

Audit Report

The Social Security Administration's
Contract with Compuware
Corporation

OIG

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: June 14, 2013 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Contract with Compuware Corporation (A-13-12-11297)

The attached final report presents the results of our audit. Our objectives were to (1) ensure the Social Security Administration (SSA) received the goods and/or services for which it contracted with Compuware Corporation (Compuware); and (2) review the services provided by Compuware and the related costs charged to SSA for adherence to the negotiated contract terms and applicable regulations.

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

The Social Security Administration's Contract with Compuware Corporation

A-13-12-11297



June 2013

Office of Audit Report Summary

Objectives

To (1) ensure the Social Security Administration (SSA) received the goods and/or services for which it contracted with Compuware Corporation (Compuware); and (2) review the services provided by Compuware and the related costs charged to SSA for adherence to the negotiated contract terms and applicable regulations.

Background

Compuware provided SSA with software maintenance and license upgrades for various Compuware mainframe and distributed software products. Compuware software products are essential to SSA's day-to-day mainframe operating environment.

In September 2009, SSA awarded a \$54.2 million, 5-year (base year plus 4 option years), firm-fixed-price delivery order contract, SS00-09-31564, to Compuware. The delivery order performance period was September 30, 2009 through September 29, 2014.

Our Findings

Our review of delivery order invoices and interviews with SSA personnel found SSA received the goods and/or services for which it contracted, and Compuware submitted invoices accurately and timely. We also determined SSA made accurate and timely payments to Compuware. Generally, the services provided and related costs charged to SSA adhered to the negotiated contract terms and applicable regulations. However, we found instances where Compuware did not comply with contract terms. Specifically, the contractor did not (a) notify SSA when employees left its employment and (b) retain computer security-related training documents. In addition, CPSPM's Contractor Suitability System did not reflect current suitability information.

Our Recommendations

We recommend that SSA:

1. Remind Compuware it must comply with the terms of current and future contracts it has with SSA. Specifically, it should notify appropriate Agency personnel of any changes in staff's employment status, and remind the contractor to retain documents associated with the contract.
2. Ensure Center for Personnel Security and Project Management is properly notified of all contract awards, delivery orders, terminations, and contractor employee work status changes when suitability requirements are applicable.

SSA agreed with our recommendations.

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ABBREVIATIONS

C.F.R.	Code of Federal Regulations
CO	Contracting Officer
Compuware	Compuware Corporation
COTR	Contracting Officer Technical Representative
CPSPM	Center for Personnel Security and Project Management
FAR	Federal Acquisition Regulation
FISMA	<i>Federal Information Security Management Act</i>
GSA	General Services Administration
MIPS	Millions of Instructions per Second
OAG	Office of Acquisition and Grants
OIG	Office of the Inspector General
Pub. L. No.	Public Law Number
SSA	Social Security Administration
U.S.C.	United States Code

OBJECTIVE

The objectives of our review were to (1) ensure the Social Security Administration (SSA) received the goods and/or services for which it contracted with Compuware Corporation (Compuware) and (2) review the services provided by Compuware and the related costs charged to SSA for adherence to the negotiated contract terms and applicable regulations.

BACKGROUND

According to Agency staff, for more than 30 years, Compuware has provided SSA with software maintenance and license upgrades for various Compuware mainframe and distributed software products. The Agency uses Compuware mainframe software products on some of the mainframe systems at its National Computer and Second Support Centers. Compuware software products are essential to SSA's day-to-day mainframe operating environment. For example, SSA uses the Compuware software products to diagnose and resolve application and system failures, capture critical application performance data, monitor network traffic, and trace network traffic to identify network or application problems.

In September 2009, SSA awarded a \$54.2 million, 5-year (base year plus 4 option years), firm-fixed-price¹ delivery order²—SS00-09-31564—to Compuware. This order was placed against the General Services Administration (GSA) Federal Supply Schedule, Contract Number GS-35F-5337H, for continued software maintenance support and software licensing upgrades. The delivery order performance period was September 30, 2009 through September 29, 2014 (see Table 1).

¹ A firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract. Federal Acquisition Regulation (FAR) § 16.202-1. This contract type places on the contractor maximum risk and full responsibility for all costs and resulting profit or loss. *Id.*

² A delivery order is an order for supplies placed against an established contract or with Government sources. See FAR § 2.101. According to an SSA Official, in this instance, software maintenance is considered a product and not a service. GSA defines software maintenance as a product, which includes the publishing of bug/defect fixes via patches and updates/upgrades in function and technology to maintain the operability and usability of the software product.

Table 1: Delivery Order Performance Periods and Costs

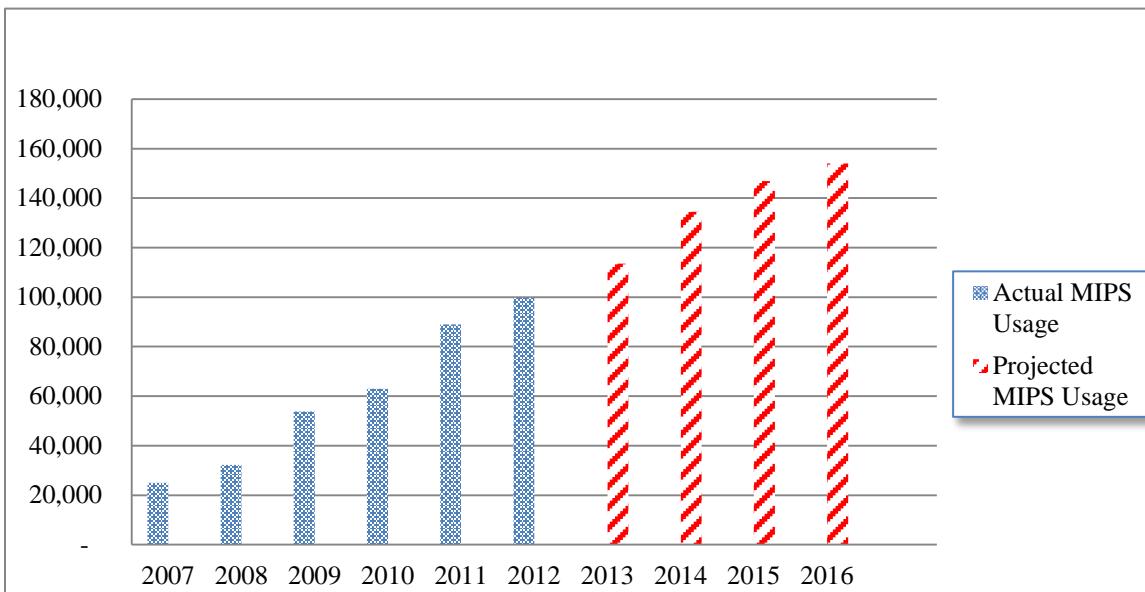
Periods of Performance		Costs
Base Year	9/30/09-9/29/10	\$15,000,000 ³
Option Year 1	9/30/10-9/29/11	\$ 9,800,000
Option Year 2	9/30/11-9/29/12	\$ 9,800,000
Option Year 3	9/30/12-9/29/13	\$ 9,800,000
Option Year 4	9/30/13-9/29/14	\$ 9,800,000
Total		\$54,200,000

SSA uses the Gartner's "Millions of Instructions per Second" (MIPS) measurement unit to assess capacity required for its mainframe systems. SSA owns software licenses based on MIPS for the Compuware mainframe software products it uses. Under Delivery Order SS00-09-31564, SSA could use up to 80,000 MIPS during any performance period without penalty. The delivery order also provides for purchase of additional software license upgrades to cover increases in mainframe hardware capacity at the negotiated firm-fixed-price.

After the second performance period under Delivery Order SS00-09-31564, SSA chose not to exercise the remaining option years of the delivery order; and determined it was more cost-beneficial to establish a new contract with Compuware for unlimited MIPS capacity due to increase in Agency's workload. Under Delivery Order SS00-09-31564, the Agency purchased an additional 5,000 MIPS in May 2011. SSA projected it would exceed MIPS capacity again in August 2011. According to data and projections provided by the Agency, in the future, SSA will require significant increases in MIPS it uses to process its workloads. The Agency expects MIPS usage to increase from about 25,000 in Fiscal Year 2007 to about 154,000 in Fiscal Year 2016. See Chart 1 for details. The new contract —Contract Number SS00-11-60060— covers a 10-year performance period (base year plus 9 option years). The contract performance period is September 30, 2011 to September 29, 2021.

³ The base year cost includes the cost of the additional MIPS licenses purchased as well as the cost of maintenance. Base year maintenance cost is based on the previous year (2008) MIPS ceiling rate.

Chart 1: Actual and Future Projected MIPS Use⁴



Under the Office of the Deputy Commissioner for Budget, Finance and Management, the Office of Acquisition and Grants (OAG) is responsible for Agency-wide acquisitions. In addition to OAG's contracting officer (CO), acquisition efforts also involve the contracting officer's technical representative (COTR). The COTR for Delivery Order SS00-09-31564 is in the Office of the Deputy Commissioner for Systems' Division of Resource Management and Acquisition.

To achieve our audit objectives, we reviewed information pertaining to the goods and/or services received and related costs charged to SSA under Delivery Order SS00-09-31564 for the period September 30, 2009 to September 29, 2011. Seven Compuware employees were authorized to work under the delivery order for this period. During this period, SSA authorized three modifications and obligated about \$27.2 million. We also interviewed Agency personnel responsible for the delivery order to determine whether SSA personnel were properly monitoring the contractor's compliance. See Appendix A for the scope and methodology of our audit.

RESULTS OF REVIEW

Our review of delivery order invoices and interviews with SSA personnel found SSA received the goods and/or services for which it contracted, and Compuware submitted invoices accurately and timely. We also determined SSA made accurate and timely payments to Compuware. Generally, the services provided and related costs charged to SSA adhered to the negotiated contract terms and applicable regulations. However, we found instances where Compuware did not comply with contract terms. Specifically, the contractor did not (a) notify SSA when

⁴ SSA provided us past and future MIPS usage data.

employees left its employment and (b) retain computer security-related training documents. In addition, the Center for Personnel Security and Project Management's (CPSPM) Contractor Suitability System did not reflect current suitability information.

Contractor Notification of Change in Employment Status

Compuware did not notify SSA when two individuals left its employment, as required. CPSPM is responsible for the Agency's suitability program. CPSPM determined seven Compuware employees were "suitable"⁵ to perform work under Delivery Order SS00-09-31564. When contractor employees need access to an SSA facility or system to complete work, they need to have a suitability clearance to obtain a badge (credential) that will allow them access to the SSA facility or system, as needed. A contractor employee who requires physical access to SSA facilities must complete and sign Form SSA-4395, *Application for Access to SSA Facilities*, and have it signed by the contractor employee and COTR. Of the seven contractor employees, two ended employment with Compuware during our audit period. One left Compuware employment on June 1, 2010, and the other left on April 7, 2011. As of October 4, 2012, these two individuals remained classified as "active" contractor employees in CPSPM's Contractor Suitability System; however, they did not have SSA credentials that allowed them physical access to SSA facilities. In addition to indicating current employment with the contractor, CPSPM staff explained the active designation implied the individuals were working on an existing contract.

According to *Section C.6.K: Security and Suitability Requirement* of Delivery Order SS00-09-31564, a contractor is required to notify the COTR if there is any change in an individual's employment status. For example, a company should notify the COTR when the contractor employee no longer works for the company, no longer performs work related to the contract, etc. Once notified, the COTR is to inform CPSPM and the CO of changes in employment status within 1 business day.

Computer Security-Related Training Documents

Compuware did not retain all signed security bulletins, as required, for the seven employees who acknowledged they completed computer security training. On July 23, 2012, we requested the applicable signed copies of the security bulletins from Compuware. Compuware staff subsequently provided signed security bulletins for five employees.

The *Federal Information Security Management Act* (FISMA) requires⁶ that all Agency employees and contractors receive security awareness training. The training is required for all

⁵ According to 5 C.F.R. § 731.101(a), suitability is determined based on a person's character or conduct that may have an impact on the integrity or efficiency of the service.

⁶ *Federal Information Security Management Act of 2002*, Pub. L. No. 107-347, Title III, Section § 3544; 44 U.S.C. § 3544.

contractors including those who do not have access to electronic information systems. According to *Section C.7.3: Contractor Responsibilities related to FISMA Training Requirements* of Delivery Order SS00-09-31564, “Following contract award, the contractor shall ensure that all contractor employees performing under this contract have signed the security bulletin entitled ‘SSA Security Awareness: Contractor Personnel Security Confirmation’ . . . The contractor shall retain copies of these signed bulletins for potential future SSA audits for a period of three years after final payment” This requirement also applies to contractor employees added after work under the contract has begun. The signed bulletin acknowledges completion of required training. Furthermore, contractor employees are to sign security bulletins, annually.

Compuware provided signed security bulletins for five of its seven employees. Of the five, one bulletin was signed, but dated after our request for the documents. This bulletin applied to a performance period outside our audit period. We did not receive signed bulletins for the remaining two employees. Compuware staff explained the individuals were no longer with the company.

CPSPM Contractor Suitability System

CPSPM’s Contractor Suitability System listed Compuware employees as “active,” although work was no longer occurring under Delivery Order SS00-09-31564. In October 2012, we asked CPSPM staff the suitability status of Compuware employees. In response to our inquiry, staff reviewed data in their Contractor Suitability System. On October 4, 2012, staff reported and provided documentation indicating contractor employees remained classified as “active” under delivery order SS00-09-31564 even though the delivery order ended on September 29, 2011. According to Agency staff, none of the seven contractor employees had access to SSA facilities. CPSPM staff also reported that, according to its Contractor Suitability System, there was no Compuware employee information recorded under the new contract — Contract Number SS00-11-60060.

According to staff, CPSPM was not informed that work was no longer occurring under Delivery Order SS00-09-31564. We believe that CPSPM’s Contractor Suitability System should accurately reflect suitability information.

CONCLUSIONS

SSA received the goods and/or services for which it contracted with Compuware to receive, and invoices were submitted accurately and timely. SSA made accurate and timely payments to Compuware. Generally, the services provided and related costs charged to SSA adhered to the negotiated contract terms and applicable regulations. However, we found instances where Compuware did not (a) notify SSA when employees left its employment or (b) retain computer security related training documents. In addition, the CPSPM Contractor Suitability System did not reflect current suitability information.

RECOMMENDATIONS

We recommend that SSA:

1. Remind Compuware it must comply with the terms of current and future contracts it has with SSA. Specifically, it should notify appropriate Agency personnel of any changes in staff's employment status, and remind the contractor to retain documents associated with the contract.
2. Ensure CPSPM is properly notified of all contract awards, delivery orders, terminations, and contractor employee work status changes when suitability requirements are applicable.

AGENCY COMMENTS

SSA agreed with our recommendations. See Appendix B.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objectives, we:

- Reviewed the Delivery Order SS00-09-31564 between the Social Security Admiration (SSA) and Compuware Corporation and all modifications for performance period September 30, 2009 to September 29, 2011.
- Reviewed applicable sections of the Federal Acquisition Regulation, SSA's Administrative Instructions Manual System, and SSA's Acquisition Regulations.
- Interviewed SSA personnel to discuss required delivery order deliverables, payments terms, and suitability requirements.
- Obtained and reviewed a list of contractor employees who had a suitability determination.
- Obtained invoices for Delivery Order SS00-09-31564 from SSA's Office of Travel and Administrative Payment Services to determine whether the Agency paid invoices accurately and timely.
 - Invoice #1 - \$15,000,000.00
 - Invoice #2 - \$9,800,000.00
 - Invoice #3 - \$2,373,766.65

We conducted our audit in Baltimore, Maryland, from June 2012 to January 2013. We determined the data used for this audit were sufficiently reliable to meet our audit objective. The entities audited were the Office of Acquisition and Grants in the Office of Budget, Finance and Management and the Division of Resource Management and Acquisition under the Office of Systems.

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.

Appendix B – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: May 31, 2013 **Refer To:** S1J-3

To: Patrick P. O’Carroll, Jr.
Inspector General

From: Katherine Thornton /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, “The Social Security Administration’s Contract with Compuware Corporation” (A-13-12-11297)—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 Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“SOCIAL SECURITY ADMINISTRATION’S CONTRACT WITH COMPUWARE
CORPORATION” (A-13-12-11297)**

Recommendation 1

Remind Compuware it must comply with the terms of current and future contracts it has with SSA. Specifically, it should notify appropriate Agency personnel of any changes in staff's employment status, and remind the contractor to retain documents associated with the contract.

Response

We agree. By June 30, 2013, we will issue Compuware a reminder to comply with the terms of contract #SS00 11-60060 and any future contracts it has with us. We will specifically remind Compuware to notify appropriate agency personnel of any changes in staff's employment status and to retain documents associated with the contract.

Recommendation 2

Ensure Center for Personnel Security and Project Management is properly notified of all contract awards, delivery orders, terminations, and contractor employee work status changes when suitability requirements are applicable.

Response

We agree. Currently, we send a notification to the Center for Personnel Security and Project Management (CPSPM) of all contracts, orders, calls, and modifications with security classifications (security requirements are applicable) through the SSA's Streamlined Acquisition System (SSASy). CPSPM receives the SSASy notification through its Contractor Suitability System. Our *Security and Suitability Requirements* clause 0401 provides that Contracting Officer Technical Representatives (COTR) are responsible for notifying CPSPM of contractor employee status changes. We will remind all COTRs of this responsibility by June 30, 2013.

Appendix C - MAJOR CONTRIBUTORS

Shirley E. Todd, Director, Evaluation Division

Randy Townsley, Audit Manager

Upeshka van der Merwe, Auditor-in-Charge

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