
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**THE SOCIAL SECURITY ADMINISTRATION'S
PC MALL GOV, INCORPORATED
CONTRACT**

July 2012

A-14-11-01133

AUDIT REPORT



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 31, 2012 Refer To:

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's PC Mall Gov, Incorporated, Contract (A-14-11-01133)

OBJECTIVE

Our objectives were to (1) ensure the Social Security Administration (SSA) received the goods and services for which it contracted and (2) review the services provided by PC Mall Gov, Incorporated, (PCMG) and the related costs charged to the Agency for adherence to the negotiated contract terms and applicable regulations.

BACKGROUND

Since 1990, SSA has been upgrading its Storage Tek Tape and Automated Cartridge System equipment through various contracts and purchase orders. SSA contracted with PCMG to update or replace its aging Powderhorn 9310 Tape Silo Infrastructure with newer SL8500 Tape Libraries, Virtual Storage Managers, state-of-the-art tape drives, and related equipment and media.

SSA uses the PCMG firm-fixed-price¹ delivery order² contract, with a base year and four 1-year options, to acquire tape storage hardware, software, and related equipment as well as installation, maintenance, upgrades, and nation-wide relocation services.³ The

¹ The President's Council on Integrity & Efficiency, *Advisory and Assistance Services: A Practical Reference Guide*, December 2000, page 5, defines a firm-fixed-price contract as one in which the contractor agrees to perform the entire job for a pre-determined price. In January 2009, the President's Council on Integrity and Efficiency was superseded by the Council of the Inspectors General on Integrity and Efficiency. See *Inspector General Reform Act of 2008*, Pub. L. No. 110-409 § 7, 5 U.S.C. App. 3 § 11.

² SSA issued delivery orders in the form of contract modifications to request the number of goods and services it needed from the contract price list.

³ SSA contract SS00-07-31209, issued September 28, 2007.

period of performance is September 28, 2007 to September 27, 2012. As of September 30, 2011, SSA had authorized 42 contract modifications and obligated \$74.18 million.

We examined the contract and associated invoices. We interviewed staff in SSA's Offices of Budget, Finance and Management; Human Resources; and Systems. We also contacted Headquarters and field office staff regarding the equipment purchased and installed. See Appendix B for additional scope and methodology and Appendix C for our sampling methodology.

RESULTS OF REVIEW

Based on our analysis of contract invoices, equipment inventory, and contractor employees' background information, we determined that SSA received the goods and services for which it contracted and was generally satisfied with PCMG's work. The costs billed to SSA generally adhered to the negotiated contract terms and applicable contract guidelines. Nothing came to our attention to indicate that SSA did not comply with applicable regulations.

We found that SSA had implemented controls and practices to help ensure PCMG adhered to the contract terms based on our review of the contract and interviews with the contract team, including the Contracting Officer's Technical Representative (COTR),⁴ contracting officer (CO), and accounts payable staff. We found that the COTR reviewed and certified invoices timely, which helped SSA's Office of Finance (OF) comply with Federal law and regulation.⁵ Moreover, the CO negotiated several discounts with PCMG that saved SSA \$12.8 million.

We identified four areas where the Agency could improve its administrative oversight and monitoring of the contract. Although these conditions did not materially affect SSA's ability to properly manage and oversee the PCMG contract, we are bringing these conditions to your attention to help you improve your contract management and oversight processes. Specifically, we found SSA did not

- record its capital equipment⁶ as personal property assets in the General Ledger (GL);

⁴ The President's Council on Integrity & Efficiency, *Advisory and Assistance Services: A Practical Reference Guide*, December 2000, page 4 defines a COTR as an individual designated and authorized, in writing, by the CO to perform specific technical functions.

⁵ "In 1982, Congress enacted the *Prompt Payment Act* ("Act"; Pub. L. 97-177) to require Federal agencies to pay their bills on a timely basis, to pay interest penalties when payments are made late, and to take discounts only when payments are made by the discount date. The Act, as amended, is found at 31 U.S.C. Chapter 39" 64 Fed. Reg. 52580 (September 29, 1999).

⁶ AIMS, § 04.01.03 defines capitalized property as "... personal property that has an acquisition value of \$100,000 or more and is recorded in the SSA General Ledger Accounts."

- record PCMG purchases in a property inventory management system;
- comply with its suitability determination⁷ policies and procedures; and
- comply with the *Federal Information Security Management Act (FISMA)*⁸ requirements for agencies to provide contractors with security awareness training.

SSA DID NOT RECORD ITS CAPITAL EQUIPMENT AS PERSONAL PROPERTY ASSETS IN THE GL

We found that during Fiscal Years (FY) 2008 through 2011, SSA ordered and received 38 items, totaling \$14.1 million, with purchase prices ranging from \$109,000 to \$1.8 million but did not record these items in the GL. In addition, we found 12 items,⁹ totaling \$4.1 million, whose aggregate costs exceeded the \$100,000 capitalization threshold but were not recorded in the GL.

SSA's Administrative Instructions Manual System (AIMS), Material Resource Manual (MRM) section 04.01, defines property with an aggregate acquisition cost of \$100,000 or more as capitalized property (assets).¹⁰ SSA recorded 36 of the 38 assets as expenses instead of recording them as capitalized assets. Consequently, SSA understated its personal property amount in the GL by \$18 million. During these 4 years, SSA also overstated its information technology (IT) equipment expense and understated its IT equipment depreciation.

The Agency used the SSA Streamlined Acquisition System (SSASy) to order from PCMG 50 items whose costs exceeded \$100,000. We reviewed the PCMG contract and contract modifications 1 through 42 to determine the number of IT equipment items ordered that exceeded \$100,000. To test whether SSA properly recorded purchases exceeding \$100,000 as personal property assets, we compared contract-ordering data to information recorded in the GL. In turn, we reviewed a GL query listing the accounting code entries for PCMG purchases that exceeded \$100,000. Our analysis showed 38 items whose purchase price exceeded \$100,000. However, only 2 of the 38 items had the asset accounting code.¹¹ The remainder had the expense accounting code.¹²

⁷ 5 C.F.R. § 731.101 Administrative Personnel, defines the suitability determination as a decision by the Office of Personnel Management or an agency with delegated authority that a person is suitable or is not suitable for employment in covered positions in the Federal Government or a specific Federal agency.

⁸ *Federal Information Security Management Act of 2002*, Pub. L. No. 107-347, 116 Stat. 2899, Title III (2002).

⁹ For these 12 items, none of the purchase prices for the 36 component parts exceeded \$100,000, but when assembled, the total cost was \$339,000, each (\$339,000 X 12 = \$4,068,000).

¹⁰ AIMS, § 04.01.03 defines capitalized property as "personal property that has an acquisition value of \$100,000 or more and is recorded in the SSA General Ledger Accounts."

¹¹ A Subobject Classification Code (SOC) of 3124 represents an asset.

¹² A SOC code of 315A or 2574 represents an expense.

We discussed our concerns with Agency representatives. SSA's OF staff informed us that the GL posts the accounting codes recorded in SSASy. For personal property assets to be posted to the GL, employees would need to code the orders in SSASy using an asset accounting code instead of an expense accounting code. SSA staff also stated that since the errors were less than 5 years old, the entries could be corrected.

In its FY 2011 financial statements, SSA reported \$139 million in personal property assets, but that total did not include the 48 PCMG items totaling \$18 million. This omission led to a discrepancy of at least 11.5 percent. However, this understatement did not materially affect the Agency's financial statements for *Chief Financial Officers Act*¹³ and Government Accountability Office (GAO)/ President's Council on Integrity and Efficiency (PCIE) ¹⁴ reporting purposes.¹⁵

We recommend that the Agency

- correct accounting codes for the items that should have been capitalized and
- develop controls to prevent similar errors in the future.

For example, SSA could modify the SSASy-GL interface to display an error message when the purchase price exceeds the capitalization threshold and the order contains an accounting expense code. In addition, SSA could modify the GL system to generate a periodic listing of purchases with accounting expense codes that exceeded the capitalization threshold. In turn, GL staff could then notify the originating component to correct entries.

After our fieldwork ended, OF staff members informed us that OF had instituted controls to ensure OF staff records equipment as personal property assets in the GL. OF created a weekly automated list of the SSASy equipment transactions meeting SSA's capitalization threshold. OF staff manually reviews contract documents to determine whether the items listed on the query are correctly coded. OF staff reported they had corrected the accounting codes in the GL to capitalize the items identified through the PC Mall audit.

SSA DID NOT RECORD PCMG PURCHASES IN A PROPERTY INVENTORY MANAGEMENT SYSTEM

This finding is similar to our previous finding because both involved SSA staff entering information into an Agency financial or inventory system. However, in the first finding, Agency staff made erroneous entries in the GL. For this finding, Agency staff omitted the entry in the Agency's inventory system.

¹³ *Chief Financial Officers Act of 1990*, Pub. L. No. 101-576 § 303, 31 U.S.C. § 3515.

¹⁴ GAO/PCIE *Financial Audit Manual*, Volume 1, Section 230, July 2008.

¹⁵ The error-posting threshold for FY 2011 was \$151 million.

Our review determined that SSA did not record approximately \$62 million in equipment purchased under SSA contract SS00-07-31209 in any of its inventory management systems. The items were not recorded because Agency staff responsible for entering the data in the appropriate personal property inventory management system did not know SSA's inventory recording policies. By not having inventory recorded in any of the Agency's inventory management systems, SSA increased its risk of paying for maintenance costs for items that were no longer operational.

SSA's AIMS, MRM section 04.04¹⁶ lists three personal property asset categories.

- Capitalized property¹⁷ is an item with an aggregate acquisition cost of \$100,000 or more.
- Accountable property¹⁸ is an end item¹⁹ with an aggregate acquisition value of \$3,000²⁰ to \$99,999.
- Sensitive property is an item whose theft, loss, or misplacement could negatively affect SSA's mission or goal to preserve the public trust regardless of cost.²¹

SSA requires that the components owning any of these three types of property account for and record them in SSA's Sunflower Assets Property System.²² The custodial component should also record this property in its custodial property system. We could not find all the IT equipment related to the PCGM contract in these property systems.

We reviewed the property management records in SSA's Sunflower Assets Property System and the Office of Telecommunications and Systems Operations (OTSO) custodial property records. The Sunflower System extract had 3 items totaling \$110,000 recorded, and OTSO's custodial inventory system extract had 1,208 items

¹⁶ AIMS, § 04.04, Physical Inventory of Personal Property, April 2010.

¹⁷ AIMS, § 04.01.03 defines capitalized property as ". . . personal property that has an acquisition value of \$100,000 or more and is recorded in the SSA General Ledger Accounts."

¹⁸ AIMS, § 04.01.03 issued in April 2006 defines accountable property as "The end item of personal property with an aggregate acquisition value of \$1,000 to \$99,999 including property owned, leased or otherwise under Government control." "All personal property within the accountable dollar threshold must be recorded in a system to be maintained by the PAO [Property Accountable Officer]."

¹⁹ AIMS § 04.01.03 defines end item as an item of equipment that is not part of a larger item.

²⁰ When SSA issued the contract on September 28, 2007, the lower dollar threshold for accountable property was \$1,000. However, on April 12, 2010, SSA increased the lower dollar threshold of accountable property to \$3,000 via AIMS, section 04.04.02.

²¹ AIMS, MRM, § 04.04.02 Policy, (April 2010).

²² The Sunflower Assets Property System is a database that the Agency uses to account for sensitive property that costs less than \$3,000 and items of equipment with an acquisition cost greater than \$3,000. See generally, SSA, AIMS - MRM, 4.04 (April 12, 2010).

totaling \$31.79 million²³ recorded. Additionally, we found that OTSO's custodial officers had not performed periodic physical inventories and had not performed a physical inventory when there was a change in custodial officers.

The Sunflower staff informed us that it is the owning component's responsibility (that is, OTSO) to enter its accountable property into the Sunflower System. Staff also stated that it had not received any physical inventory reports from OTSO's custodial officers during the contract period.

During the contract period, OTSO created the Hewlett Packard Asset Management (HPAM) inventory system. The HPAM staff stated they uploaded the records from OTSO's previous inventory system into HPAM so any PCMG items recorded in the prior inventory system should be in HPAM. Items uploaded directly into the HPAM system are formatted into files that Sunflower accesses to update its database.

We obtained data extracts from both Sunflower and HPAM. We identified three items in Sunflower's data extract that matched items on the HPAM data extract. In addition, we could not verify that the Sunflower data extract included the entire PCMG inventory.

We recommend that the Agency adhere to its own policies and procedures to account for equipment acquired under the PCMG contract in a property management system.

SSA MAY NOT HAVE COMPLIED WITH ITS SUITABILITY DETERMINATION POLICIES AND PROCEDURES

We found nine individuals who received suitability determinations for other SSA contracts who may have worked on the PCMG contract without PCMG or the COTR notifying SSA's Center for Personnel Security and Project Management (CPSPM). PCMG informed SSA that these nine contractor personnel were available to assist in the installation of the equipment purchased during the first 15 months of the contract. During this time, CPSPM found only one person suitable to work on this contract. However, we could not determine whether any of these nine had entered SSA buildings to work on the PCMG contract. The CO, COTR, and CPSPM did not receive any requests from PCMG to obtain suitability determinations for these individuals to work on this PCMG contract.

According to the contract,²⁴ "The Contractor must submit the completed forms for each employee and replacement employee (including each subcontractor employee) who will be performing under the contract to the Protective Security SPO [now CPSPM]. The Government will not permit Contractor personnel to perform under the contract until the pre-screening process is complete."

²³ The inventory did not have values for 160 of the 1,208 items.

²⁴ SSA contract SS00-07-31209, issued September 28, 2007, Section 14.0, page 38.

It is possible that one or more of these nine worked on the PCMG contract without seeking a new suitability letter. If this occurred, CPSPM did not have the opportunity to determine whether the previous suitability determination for these individuals was appropriate for the PCMG contract and issue new suitability letters for these individuals.

In a previous audit,²⁵ we identified instances where individuals received a suitability determination for one SSA contract then transferred to another SSA contract. We recommended SSA ensure that all contractor personnel working on different contracts receive the appropriate suitability determinations for each contract even if it means undergoing another suitability determination.

When an entity has multiple contracts with the Agency and those contracts have different risk levels, individuals assigned to one contract may not have had the proper background investigation to work under another contract. For example, some contractor personnel may only need physical access to SSA facilities, and some contractors may need both physical access and access to SSA's information systems. CPSPM personnel stated the COTR is responsible for obtaining a new suitability letter from CPSPM for every individual transferring from one contract to another.

In response to our previous reviews, SSA informed us that it had implemented a new system²⁶ to correct this issue. After the Contractor Enrollment Request Management System (CERMS) implementation, we were not aware of any suitable individuals who transferred to the PCMG contract without obtaining an additional suitability letter. However, SSA staff agreed with us that CERMS was not designed to prevent or detect instances where an individual found suitable to work on one contract then works on another contract without obtaining an additional suitability determination. We reiterate our prior recommendation that SSA ensure that all contractor personnel working on different SSA contracts receive the appropriate suitability determinations for each contract. The contractor personnel in this situation must receive a suitability letter from CPSPM before working on any additional contracts.

After our fieldwork ended, CPSPM staff informed us that the standard suitability contract clause would be updated so it would address our recommendation for this finding.

²⁵ SSA OIG, *The Social Security Administration's Oversight of MDRC Contract No. SS00-06-60075* (A-15-08-18010), December 22, 2008.

²⁶ SSA OIG, Status of Recommendations report for SSA OIG, *The Social Security Administration's Oversight of MDRC Contract No. SS00-06-60075* (A-15-08-18010), December 22, 2008. SSA developed a new application, the CERMS to better manage its contractor personnel screening process.

SSA DID NOT COMPLY WITH FISMA'S REQUIREMENTS FOR AGENCIES TO PROVIDE CONTRACTORS WITH SECURITY AWARENESS TRAINING

The Office of Acquisition and Grant's (OAG) standardized security clauses²⁷ used in the PCMG contract did not contain or reference FISMA security requirements.²⁸ Without these clauses, SSA staff monitoring contract compliance did not know they needed to provide PCMG contractors with security awareness training and to request the contractors sign a Personnel Security Certification form. By not receiving training, the contractors could inadvertently violate SSA's security, confidentiality, and ethics rules. Moreover, should any contractor's noncompliance result in the Agency bringing an adverse action, not having the signed certification form could allow that contractor to successfully claim ignorance of the policy and the consequences for noncompliance.

Congress enacted FISMA²⁹ in 2002 and each year, the Office of Management and Budget (OMB) issues FISMA reporting instructions³⁰ containing OMB's interpretations of the FISMA requirements. According to OMB,³¹ contracts for IT acquisitions should contain FISMA, OMB Circular A-130, and National Institute of Standards and Technology requirements. In 2006, SSA stated³² that these security awareness requirements apply to contractors even if contractors never access electronic information systems as users. Moreover, in 2006, OMB stated³³ that contracts for IT services must reflect FISMA requirements and agencies have had several years to make these contract modifications. In particular, OMB stated³⁴ in 2007 that FISMA requires that agencies provide contractors, with security awareness training and training about the agency's policies and rules of behavior.

²⁷ Clause AS 2401, *Protection of Confidential Information* (section 12.0 on page 28 of Contract); Clause AS 2402, *Contractor responsibilities Regarding Personally Identifiable Information* (section 13.0 on page 30 of contract; and Clause AS 403, *Security Requirements Clause* (section 14.0 on page 36 of contract).

²⁸ OMB, Memorandum M-07-19, FY 2007 Reporting Instructions for the *Federal Information Security Management Act* and Agency Privacy Management, July 25, 2007.

²⁹ *Federal Information Security Management Act of 2002*, Pub. L. No. 107-347, 116 Stat. 2899, Title III (2002).

³⁰ See OMB Memoranda Web Page (http://www.whitehouse.gov/omb/memoranda_default).

³¹ OMB, Memorandum M-06-20, FY 2006 Reporting Instructions for the *Federal Information Security Management Act* and Agency Privacy Management, July 17, 2006.

³² SSA, *Information Systems Security Handbook*, Appendix H, Security Training, November 15, 2006.

³³ OMB, Memorandum M-06-20, FY 2006 Reporting Instructions for the *Federal Information Security Management Act* and Agency Privacy Management, July 17, 2006.

³⁴ OMB, Memorandum M-07-19, FY 2007 Reporting Instructions for the *Federal Information Security Management Act* and Agency Privacy Management, July 25, 2007.

In March 2007, SSA issued³⁵ its Information Systems Security Handbook (ISSH) to meet the FISMA requirement to establish an agency-wide information security program and the policies to support that program. SSA information security policy applies to all SSA employees and contractors.

ISSH, Appendix H,³⁶ addresses SSA's implementation of the FISMA security training requirements. ISSH states³⁷ that all employees and contractors must receive a standard level of security awareness training each year.

ISSH, Appendix B,³⁸ requires that all contractor personnel sign a Contractor Personnel Security Certification form. Should the contractors need access to Agency systems, they must sign the form before accessing SSA's systems. The purpose of the form is to document that the contractors have certified they understand SSA's security, confidentiality and ethics requirements and the penalties for noncompliance.

ISSH also has requirements for the CO, project officer, and security officers.³⁹ The CO must ensure that all relevant security statements and contract clauses are included in all solicitation and contract documents. The contract's COTR⁴⁰ must ensure that all contractor personnel sign the Personnel Security Certification and maintain the completed forms. In addition, the COTR and the security officers must inform contractor personnel about their security responsibilities and make them aware of their responsibilities for protecting sensitive information as specified in the contract.

In August 2007, OAG requested solicitations for bids on the PCMG contract. As stated above, both OMB and SSA issued requirements that contractors must receive security awareness training.⁴¹ In addition, SSA issued its policy requiring that its contractors sign a Personnel Security Certification form.⁴² However, OAG did not update its standard security clauses or create a new clause to include FISMA and Agency requirements.

³⁵ SSA, *Information Systems Security Handbook*, Version 1.5, March 19, 2007.

³⁶ SSA, *Information Systems Security Handbook*, Appendix H, Security Training, November 15, 2006.

³⁷ *Id.*

³⁸ SSA, *Information Systems Security Handbook*, Appendix B, Roles and Responsibilities, November 15, 2006.

³⁹ *Id.*

⁴⁰ Department of Health and Human Services, Project Officer Handbook, Section V, Post-Award Administration.

⁴¹ OMB, Memorandum M-07-19, FY 2007 Reporting Instructions for the *Federal Information Security Management Act* and Agency Privacy Management, July 25, 2007 and SSA, *Information Systems Security Handbook*, Appendix H, Security Training, November 15, 2006.

⁴² SSA, *Information Systems Security Handbook*, Appendix B, Roles and Responsibilities.

We contacted the CO and COTR to obtain copies of the Personnel Security Certification forms for the PCMG contractors. The CO and COTR stated they were not familiar with the ISSH requirements regarding contractor security awareness training and the requested certification forms. Because the CO and COTR were not aware of ISSH requirements, they did not train the contractors, and the contractors did not sign the certifications. In addition, the CO and COTR stated that the Chief Information Officer reviewed and approved the contract without the ISSH requirement.

In our FY 2011 FISMA report,⁴³ we stated the Agency required that its employees complete their FY 2011 annual security awareness training through an automated interactive program. However, we found the Agency did not require that contractors complete annual security awareness training through this interactive program. The Agency plans to require contractors to use this automated program in FY 2012.

We recommended that SSA establish a timeframe for contractor personnel to complete security awareness training. We reiterate this recommendation and also recommend the Agency update the contract security clause to address contractors receiving security awareness training and signing Personnel Security Certification forms.

CONCLUSION AND RECOMMENDATIONS

We found that SSA received the contracted goods and services and was generally satisfied with PCMG's work. In addition, the related costs PCMG charged to SSA generally adhered to the negotiated contract terms and applicable contract terms. Nothing came to our attention to indicate that SSA did not comply with applicable regulations.

We also found that SSA implemented controls and practices to help ensure PCMG adhered to the contract terms. We identified four areas where the Agency could improve its administrative oversight and monitoring of the contract. Although these conditions did not materially affect SSA's ability to properly manage and oversee the PCMG contract, we are bringing these conditions to your attention in hopes that this information will improve your contract management and oversight processes. We recommend SSA:

1. Correct accounting codes for the items that should have been capitalized and develop controls to prevent similar errors in the future.
2. Adhere to its own policies and procedures to account for equipment acquired under the PCMG contract in a property management system.
3. Ensure contractor personnel working on SSA contracts receive the appropriate suitability determinations for each contract.

⁴³ SSA OIG, *Fiscal Year 2011 Evaluation of the Social Security Administration's Compliance with the Federal Information Security Management Act of 2002* (A-14-11-01134), November 14, 2011.

4. Establish a timeframe for contractor personnel to complete security awareness training and update the contract security clause to address contractors receiving security awareness training and signing Personnel Security Certification forms.

AGENCY COMMENTS

The Agency agreed with our recommendations. See Appendix D for the full text of the Agency's comments.

OIG RESPONSE

We applaud the Agency for taking quick action to address our recommendations. However, in reference to Recommendation 2, the Agency stated, "As of March 9, 2012, all hardware at the National Computer Center has been asset tagged. Since its inception, we properly tagged all assets at the Second Support Center. We consider this recommendation closed for tracking purposes." We do not agree that SSA's action fully resolves our concerns. Until these assets are both tagged and recorded in a property management system, this recommendation should remain open.



Patrick P. O'Carroll, Jr.

Appendices

[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Sampling and Methodology

[APPENDIX D](#) – Agency Comments

[APPENDIX E](#) – OIG Contacts and Staff Acknowledgments

Acronyms

AIMS	Administrative Instructions Manual System
CERMS	Contractor Enrollment Request Management System
C.F.R.	Code of Federal Regulations
CO	Contracting Officer
COTR	Contracting Officer's Technical Representative
CPSPM	Center for Personnel Security and Project Management
DDS	Disability Determination Services
FISMA	<i>Federal Information Security Management Act</i>
FY	Fiscal Year
GL	General Ledger
HPAM	Hewlett Packard Asset Management
ISSH	Information Systems Security Handbook
IT	Information Technology
MRM	Material Resource Manual
OAG	Office of Acquisition and Grants
OF	Office of Finance
OMB	Office of Management and Budget
OIG	Office of the Inspector General
OTSO	Office of Telecommunications and Systems Operations
PCMG	PC Mall Government, Inc.
PSC	Program Service Center
Pub. L. No.	Public Law Number
SSA	Social Security Administration
SSASy	SSA's Streamlined Acquisition System
SOC	Subobject Classification Code
U.S.C.	United States Code

Scope and Methodology

To accomplish our audit objectives, we:

1. Obtained and reviewed the Social Security Administration's (SSA) contract with PC Mall Government, Incorporated (PCMG), Contract No. SS00-07-31209, and the 42 contract modifications issued as of September 30, 2011.
2. Selected and tested a sample of 11 invoices related to the contract (Modification 00), and 7 of 36 contract modifications issued as of December 31, 2010. See sampling methodology in Appendix C.
3. Selected for review all PCMG employees and tested their associated suitability forms, security access, and security awareness training records.
4. Reviewed the applicable Federal laws, regulations, and guidance.
5. Contacted or interviewed key SSA management and staff in SSA's Offices of Budget, Finance and Management; Human Resources; and Systems. In particular we contacted and interviewed those who executed and managed the contract, including SSA's
 - contracting officer;
 - Offices of Budget, Finance, and Management; Financial Policy and Operations; and Finance and
 - Contracting Officer's Technical Representative.

In addition to the contract-level review, we tested a portion of the contract to determine how well SSA executed and managed the contract in cost verification, timeliness, security and accountability. Our testing focused on reviewing all 29 invoices paid for the orders shown on 8 modifications selected for our review (see Appendix C).

We determined the computer-processed data were sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data, which allowed us to assess the reliability of the data and achieve our audit objectives.

We performed our fieldwork at six SSA program service center locations,¹ one State disability determination services location,² SSA's data centers,³ and SSA Headquarters⁴ between April 2010 and December 2011. The principal entities audited were SSA's Offices of Acquisitions and Grants; Financial Policy and Operations; and Telecommunications and Systems Operations.

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 objectives.

¹ We visited the Northeastern Program Service Center (PSC) in Jamaica, New York; the Mid-Atlantic PSC in Philadelphia, Pennsylvania; the Southeastern PSC in Birmingham, Alabama; the Great Lakes PSC in Chicago, Illinois; the Mid-America PSC in Kansas City, Missouri; and the Western PSC in Richmond, California.

² We visited the North Carolina Disability Determination Services in Raleigh, North Carolina.

³ The two SSA data centers we visited are the National Computer Center in Woodlawn, Maryland; and the Second Support Center in Durham, North Carolina.

⁴ The SSA Headquarters complex is in Woodlawn, Maryland.

Sampling Methodology

The Social Security Administration (SSA) obtained equipment, software and related services through its contract with PC Mall Government, Incorporated (PCMG), by issuing (1) task orders from the base contract and (2) contract modifications. During the first 3 years of the 5-year contract, SSA issued task orders from the base contract and 36 modifications totaling approximately \$68.7 million. We selected our sample items as follows.

- We reviewed the 10 invoices with the highest dollar value from a population of 119 invoices paid during the 3-year period. These 10 invoices represented purchases primarily for SSA's 2 data centers totaling \$32 million, which represents about 46.6 percent of the \$68.7 million spent.

Each of these 10 invoices had varying numbers of line items. We reviewed a minimum of 1, and maximum of 12, line items per invoice, for a total of 87 line items. We selected 179 items¹ from the 87 line items for physical inventory testing.

We selected 1 additional invoice for review, for \$1.2 million that contained SSA's purchases for its 6 program service centers (PSC) and 7 of the 54 disability determination services (DDS). We selected 29 items from the 9 line items for physical inventory testing. We visited the North Carolina DDS site and all six PSCs to perform the physical inventory testing.

- After selecting the samples, we attempted to match the sample items to a serial number list provided by the Agency. However, not all the equipment or products sampled had serial numbers. Some of the items ordered were subcomponents for larger machines or moving parts that did not have observable serial numbers. In addition, SSA had traded-in 14 items we selected for review. Consequently, we only tested 72 items that had observable serial numbers at the 2 data centers, the 6 PSCs, and 1 DDS. We observed all 72 items. These 72 items accounted for approximately \$7.4 million in purchases.
- For the review of contract deliverables and invoices, we found that the contractor issued 28 invoices to obtain payment for the 8 modifications used in the physical inventory testing. We compared the quantity and unit prices from the invoices to the quantity and unit prices of goods ordered. Nothing came to our attention to indicate SSA paid more than the contract price for any item, paid for items not ordered, or paid for items not received.

¹ The items selected were primarily for equipment, but included software, installation fees, maintenance fees, tape media and credits.

Appendix D

Agency Comments



Social Security

MEMORANDUM

Date: July 9, 2012

Refer To: S1J-3

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

From: Dean S. Landis /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "The Social Security Administration's PC Mall Gov, Incorporated, Contract" (A-14-11-01133)—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 Amy Thompson at (410) 966-0569.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“THE SOCIAL SECURITY ADMINISTRATION’S PC MALL GOV, INCORPORATED,
CONTRACT” (A-14-11-01133)**

Recommendation 1

Correct accounting codes for the items that should have been capitalized and develop controls to prevent similar errors in the future.

Response

We agree. As stated on page 4 of this report, we have corrected the accounting codes and instituted controls to prevent similar errors in the future. We consider this recommendation closed for tracking purposes.

Recommendation 2

Adhere to its own policies and procedures to account for equipment acquired under the PC Mall Gov, Incorporated contract in a property management system.

Response

We agree. As of March 9, 2012, all hardware at the National Computer Center has been asset tagged. Since its inception, we properly tagged all assets at the Second Support Center. We consider this recommendation closed for tracking purposes.

Recommendation 3

Ensure contractor personnel working on Social Security Administration contracts receive the appropriate suitability determinations for each contract.

Response

We agree. We are in the process of updating the standard suitability contract clause to address this finding.

Recommendation 4

Establish a timeframe for contractor personnel to complete security awareness training and update the contract security clause to address contractors receiving security awareness training and signing Personnel Security Certification forms.

Response

We agree. In 2008 we established a standardized contract clause, AS 402, to require contractors to complete an annual security certification to serve as security awareness training. By implementing this standardized clause, we also established a timeframe for contractor personnel to complete the security awareness training and sign the security certification forms. The contractor's employees must complete the form annually and the contractor must notify the Office of Information Security (OIS) and the appropriate Contracting Officer when they meet this requirement. We requested PC Mall Gov to have its employees complete this certification (attached). However, since this contract pre-dates the implementation of AS 402 and the contract has not been amended, we could not require PC Mall Gov employees or sub-contractors to complete this certification.

OIS is responsible for coordinating our FISMA security activities and follows the annual reporting instructions provided by the Office of Management and Budget (OMB). In 2011, OMB issued memo M-11-33, FY 2011 Reporting Instructions for the Federal Information Security Management Act and Agency Privacy Management, which provided additional context for contractor awareness training. In response, we are transitioning to an automated annual security training capability for those contractors with systems access. We are re-examining the training requirements of FISMA and our policy now requires that we have an automated training capability for those with systems access in response to the revised FISMA Reporting Instructions received in 2011. We will update our security awareness training requirements in the ISSH and contract clauses as appropriate.



SOCIAL SECURITY

August 27, 2010

Dear Social Security Administration (SSA) Contractor:

The purpose of this letter is to transmit the enclosed security awareness bulletin (herein referred to as the bulletin) entitled *SSA Security Awareness: Contractor Personnel Security Certification* to your firm.

The Federal Information Security Management Act of 2002 (Title III, Public Law No. 107-347), commonly known as FISMA, and Office of Management and Budget policy (through Circular A-130, Appendix III), require that all contractor and subcontractor employees working under Government service contracts receive periodic training in computer security awareness and accepted computer security practices. This includes training for those who do not have access to electronic information systems. To facilitate this training, SSA developed the enclosed bulletin.

You are responsible for distributing the bulletin as quickly as possible within your organization to individuals who provide contract support to SSA under all of your contracts and orders (includes purchase, task, and/or delivery orders) with SSA. You must also ensure the bulletin is delivered to all your subcontractors working under your SSA contracts and orders. You must receive and retain signed copies of the bulletin from each employee and each of the subcontractors' employees.

You are required to send an e-mail to security.awareness.training@ssa.gov by September 10, 2010, confirming you distributed the bulletin, your employees and subcontractors' employees signed the document, and the number of employees and subcontractors' employees who signed the document. If you do not have e-mail capabilities, send a written confirmation that you have taken the above action to the following address:

Social Security Administration
Office of the Chief Information Officer
Attn: Tim May
6401 Security Boulevard
171 Altmeyer
Baltimore, Maryland 21235

Direct any questions pertaining to this correspondence to the e-mail address above. Thank you for your time and attention to this important matter.

Sincerely,

The signature is handwritten in cursive script.
Dianne L. Rose
Associate Commissioner
Office of Acquisition and Grants

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

Social Security Administration (SSA) Security Awareness: Contractor Personnel Security Certification

Purpose: This form is to be signed by contractor personnel to certify that they have received and understand SSA's Security Awareness Training requirements detailed below.

I have read and understand the following SSA Security Awareness: Contractor Personnel Security Certification and, in accordance with this document, agree that:

1. I will not construct or maintain, for a period longer than required by the contract, any record or file containing SSA data.
2. I will safeguard SSA information (file, record, report, etc.) when taken offsite.
3. I will not inspect SSA information without proper authorization.
4. I will keep confidential any third-party proprietary information that may be entrusted to me as part of the contract.
5. I will not release or disclose any SSA information to any unauthorized person. SSA information includes Federal Tax Information, whose unauthorized disclosure is subject to penalties under Sections 6103, 7213, 7213A and 7431 of the Internal Revenue Service (IRS) Code. All SSA information is also protected by Section 1106 of the Social Security Act.
6. If a clause addressing the protection of confidential information is included in any contract under which I am working, I will adhere to the policies and act in accordance with the procedures contained in that clause.
7. If a clause addressing the protection of personally identifiable information (PII) is included in any contract under which I am working, I will adhere to the policies and act in accordance with the procedures contained in that clause.
8. I understand that disclosure of any information to parties not authorized by SSA may lead to civil and/or criminal prosecution under Federal law (i.e. The Privacy Act of 1974, 5 U.S.C 552a, 20 C.F.R. Part 401, and 5 U.S.C Section 552(i)).

Contractor Employee

Date

Appendix E

OIG Contacts and Staff Acknowledgments

OIG Contacts

Brian Karpe, Director, Information Technology Audit Division

Mary Ellen Moyer, Audit Manager

Acknowledgments

In addition to those named above:

Alan Lang, Senior Auditor

For additional copies of this report, please visit our Website at <http://oig.ssa.gov/> or contact the Office of the Inspector General's Public Affairs Staff at (410) 965-4518. Refer to Common Identification Number A-14-11-01133.

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Overview of the Office of the Inspector General

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.