

*Audit Report*

Hughes Network Systems, LLC  
Contract

# OIG

Office of the Inspector General  
SOCIAL SECURITY ADMINISTRATION

## MEMORANDUM

Date: July 24, 2014 Refer To:

To: The Commissioner

From: Inspector General

Subject: Hughes Network Systems, LLC Contract (A-14-14-14032)

The attached final report presents the results of our audit. Our objectives were to (1) determine whether the Social Security Administration received the goods and services for which it contracted and (2) review the services provided by Hughes Network Systems, LLC and the related costs charged to the Agency 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

July 2014

Office of Audit Report Summary

### Objective

Our objectives were to (1) determine whether the Social Security Administration (SSA) received the goods and services for which it contracted and (2) review the services provided by Hughes Network Systems, LLC (Hughes) and the related costs charged to SSA for adherence to the negotiated contract terms and applicable regulations.

### Background

SSA issued a task order against the General Services Administration's Satellite Communications contract for its Interactive Video Tele-training Network. The task order service period was from September 1, 2008 to January 31, 2014. In total, SSA obligated about \$27 million.

The Federal Acquisition Regulation requires that contract modifications be documented.

SSA's asset management policy requires that Agency property—including satellite equipment—be recorded in an inventory system.

The *Federal Information Security Management Act of 2002* requires that contractors receive security awareness training.

### Our Findings

We determined that SSA received the goods and services for which it contracted and was generally satisfied with equipment and services Hughes provided. However, we found that SSA did not

- document modifications to the SOW;
- follow its asset management policies; and
- comply with Federal regulations with regard to security awareness training.

### Our Recommendations

We believe SSA should consider the issues we identified in our audit when entering into, or managing, future contracts. We recommend that SSA ensure:

1. Modifications to the SOW are properly documented and maintained.
2. Staff complies with the Agency's asset management policies.
3. Contractors are given security awareness training.

SSA agreed with our recommendations.

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## **ABBREVIATIONS**

FAR	Federal Acquisition Regulation
GSA	General Services Administration
Hughes	Hughes Network Systems, LLC
IVT	Interactive Video Tele-training
OIG	Office of the Inspector General
SOW	Statement of Work
SSA	Social Security Administration

## OBJECTIVE

Our objectives were to (1) determine whether the Social Security Administration (SSA) received the goods and services for which it contracted and (2) review the services provided by Hughes Network Systems, LLC (Hughes) and the related costs charged to SSA for adherence to the negotiated contract terms and applicable regulations.

## BACKGROUND

The General Services Administration (GSA) established the satellite communications contracts to provide Federal agencies and other authorized entities a full range of satellite solutions. On May 27, 2008, SSA issued a task order against GSA's contract with Hughes to purchase satellite support services for its Interactive Video Tele-training (IVT) Network.<sup>1</sup> The task order included a Statement of Work (SOW) that listed SSA's specifications and deliverables for the contract. The period of service under this task order began September 1, 2008 and ended January 31, 2014. In total, SSA obligated about \$27 million.<sup>2</sup>

To accomplish our objectives, we obtained and reviewed the delivery/acceptance documents, supporting documents, and applicable Federal laws and regulations. In addition, we reviewed a sample of deliverables and invoices. See Appendix A for additional information about our scope and methodology.<sup>3</sup>

## RESULTS OF REVIEW

We determined that SSA received the goods and services for which it contracted and was generally satisfied with the equipment and services Hughes provided.<sup>4</sup> However, we found that SSA did not

- document modifications to the SOW;
- follow its asset management policies; and
- comply with Federal regulations with regard to security awareness training.

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<sup>1</sup> The IVT Network provides a training delivery system to support SSA's IVT downlink sites or the field offices, IVT studio personnel, and Office of Training.

<sup>2</sup> The contract period was for 1 base year (September 1, 2008 through August 31, 2009) plus 4 option years. SSA modified the contract in May 2013 to extend services from September 1, 2013 through January 31, 2014.

<sup>3</sup> We selected 20 IVT locations, 2 from each of the 10 SSA regions. At each location, we interviewed training attendees on the quality of the equipment and the services Hughes provided.

<sup>4</sup> We reviewed a sample of invoices to determine whether SSA paid them timely and for the correct amount. While we did not identify any issues regarding the timeliness of payments, we did note that SSA recorded some expenditures against incorrect expense accounts in the Agency's accounting system. SSA acknowledged the issues and informed us that it had taken corrective action.

## **Statement of Work**

The Federal Acquisition Regulation (FAR) is the primary regulation for Federal agencies to follow when they acquire supplies and services.<sup>5</sup> FAR requires that contract modifications be documented.<sup>6</sup>

A Disaster Recovery Plan is critical to ensuring continuity of operations. Although SSA included a Disaster Recovery Plan as a deliverable in the SOW, the Agency was unable to provide us with a copy of the Plan. Therefore, we were unable to determine whether Hughes developed and delivered a Plan to the Agency.

SSA also included in the SOW a requirement that the Agency's Second Support Center in Durham, North Carolina, be established as a back-up site for IVT. According to SSA, the Agency modified its agreement with Hughes to eliminate the back-up site requirement. However, SSA was unable to provide documentation of the modifications. In addition, the Agency informed us it no longer employed the individuals involved in the decisions.

Because it did not have documentation to support changes, SSA is at risk of not obtaining from the contractor the services and/or deliverables for which the Agency has contracted.

## **Inventory**

SSA's asset management policy requires that property valued at \$3,000 or more be entered into the Agency's inventory system.<sup>7</sup> In addition, the custodial officer should maintain property valued under \$3,000 in an active inventory record within their property area.<sup>8</sup>

We found that SSA did not record a satellite dish valued at over \$232,000 in its inventory system.<sup>9</sup> In addition, SSA did not track about 1,656 satellites valued at least \$1.6 million in its inventory systems.<sup>10</sup>

## **Security Awareness Training**

According to the *Federal Information Security Management Act of 2002*, an agency program should include security awareness training for personnel, including contractors and others who

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<sup>5</sup> FAR is jointly issued by the Department of Defense, GSA, and the National Aeronautics and Space Administration.

<sup>6</sup> FAR 43.201(a).

<sup>7</sup> Sunflower Assets Property System.

<sup>8</sup> SSA, AIMS, MRM 04.01.05(C), effective March 27, 2014.

<sup>9</sup> During our review, SSA inventoried the satellite dish valued over \$232,000.

<sup>10</sup> Each satellite cost about \$1,000 or more. The Agency acknowledged that the remaining satellite dishes should be included in an inventory system.

use information systems that support the Agency's operations and assets.<sup>11</sup> SSA's policy requires that all individuals who use Federal information systems obtain annual security awareness training.<sup>12</sup>

Without proper training, a contract employee could inadvertently violate SSA's security policy and procedures. SSA was unable to provide documentation indicating that Hughes' employees working under the contract completed the required security awareness training.

## CONCLUSIONS

We determined that SSA received the goods and services for which it contracted and was generally satisfied with the equipment and services provided by Hughes. However, we found that SSA did not

- document modifications to the SOW;
- follow its asset management policies; and
- comply with Federal regulations with regard to security awareness training.

## RECOMMENDATIONS

We believe SSA should consider the issues we identified in our audit when entering into or managing future contracts. We recommend that SSA ensure:

1. Modifications to the SOW are properly documented and maintained.
2. Staff complies with the Agency's asset management policies.
3. Contractors are given security awareness training.

## AGENCY COMMENTS

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

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<sup>11</sup> Pub. L. No. 107-347, Title III, Section 301 § 3544 (b)(4).

<sup>12</sup> SSA Information Systems Security Handbook, *Information Security Training and Awareness Policy*, Chapter 9, (March 12, 2014).

# *APPENDICES*

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

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Our objectives were to (1) determine whether the Social Security Administration (SSA) received the goods and services for which it contracted and (2) review the services provided by Hughes Network Systems, LLC (Hughes) and the related costs charged to SSA for adherence to the negotiated contract terms and applicable regulations.

To accomplish our objectives, we:

- Obtained a copy of the Statement of Work and modifications as of July 2, 2013.
- Reviewed applicable Federal laws, regulations, and guidelines as well as SSA's policies and procedures.
- Interviewed SSA and contractor subject matter experts including the current Contracting Officer, Contracting Officer's Technical Representative, and Hughes' Project Manager.
- Reviewed one of each type of deliverable to determine whether SSA received the appropriate contracted services.
- Sampled the following.
  - 5 of 265 invoices to determine whether SSA paid the invoices timely and for the correct amount. One sample invoice was selected from the largest invoice category that represents 80 percent of the total dollars spent. For the remaining 20 percent, we examined 4 of the largest invoice categories.
  - 20 locations (2 from each of SSA's 10 Regions) to determine whether the customers (users) were satisfied with Hughes' performance.
  - All 4 contract employees that were stationed at SSA's National Computer Center to determine whether the Agency found them suitable for work.<sup>1</sup> We conducted a cursory review of the Agency's suitability determination records for the remaining Hughes contract employees.

We determined the data used for this audit were sufficiently reliable to meet our audit objectives. We conducted our work between March 2013 and January 2014 in Baltimore, Maryland. The principal entities audited were the Offices of the Deputy Commissioners for Budget, Finance, Quality and Management; Human Resources; and Systems.

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<sup>1</sup> The Office of Inspector General is assessing systems access that includes reviewing contractor suitability determination records, *Contractor Access to Social Security Administration Data* (A-15-13-13092). However, the audit does not review Hughes' contract employees so we examined the four most sensitive and conducted a cursory review of the remainder.

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

## **Appendix B – AGENCY COMMENTS**

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### **SOCIAL SECURITY**

#### **MEMORANDUM**

Date: July 3, 2014 Refer To: S1J-3

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

From: Katherine A. Thornton  
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Hughes Network Systems, LLC Contract"  
(A-14-14-14032) - 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,  
“HUGHES NETWORK SYSTEMS, LLC CONTRACT” (A-14-14-14032)**

**Recommendation 1**

Ensure modifications to the statement of work (SOW) are properly documented and maintained.

**Response**

We agree. By July 2014, we will issue a reminder to contracting staff to revise and attach an award's SOW when executing a modification.

**Recommendation 2**

Ensure staff complies with the agency's asset management policies.

**Response**

We agree. In January 2014, we updated our asset management system to include the identified satellite in our inventory. We are currently in the process of awarding a new satellite contract. In accordance with the award timeline, by February 2015, we will update our component inventory to include the satellites valued under the \$3,000 threshold. Finally, we will issue a reminder of our asset management policies to all components by August 2014.

**Recommendation 3**

Ensure contractors are given security awareness training.

**Response**

We agree. The agency-specific Federal Information Security Management Act and Agency Privacy Management clause requires contractor employees to receive annual computer security awareness training. The base award to Hughes Network Systems, LLC did not include this requirement because we awarded the contract prior to the implementation of the clause in October 2008. By July 2014, we will issue a reminder to contracting officers to include the clause in all service awards and to add a modification if it is not included in the base award.

## **Appendix C – MAJOR CONTRIBUTORS**

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Jeffrey Brown, Director

Mary Ellen Moyer, Audit Manager

Cheryl Dailey, Auditor

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