contract for the Government's convenience. As of the end of our fieldwork, CareSpark and SSA had not settled on the termination amount representing a percentage of work completed. Therefore, we could not determine the status of the termination amount for CareSpark. Once CareSpark and SSA finalize the termination amount, SSA can deobligate the difference between the termination amount and original award of \$1,363,277.

Subsequent to our review, we were informed by SSA that on May 22, 2012, the contracting officer issued his final decision on CareSpark's claim regarding the Agency's termination for convenience of CareSpark's contract. The Agency offered a total settlement amount of \$301,288.27. CareSpark has 90 days to appeal the decision to the Civilian Board of Contract Appeals or 12 months to bring an action in the U.S. Court of Federal Claims.

## CONCLUSION

We found that, of the four contracts reviewed, SSA used *Recover Act* funds for three of them. The fourth contract, with CareSpark, did not achieve the required milestones. SSA terminated the contract at the Government's convenience. Subject to the Office of Acquisition and Grants resolution of this issue with CareSpark, any unused CareSpark award funds can be deobligated. However, at this time, we cannot determine the amount of payment for CareSpark and, therefore, are making no recommendation on the disposition of the funds.

## AGENCY COMMENTS

SSA had no comments (see Appendix C for a copy of the email response).



Patrick P. O'Carroll, Jr.

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<sup>7</sup> Federal Acquisition Regulation, 48 C.F.R. § 52.212-4(l), relating to *Termination for the Government's Convenience*, provides, in part, that "Subject to the terms of this contract, the Contractor shall be paid a percentage of the contract price reflecting the percentage of the work performed prior to the notice of termination, plus reasonable charges the Contractor can demonstrate to the satisfaction of the Government using its standard record keeping system, have resulted from the termination..."

# *Appendices*

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APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

## Acronyms

CareSpark	CareSpark, Inc.
COTR	Contracting Officer Technical Representative
DCIPA	Douglas County Individual Practice Association
EHRDOC	EHR Doctors, Inc.
HIT	Health Information Technology
MedVA	Central Virginia Health Network/MedVirginia
OAG	Office of Acquisition and Grants
OIG	Office of the Inspector General
Pub. L. No.	Public Law Number
Recovery Act	<i>American Recovery and Reinvestment Act of 2009</i>
SSA	Social Security Administration

## Scope and Methodology

To accomplish our objectives, we reviewed four Social Security Administration (SSA) health information technology (HIT) contracts:

- EHR Doctors, Inc., #SS00-10-60029,
- Central Virginia Health Network\ also known as Med Virginia #SS00-10-60033,
- Douglas County Individual Practice Association #SS00-10-60035, and
- CareSpark, Inc., #SS00-10-60036

Each contract includes a Statement of Work, which indicates the services the contractor is to perform. Based on our review of the Statement of Work, we determined each contractor’s requirements and SSA’s responsibilities. We obtained and reviewed supporting documentation and conducted necessary interviews with SSA staff concerning the contract requirements performed. To meet the contract’s objectives, each contractor was required to complete the performance of three milestones. In addition, the contractors’ payment was based on achieving each milestone. The milestones, as listed in the contract Price of Services of each contractor, are indicated below.

Milestone Number	Milestone Performance	Contractor Payment
0001	Submittal and approval of Sample Continuity of Care Document; and verified certification of Electronic Health Record application	15 Percent of Contract Award
0002	Submittal and approval of Verification Continuity of Care Documents	25 Percent of Contract Award
0003	Production submittal of up to 5 percent of expected annual volume, complying with specifications outlined in the Statement of Work.	60 Percent of Contract Award

In addition to reviewing the contract performance, we:

- Reviewed the applicable Federal Acquisition Regulation, SSA Administrative Instructions Manual System, and Code of Federal Regulations over Prompt Payment.
- Reviewed the process related to contracts for the Office of Acquisition and Grants (OAG) and the Division of Disability Health Information Systems.

- Gained an understanding of the responsibilities of the Contracting Officer and Contracting Officer Technical Representative (COTR).
- Obtained an understanding of, and assessed, internal controls.
- Reviewed supporting documentation of the COTR's review and approval of the contractor's invoices and the payments made by SSA's finance office. Tested for compliance with the *Prompt Payment Act*.<sup>1</sup>
- For CareSpark, Inc., we reviewed documentation related to a termination of the HIT contract at the Government's convenience.
- As required by the *Federal Information Security Management Act of 2002*, we reviewed documentation of verification of security awareness training by the contractor staff communicated to the OAG.

We performed our audit at SSA Headquarters in Baltimore, Maryland. We conducted our audit from September 2011 through February 2012. We found the data used for this audit were sufficiently reliable to meet our objectives. The entities audited were the Offices of the Deputy Commissioner for Systems and the Deputy Commissioner for Budget, Finance and Management.

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

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<sup>1</sup> Pub. L. No. 97-177, 96 Stat. 85 (1982).

## Agency Comments

June 27, 2012

**Subject:** Audit No. 22011092 (A-15-11-11199) - OIG Draft Report, "American Recovery and Reinvestment Act of 2009 Funds Used for Health Information Technology Contracts"

Thank you for the opportunity to review the "American Recovery and Reinvestment Act of 2009 Funds Used for Health Information Technology Contracts" draft report. We have no comment.

Tina M. Waddell  
Assistant Deputy Commissioner  
for Budget, Finance and Management

## OIG Contacts and Staff Acknowledgments

### *OIG Contacts*

Victoria Vetter, Director, Financial Audit Division

Mark Meehan, Audit Manager

### *Acknowledgments*

In addition to those named above:

Sigmund Wisowaty, Auditor-In-Charge

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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.