

*Audit Report*

MDRC Contract Close Out on  
Contract Number SS00-06-60075

**MEMORANDUM**

**Date:** April 3, 2014

**Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** MDRC Contract Close Out on Contract Number SS00-06-60075 (A-15-13-13101)

The attached final report presents the results of our audit. Our objectives were to determine the allowability of MDRC's direct contract costs and apply the final Calendar Year 2006 through 2011 negotiated indirect rates to the direct costs to compute the total costs for Contract Number SS00-06-60075.

The Social Security Administration's 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

**MDRC Contract Close Out on Contract Number  
SS00-06-60075  
A-15-13-13101**



**April 2014**

**Office of Audit Report Summary**

**Objectives**

To determine the allowability of MDRC's direct contract costs and apply the final Calendar Year (CY) 2006 through 2011 negotiated indirect rates to the direct costs to compute the total costs for Contract Number SS00-06-60075.

**Background**

The Social Security Administration's (SSA) Office of Acquisition and Grants (OAG) awarded MDRC a \$46.3-million, cost-plus-fixed-fee (CPFF) contract, Contract Number SS00-06-60075. The Accelerated Benefits demonstration contract conducted technical assistance for SSA in implementing and evaluating a national demonstration program that will provide an immediate medical benefits package and employment supports to certain beneficiaries upon approval of their Disability Insurance claim.

OAG requested we review MDRC's direct costs claimed under Contract Number SS00-06-60075. Our review will assist in the Agency's close out of this CPFF contract.

**Our Findings**

We determined that MDRC's direct costs claimed were allowable according to applicable Federal regulations and the contract's terms. In addition, we applied the final CY 2006 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 MDRC in SSA's Social Security Online Accounting and Reporting System. We found nothing that suggested costs MDRC claimed were unallowable according to applicable Federal regulations and the terms of the contract.

**Our Recommendations**

Based on our audit of the accounting records, payroll records, vendor invoices and journal entries, nothing came to our attention that would suggest costs claimed by MDRC were unallowable according to applicable Federal regulations and the terms of the contract. Therefore, we are making no recommendations.

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## **ABBREVIATIONS**

C.F.R.	Code of Federal Regulations
CPFF	Cost-Plus-Fixed-Fee
DCAA	Defense Contract Audit Agency
CY	Calendar Year
MPR	Mathematica Policy Research, Inc.
OAG	Office of Acquisition and Grants
OIG	Office of the Inspector General
SSA	Social Security Administration

## OBJECTIVES

Our objectives were to determine the allowability of MDRC's<sup>1</sup> direct costs and apply the final Calendar Year (CY) 2006 through 2011 negotiated indirect rates to the direct costs to compute the total costs for Contract Number SS00-06-60075.

## BACKGROUND

The Social Security Administration's (SSA) Office of Acquisition and Grants (OAG) is responsible for awarding and administering SSA contracts, orders, and grants and for issuing SSA's acquisition policies and procedures. OAG requested we review MDRC's direct costs claimed under Contract Number SS00-06-60075. Our review will assist in the Agency's close out of this cost-plus-fixed-fee (CPFF) contract, which is a cost-reimbursement contract that provides for paying the contractor negotiated fee that is fixed at the contract's inception.<sup>2</sup>

On January 20, 2006, OAG awarded MDRC a \$46.3-million, CPFF contract, Contract Number SS00-06-60075, known as the Accelerated Benefits demonstration. Part of SSA's stewardship role involves finding ways to promote work and increase independence.<sup>3</sup> The purpose of the Accelerated Benefits was to conduct technical assistance for SSA in implementing and evaluating a national demonstration program that will provide an immediate medical benefits package and employment support to certain beneficiaries upon approval of their Disability Insurance claim.

## RESULTS OF REVIEW

MDRC has requested final payment of \$135,915 on its final voucher number 74 dated November 30, 2013, as shown in Table 1.

**Table 1 – MDRC's Final Voucher for Contract Number SS00-05-60075**

Description	Amount
Incurring Cost Billed	\$44,421,520
Incurring Cost Paid	\$44,285,605
Final Voucher	\$135,915

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<sup>1</sup> In 1974, MDRC was founded as the Manpower Demonstration Research Corporation. However, in 2003, the company formally adopted the name "MDRC." MDRC is a nonprofit, nonpartisan education and social policy research organization with offices in New York City, New York, and Oakland, California.

<sup>2</sup> 48 C.F.R. § 16.306 defines a CPFF contract as a cost-reimbursement contract that provides for payment to the contractor of a negotiated fee that is fixed at the inception of the contract.

<sup>3</sup> Section 234 of the *Social Security Act* allows 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 MDRC's direct costs<sup>4</sup> claimed were allowable according to applicable Federal regulations and the contract terms. In addition, we applied the final CY 2006 through 2011 negotiated indirect cost rates<sup>5</sup> to the direct cost bases and computed the allowable indirect costs.<sup>6</sup> Finally, we verified that the negotiated indirect cost rates did not exceed the contract's indirect ceiling rate. 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	\$4,197,569
Indirect Costs	1,218,030
Subcontractor Costs	38,621,085
Total Cost	\$44,036,684
Fixed-Fee	\$384,837
Total Price	\$44,421,521*
* Rounding Difference	

## Incurred Cost Paid

MDRC's accounting system indicates that SSA paid MDRC \$44,285,605 on this contract. We verified as of October 28, 2013, SSA's Social Security Online Accounting and Reporting System indicated that SSA paid MDRC \$44,285,606. This results in an immaterial difference of \$1; therefore, we noted no exceptions.

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<sup>4</sup> 48 C.F.R. § 2.101(b)(2) defines a direct cost as "...any cost that is identified specifically with a particular final cost objective."

<sup>5</sup> Department of Health and Human Services, Division of Cost Allocation, established MDRC's CY 2006 through 2011 indirect cost rates.

<sup>6</sup> 48 C.F.R. § 2.101(b)(2) defines an indirect cost as "...any cost not directly identified with a single final cost objective, but identified with two or more final cost objectives or with at least one intermediate cost objective."

## CONCLUSIONS

We found the MDRC contract costs allowable (see Table 2). Using the direct costs as a base, we applied the final CY 2006 through 2011 negotiated indirect rates<sup>7</sup> to the allowable direct costs to compute the allowable indirect costs for Contract Number SS00-06-60075.

In addition, we determined that SSA should deobligate \$1,880,621 in unliquidated obligations. We compared the contract award amount of \$46,302,141 to the contract cost of \$44,421,520 to calculate the \$1,880,621.

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

## OTHER MATTERS

The Defense Contract Audit Agency (DCAA)<sup>8</sup> conducted an incurred cost audit of the MDRC subcontractor, Mathematica Policy Research, Inc. (MPR) for CY 2006. The DCAA report reduced the MPR subcontract costs applicable to SS00-06-60075 by \$2,523. DCAA adjusted MPR's CY 2006 subcontract costs to \$403,536, as compared to MDRC's earlier reported amount of \$406,059. When closing out this contract, OAG should consider the results of the DCAA CY 2006 incurred cost audit.

DCAA is responsible for incurred cost audits of the MPR subsequent years but had only completed CY 2006 as of the date of this audit. When closing out this contract, OAG should consider the pending DCAA audits.

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<sup>7</sup> 48 C.F.R. § 2.101(b)(2) defines an indirect cost rate as "... the percentage or dollar factor that expresses the ratio of indirect expense incurred in a given period to direct labor cost, manufacturing cost, or another appropriate base for the same period ...."

<sup>8</sup> Defense Contract Audit Agency, Independent Audit of Mathematica Policy Research, Inc., Incurred Cost for the Period Ending December 31, 2006 – Audit Report No. 6341-2006C10100017, issued July 31, 2013.

# *APPENDICES*

## Appendix A – SCOPE AND METHODOLOGY

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The Social Security Administration’s (SSA) Office of Acquisition and Grants (OAG) requested we audit MDRC’s direct costs claimed under Contract Number SS00-06-60075. To accomplish our objective, we:

- Reviewed MDRC’s Contract Number SS00-06-60075 and contract modifications that covered the period of performance January 20, 2006 through September 19, 2011.
- Reviewed the applicable Federal Acquisition Regulations, SSA’s Administrative Instructions Manual System, and Code of Federal Regulations.
- Reviewed MDRC’s accounting process and timekeeping policy. In addition, we obtained service fee information from the MDRC subcontractor POMCO.
- Interviewed MDRC staff on the accounting process as related to Contract Number SS00-06-60075.
- Obtained electronic cost records for the contract costs. We compared those costs to the latest accumulated cost billing voucher from MDRC to SSA OAG.
- Reviewed and tested internal controls over contract costs.
- Tested the personnel, other than personnel services, and subcontractor costs for Contract Number SS00-06-60075.
- Tested the MDRC subcontractor, POMCO, medical check amounts.<sup>1</sup>
- Obtained and reviewed indirect cost rates, which the Department of Health and Human Services’ Office of Cost Allocation determined and approved.
- Analyzed the MDRC 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 Accelerated Benefits performance and its results.

We conducted our audit at SSA Headquarters in Baltimore, Maryland; MDRC in New York City, New York; and subcontractor POMCO, Syracuse, New York, from February through October 2013. We determined the data used in this report were sufficiently reliable given the

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<sup>1</sup> To minimize any security issues related to the mishandling of personally identifiable information, SSA stated it would maintain a file, provided by MDRC that links unique identifier to each individual’s Social Security number. Therefore, MDRC did not maintain POMCO’s supporting documentation because MDRC considered the medical health plan processing and rates as proprietary, and contained beneficiaries’ personally identifiable information. As a result, we obtained the supporting documentation from POMCO.

audit objective and their intended use. SSA's Office of the Deputy Commissioner for Budget, Finance, Quality, and Management, Office of Acquisition and Grants, requested we conduct the direct cost audit of Contract Number SS00-06-60075 awarded to MDRC.

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**

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Victoria Vetter, Director, Financial Audit Division

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