

Audit Report

Guard Services Provided in the New
York Region in Fiscal Year 2015

A-02-17-50186 / August 2017

OIG

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: August 21, 2017 **Refer To:**

To: Frederick M. Maurin
Regional Commissioner
New York

From: Assistant Inspector General for Audit

Subject: Guard Services Provided in the New York Region in Fiscal Year 2015 (A-02-17-50186)

The attached final report presents the results of our review. Our objective was to determine whether the Social Security Administration paid the appropriate amount for security guard services provided in the New York Region in Fiscal Year 2015.

If you wish to discuss the final report, please call me or have your staff contact Timothy Nee, Director, New York Audit Division, 212-264-5295.



Rona Lawson

Attachment

Guard Services Provided in the New York Region in Fiscal Year 2015

A-02-17-50186



August 2017

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) paid the appropriate amount for security guard services provided in the New York Region in Fiscal Year (FY) 2015.

Background

SSA's New York Regional Office (RO) contracts with the Federal Protective Service (FPS) for security guard services at its field offices and other regional facilities. In FY 2015, the New York RO had 10 contracts with FPS for regularly scheduled guard services and 6 additional contracts for temporary additional services that covered facilities in 10 geographic areas the RO oversaw.

The New York RO's Center for Materiel Resources requested that we determine whether SSA accurately paid for the guard services FPS provided under these contracts. To accomplish our objective, we reviewed the 16 contracts the RO had with FPS, including all contract modifications, and determined the costs of the guard services actually provided in FY 2015.

Findings

SSA overpaid \$496,258 for regularly scheduled and temporary guard services provided in the New York Region in FY 2015. Specifically, the actual cost of regularly scheduled guard services provided was about \$17.4 million. However, FPS charged, and SSA paid, about \$17.9 million for these services—a \$474,465 overpayment. We also determined the actual cost of the temporary additional services provided was \$134,435. However, FPS charged, and SSA paid, \$156,228 for these services—a \$21,793 overpayment.

We found FPS mischarged SSA for several reasons. For example, FPS miscalculated when it determined the costs for guard services provided in some offices. It also used incorrect dates or number of hours guards worked when it determined some costs. In addition, FPS double-counted some costs, charging SSA for the same guard services under a contract for regularly scheduled guard service and another temporary additional services contract. Additionally, FPS did not always modify contracts when changes occurred that affected contract costs.

Finally, FPS did not always subtract the costs of guard services when an office was temporarily closed, guards were absent or late for work, guards left earlier than scheduled, or SSA did not require guard services.

Recommendation

We recommend that SSA request FPS refund the \$496,258 overpayment for guard services provided in FY 2015.

SSA agreed with our recommendation.

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ABBREVIATIONS

FPS	Federal Protective Service
FY	Fiscal Year
OIG	Office of the Inspector General
RO	Regional Office
SSA	Social Security Administration
TAS	Temporary Additional Services

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) paid the appropriate amount for security guard services provided in the New York Region in Fiscal Year (FY) 2015.

BACKGROUND

SSA's New York Regional Office (RO) contracts with the Federal Protective Service (FPS) for security guard services in its field offices and other regional facilities. In FY 2015, the New York RO had 10 contracts with FPS for regularly scheduled guard services that covered facilities in 10 geographic areas the RO oversaw (see Table 1).¹

Table 1: Security Guard Services Provided to 10 Areas

Area
1. Addabbo (A facility located in Queens, New York)
2. Bronx, New York
3. Brooklyn and Staten Island, New York
4. Manhattan, New York
5. Queens, New York (excluding Addabbo)
6. Long Island, New York
7. Northern New Jersey
8. Southern New Jersey
9. Puerto Rico and the U.S. Virgin Islands
10. Upstate New York

The RO had six additional contracts with FPS for temporary additional services (TAS) required during the year. The Bronx, Brooklyn and Staten Island, Manhattan, Queens, and Long Island areas were under one TAS contract. The Addabbo facility, Northern and Southern New Jersey, Puerto Rico and U.S. Virgin Islands, and Upstate New York each had their own TAS contracts.

¹ While we refer to the agreements by which SSA requested security guard services from FPS as contracts throughout this report, they are technically security work authorizations.

Contract Cost Calculation

In FY 2015, FPS worked with RO staff to determine the total cost for the anticipated regularly scheduled guard services it would provide under the 10 contracts it had with the RO.² SSA used the calculated amount to determine how much it needed to obligate for guard services. FPS was to modify the contracts to account for the changing costs caused by guard schedule changes, guard post additions, guard post cancellations, and changes in hourly wage rates.

As SSA was only responsible for paying for the actual guard services provided, it informed FPS of any deviations from the anticipated level of guard services that occurred throughout the year, such as office closings or guard lateness. FPS was to consider all guard services that were not used to ensure it billed SSA the appropriate amount.³

Similarly, at the beginning of FY 2015, FPS worked with RO staff to determine the costs for the six contracts based on the anticipated TAS that would be needed throughout the year.⁴ SSA used the calculated amount to determine how much funding it needed to obligate for additional guard services. As the RO needed TAS above the initial anticipated amount, it informed FPS, which modified the TAS contracts to account for the costs of the additional services requested. Similar to the 10 regularly scheduled guard service contracts, SSA was only responsible for paying for the actual services provided through the TAS contracts.

Contract Oversight

In FY 2015, RO staff communicated regularly with FPS to report necessary changes to the guard services provided in its facilities. To enhance the RO's ability to track the changes, RO staff developed a database in FY 2016 to record all changes to the guard services provided by FPS. The database helps RO staff verify the accuracy of the costs for guard services provided. While RO staff was using this database as of the date of this review, it was not used in FY 2015.

The New York RO's Center for Materiel Resources requested that we determine whether SSA accurately paid for the guard services FPS provided in FY 2015. We reviewed the 16 guard service contracts, including all contract modifications and changes in guard services.

² The 10 contracts for regularly scheduled guard services were provided by guards assigned to specific guard post locations, with specified work hours and days. The contracts were 100-percent reimbursable agreements by which FPS was paid the direct cost of the services provided (the hours guards worked times the hourly wage rate) plus a 6-percent administrative fee to cover FPS' overhead costs for FY 2015.

³ Our review of the contract modifications found, with few exceptions, contract costs were calculated based on the assumption that all guard services would be provided as scheduled.

⁴ The TAS contracts established for FY 2015 included a 6-percent administrative fee in addition to the direct costs of the services provided.

RESULTS OF REVIEW

SSA overpaid \$496,258 for regularly scheduled services and TAS provided in the New York Region in FY 2015. The actual cost of regularly scheduled guard services provided was \$17.4 million. However, FPS charged, and SSA paid, \$17.9 million for these services—a \$474,465 overpayment. We also determined the actual cost of TAS provided was \$134,435. However, FPS charged, and SSA paid, \$156,228 for these services—a \$21,793 overpayment.

Regularly Scheduled Guard Service Costs

SSA paid FPS \$17.9 million for guard services provided in FY 2015 under the 10 regularly scheduled guard service contracts. We determined the actual cost of the guard services provided was \$17.4 million—a \$474,465 overpayment. Table 2 shows the overpayments by contract.

Table 2: Payments for Regularly Scheduled Guard Services

Contract Area	Amount Paid for Guard Services	Actual Cost of Guard Services Provided	Overpayment
1. Addabbo	\$3,464,182	\$3,400,084	\$64,098
2. Bronx, New York	1,918,412	1,772,311	146,101
3. Brooklyn and Staten Island, New York	1,838,037	1,817,867	20,170
4. Manhattan, New York	1,346,569	1,320,284	26,285
5. Queens, New York	474,410	461,702	12,708
6. Long Island, New York	763,703	755,663	8,040
7. Northern New Jersey	1,891,178	1,797,502	93,676
8. Southern New Jersey	1,536,460	1,530,788	5,672
9. Puerto Rico and U.S. Virgin Islands	1,591,104	1,552,508	38,596
10. Upstate New York	3,034,355	2,975,236	59,119
Total	\$17,858,410	\$17,383,945	\$474,465

FPS mischarged SSA for a number of reasons. For example, FPS miscalculated the costs of guard services provided in some offices. It also used incorrect dates or number of hours guards worked when it determined some costs. In addition, FPS double-counted some costs, charging SSA for the same guard services under a contract for regularly scheduled guard services and another TAS contract.

Additionally, FPS did not always modify contracts for changes that affected contract costs. For example, FPS did not modify the contracts for Southern New Jersey and Upstate New York to account for the actual dates of extensive guard schedule changes that occurred later than planned. As a result, FPS based the final contracts' costs on outdated guard information.

Finally, FPS did not account for all the deviations from the anticipated level of guard services to ensure SSA paid only for the services provided. More specifically, FPS did not always subtract the costs of guard services when an office was temporarily closed, guards were absent or late for work, guards left earlier than scheduled, or SSA did not require their services. In some cases, we could not determine why FPS mischarged SSA for guard services because of a lack of documentation on how FPS calculated the costs.

TAS Costs

SSA paid \$156,228 for the services provided in FY 2015 under the six TAS contracts. We determined TAS actually cost \$134,435. Therefore, SSA overpaid \$21,793.

For some of the TAS contracts, FPS billed SSA for less than the actual costs of the guard services provided. For other contracts, FPS billed for more than the actual costs. In total, the overcharges were higher than the undercharges, which led to the overall overpayment. Table 3 shows the over- and underpayments by contract.

Table 3: Payments for Temporary Additional Guard Services

Contract Area	Amount Paid for Guard Services	Actual Cost of Guard Services Provided	Over- and Underpayment Amounts
1. Addabbo	\$57,584	\$35,205	\$22,379
2. Bronx, Brooklyn and Staten Island, Manhattan, Queens, and Long Island	22,889	17,860	5,029
3. Northern New Jersey	11,609	13,443	(1,834)
4. Southern New Jersey	2,817	3,411	(594)
5. Puerto Rico and U.S. Virgin Islands	34,310	34,566	(256)
6. Upstate New York	27,019	29,950	(2,931)
Total	\$156,228	\$134,435	\$21,793

FPS did not provide SSA with details on how it determined the total costs of the additional guard services provided in FY 2015. As a result, we could not determine the reason for the over- or underpayment amounts.

CONCLUSIONS

SSA overpaid \$496,258 for guard services provided in the New York Region in FY 2015. In FY 2016, RO staff developed a database to track all changes to guard services made throughout the year and will continue using this database in future years. Accordingly, we expect the RO will be better able to calculate the actual costs of guard services provided and work with FPS to clarify any differences in expected costs going forward.

RECOMMENDATION

We recommend that SSA request FPS refund the \$496,258 overpayment for guard services provided in FY 2015.

AGENCY COMMENTS

The Agency agreed with our recommendation. The Agency's comments are included in Appendix B.

A handwritten signature in black ink, appearing to read "Rona Lawson".

Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed applicable Federal laws and regulations and other criteria relevant to the contracts established between the Social Security Administration (SSA) and Federal Protective Service (FPS) for security guard services provided in the New York Region.
- Spoke with staff at SSA’s Center for Materiel Resources in the New York Region about how contracts were established, costs were determined, and bills were paid for security guard services in the New York Region.
- Obtained from the Center for Materiel Resources records pertaining to Fiscal Year 2015 on
 - all contracts, including supporting documents, established for the New York Region;
 - guard schedule changes, guard post additions, guard post cancellations, hourly wage rate changes, and all other changes that affected the costs of contracts;
 - all events that affected regularly scheduled guard services or required additional guard services; and
 - payments for guard services.
- Determined the costs established for all initial contracts and modified contracts. We also determined why contracts were modified, whether detailed documents were provided to support the determination of costs, and whether errors were made in the calculation of costs.
- Determined the appropriate costs for all initial and modified contracts. When changes occurred after the final contract was established that affected the contracts’ costs, we determined the appropriate costs for contracts with the changes included.
- Determined the actual costs of services provided.

We determined the information provided by the New York Regional Office were sufficiently reliable given our objective, and the intended use of the information should not lead to incorrect or unintentional conclusions. We conducted this audit in New York, New York, from January to May 2017.

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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B – AGENCY COMMENTS

Date: Tuesday, August 15, 2017

Subject: RE: Action (by 08/18/17): Audit 42017001 - OIG Draft Report, "Guard Services Provided in the New York Region in Fiscal Year 2015"

We agree with OIG's audit recommendation and requested that the Federal Protective Service (FPS) refund the \$496,258 overpayment for guard services provided in fiscal year (FY) 2015. FPS Region 2 stated that they expect to have the refunds for the FY 2015 Security Work Authorizations (SWA) processed by October 31, 2017. To date, we have yet to receive the refund. FPS Region 2 is responsible for all New York Region SWAs except the Southern/Western New Jersey reoccurring and temporary additional service SWAs.

To mitigate overpayments in the future, we have developed and now utilize a regional guard database. This assists us with estimating guard costs and tracking actual costs. Recently, we found discrepancies with the FPS Northern New Jersey SWA, saving the region \$180,835.78. FPS calculated the SWA at \$2,208,710.08. After reviewing calculations from the database, we were able to determine that the correct amount was, in fact, \$2,027,874.30. FPS reconciled their findings and agreed with our regional database calculations.

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