

*Congressional Response Report*

Costs Incurred in Developing the  
Disability Case Processing System

# OIG

Office of the Inspector General  
SOCIAL SECURITY ADMINISTRATION

September 14, 2016

The Honorable Sam Johnson  
Chairman, Subcommittee on  
Social Security  
Committee on Ways and Means  
House of Representatives  
Washington, DC 20515

Dear Mr. Johnson:

As you requested, we are providing regular reports to keep the Subcommittee informed on the Social Security Administration's (SSA) efforts related to its Disability Case Processing System (DCPS) project. We have assessed the accuracy of the costs SSA reported it incurred in developing DCPS as of September 30, 2015.

We will continue evaluating SSA's efforts to develop and implement DCPS, and we will provide periodic reports to keep the Subcommittee informed of the project. To ensure SSA is aware of the information provided to your office, we are forwarding a copy of this report to the Agency.

If you have any questions concerning this matter, please call me or have your staff contact Kristin Klima, Congressional and Intragovernmental Liaison, at (202)-358-6319.

Sincerely,



Gale Stallworth Stone  
Acting Inspector General

Enclosure

cc:  
Carolyn W. Colvin

# Costs Incurred in Developing the Disability Case Processing System

## A-14-16-50099



September 2016

Office of Audit Report Summary

### Objective

To assess the accuracy of the costs the Social Security Administration (SSA) reported it incurred in developing the Disability Case Processing System (DCPS) as of September 30, 2015.

### Background

SSA partners with State disability determination services (DDS) to evaluate disability claims and make disability determinations. The DDSs use various customized systems to process disability cases.

DCPS is an SSA initiative to develop a common system the Agency expects will simplify system support and maintenance, improve the speed and quality of the disability process, and reduce the overall growth rate of infrastructure costs.

### Findings

We concluded that SSA's reported costs of \$356 million for the DCPS project for the 8-year period ended September 30, 2015 were reasonably accurate.

| Category                      | Total Costs          |
|-------------------------------|----------------------|
| Contractor Costs              | \$283,055,095        |
| Supplemental Contractor Costs | \$7,917,130          |
| SSA Labor Costs               | \$62,123,943         |
| Travel Costs                  | \$2,808,613          |
| <b>Total</b>                  | <b>\$355,904,781</b> |

However, SSA used contract award amounts in its DCPS cost figure—not the amounts actually paid for each contract. Further, SSA primarily included its Office of Systems employees' labor costs. The Agency did not always include the labor cost of employees in other SSA components and from DDSs that assisted in planning and testing DCPS.

While we did not consider these issues to be sufficiently significant to materially affect the overall DCPS cost figure, we believe they warrant SSA's attention.

SSA anticipated its DCPS-related costs for FY 2016 to be approximately \$31 million—bringing the estimated total cost for DCPS for the 9-year period ending September 30, 2016 to about \$387 million. Further, SSA expects it will spend an estimated additional \$91 million between FYs 2017 and 2019 on the project.

As Chairman Johnson requested, we plan to continue monitoring the DCPS project and will issue regular reports on SSA's DCPS-related efforts.

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## **ABBREVIATIONS**

|        |                                   |
|--------|-----------------------------------|
| DCPS   | Disability Case Processing System |
| DDS    | Disability Determination Services |
| FY     | Fiscal Year                       |
| OIG    | Office of the Inspector General   |
| OMB    | Office of Management and Budget   |
| SSA    | Social Security Administration    |
| U.S.C. | United States Code                |

## OBJECTIVE

Our objective was to assess the accuracy of the costs the Social Security Administration (SSA) reported it incurred in developing the Disability Case Processing System (DCPS) as of September 30, 2015.

## BACKGROUND

SSA partners with State disability determination services (DDS) to evaluate disability claims and make disability determinations.<sup>1</sup> The DDSs use various customized systems to process disability cases. DCPS is an SSA initiative to develop a common case processing system for all DDSs. The Agency expects DCPS will simplify system support and maintenance, improve the speed and quality of the disability process, and reduce the overall growth rate of infrastructure costs.

Agencies must have a process that controls information technology planning and acquisition.<sup>2</sup> This process should provide agency management with accurate information on acquisition and life-cycle costs.<sup>3</sup> The project cost should include all relevant expenses in acquiring the system.<sup>4</sup>

See Table 1 for SSA's DCPS costs between Fiscal Years (FY) 2008 and 2015 by category.

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<sup>1</sup> Social Security Act §§ 221 and 1633, 42 U.S.C. §§ 421 and 1383b.

<sup>2</sup> Office of Management and Budget (OMB), Circular A-130, *Management of Federal Information Resources*, Section 9.b. p. 11 (November 28, 2000).

<sup>3</sup> OMB, *Capital Programming Guide*, V 3.0, *Supplement to Office of Management and Budget Circular A-11, Part 7: Planning, Budgeting, and Acquisition of Capital Assets*, p. 1 (June 30, 2015), and OMB, *Capital Programming Guide*, V 2.0, *Supplement to Office of Management and Budget Circular A-11, Part 7: Planning, Budgeting, and Acquisition of Capital Assets*, p. 1 (June 2006). Both documents are listed to show the same requirement was in place from FYs 2008 through 2015.

<sup>4</sup> OMB, *Capital Programming Guide*, V 3.0, p. 2; and OMB, *Capital Programming Guide*, V 2.0, p. 2. See Footnote 3.

**Table 1: DCPS Program Costs FYs 2008 Through 2015**

| Category                                   | Costs                | Percent    |
|--|----------------------|------------|
| Contractor Costs <sup>5</sup>              | \$283,055,095        | 80         |
| Supplemental Contractor Costs <sup>6</sup> | \$7,917,130          | 2          |
| SSA Labor Costs <sup>7</sup>               | \$62,123,943         | 17         |
| Travel Costs <sup>8</sup>                  | \$2,808,613          | 1          |
| <b>Total</b>                               | <b>\$355,904,781</b> | <b>100</b> |

## METHODOLOGY

In a February 13, 2015 letter to the Inspector General, Sam Johnson, Chairman of the Subcommittee on Social Security, House Committee on Ways and Means, expressed his continued concerns regarding the development of DCPS. Specifically, Chairman Johnson requested that we provide regular reports to keep the Subcommittee informed of SSA's DCPS-related efforts. This report is one in a series of reports that examines SSA's progress in developing and implementing DCPS.<sup>9</sup>

For purposes of our evaluation, we limited our testing to contractor and labor costs, as they accounted for 97 percent of the total DCPS costs. To accomplish our objective, we reviewed Agency documentation and interviewed SSA staff to understand the key systems, processes, and controls the Agency uses to capture and report DCPS costs. See Appendix A for additional information about our scope and methodology.

## RESULTS OF REVIEW

We concluded that SSA's reported costs of \$356 million for the DCPS project for the 8-year period ended September 30, 2015 were reasonably accurate. However, we noted issues with SSA's processes for capturing and reporting contractor and labor costs. While we did not

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<sup>5</sup> This represents amounts SSA awarded vendors to develop DCPS.

<sup>6</sup> This includes costs for contractor resources that were outside the original DCPS contract. For example, contractor support required for the integration and testing of DCPS into the SSA infrastructure, monitoring services, and SSA IT Help Desk support activities.

<sup>7</sup> This includes labor costs primarily by SSA's Office of Systems and Chief Program Office employees who worked on DCPS.

<sup>8</sup> This includes all travel costs incurred by SSA and DDS employees who assisted in the planning, requirements analysis, software testing, and monitoring of the DCPS project from FY 2008 through FY 2015.

<sup>9</sup> SSA OIG, *The Social Security Administration's Disability Case Processing System* (A-14-15-15016), November 2014, and *Observations and Recommendations for the Disability Case Processing System* (A-14-15-50008), May 2015.

consider these issues to be sufficiently significant to materially affect the overall DCPS cost figure, we believe they warrant SSA's attention.

## DCPS Contractor Costs

SSA included contract award amounts in its DCPS cost figure—not the amounts actually paid for each contract. Our review of SSA's vendor cost recording process determined it was reasonable to ensure DCPS contractor award amounts were accurately reported.

We compared the contract award amounts to the corresponding payment amounts to determine whether a material difference existed. We found that the award amounts exceeded the actual payments by approximately \$2.37 million.<sup>10</sup> We concluded this difference was not material since it represented less than 1 percent of the reported contractor costs.

## SSA Employee Labor Costs

According to OMB, agencies should record all relevant costs in acquiring a system.<sup>11</sup> However, when calculating DCPS' labor costs, SSA primarily included its Office of Systems employees' labor. The Agency did not always include the labor costs of employees in other SSA components and DDSs that assisted in planning and testing DCPS.<sup>12</sup>

Office of Systems employees use its Resource Accounting System to record the hours worked for different projects. When SSA calculated the labor cost for DCPS, it used the total labor hours collected in this system. Our review found the controls in the Resource Accounting System were effective in ensuring Office of Systems employees timely entered the hours they worked for each project.<sup>13</sup>

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<sup>10</sup> SSA recorded the award amount in the month in which it issued the contract to the vendor. Because not all the payments for the contracts awarded in FY 2015 would have been paid when we performed our review, we limited our analysis to contracts awarded in FYs 2008 through 2014.

<sup>11</sup> OMB, *Capital Programming Guide*, V 3.0, p. 2 and OMB, *Capital Programming Guide*, V 2.0, p. 2. See Footnote 3.

<sup>12</sup> SSA used a formula to apply its indirect management and administrative services costs to each project. We detected an error in the FY 2015 labor calculation. As of July 26, 2016, SSA was still researching the effect of this error. However, we concluded the error would not materially affect DCPS' overall cost figure.

<sup>13</sup> While the system included controls to ensure employees recorded 80 hours of activity for every pay period, controls may not have been sufficient to ensure staff accurately recorded time to projects. SSA did not require that its supervisors review the time their staffs recorded for reasonableness. Consequently, it was possible that the actual time employees spent on the DCPS project could have been less, or greater, than the hours recorded. We did note that SSA supervisors had tools available that could detect time recording errors, but the use of these tools was not required. While we concluded this control weakness would not materially affect the overall DCPS cost, we believe SSA should consider strengthening the controls in its Resource Accounting System to better ensure staff time is recorded accurately.

We concluded that the omission of labor costs outside the Office of Systems would not materially affect the overall DCPS cost figure. However, we believe SSA should report total labor costs in accordance with OMB requirements.

## CONCLUSIONS

We concluded that SSA's reported costs of \$356 million for the DCPS project for the 8-year period ended September 30, 2015 were reasonably accurate. We noted issues with SSA's processes for capturing and reporting contractor and labor costs. While we did not consider these issues to be of sufficient significance to materially affect the overall DCPS cost figure, we believe they warrant SSA's attention.

SSA anticipated its DCPS-related costs for FY 2016 to be approximately \$31 million—bringing the estimated total cost for DCPS for the 9-year period ending September 30, 2016 to about \$387 million. Further, SSA expects it will spend an estimated additional \$91 million between FYs 2017 and 2019 on the project.<sup>14</sup>

As Chairman Johnson requested, we plan to continue monitoring the DCPS project and will issue regular reports on SSA's DCPS-related efforts.



Rona Lawson  
Assistant Inspector General for Audit

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<sup>14</sup> As of the date of our report, SSA has only partially developed cost estimates for FY 2019.

# *APPENDIX*

## **Appendix A – SCOPE AND METHODOLOGY**

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Our objective was to assess the accuracy of the costs the Social Security Administration (SSA) reported it incurred in developing the Disability Case Processing System (DCPS) as of September 30, 2015. We limited our testing to the DCPS contractor costs and SSA's employee labor costs for the 8-year period ended September 30, 2015. These two cost categories represent 97 percent of the total DCPS costs. We did not test the DCPS supplemental contractor costs and the DCPS travel costs (see Table 1) as those cost categories were not material to the total costs.

To accomplish our objective, we:

- Interviewed SSA personnel from the DCPS Chief Program Office.
- Interviewed budget staff under the Deputy Commissioner for Systems.
- Determined and reviewed the Federal criteria that pertained to the recording and reporting of system development costs.
- Reviewed the processes used to obtain and report vendor costs and employee labor costs.
- Reviewed SSA's budget processes for requesting and approving funding for DCPS contracts.
- Reviewed the process for recording the award amounts of the approved contracts in SSA's accounting system.
- Traced the figures on the DCPS cost summary to their source data to determine their accuracy.
- Recomputed the calculations of the employee labor costs.
- Determined the reasonableness of using contract award costs by comparing them to their corresponding paid invoices.

We conducted our work from August 2015 through June 2016 in Baltimore, Maryland. The principal entity reviewed was SSA's DCPS Chief Program Office. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

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