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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**THE SOCIAL SECURITY ADMINISTRATION'S  
INFORMATION TECHNOLOGY MAINTENANCE  
AND LOCAL AREA NETWORK  
RELOCATION CONTRACT**

May 2007

A-14-07-17022

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**AUDIT REPORT**

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## **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: May 21, 2007

Refer To:

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Information Technology Maintenance and Local Area Network Relocation Contract (A-14-07-17022)

## OBJECTIVE

The objective of our review was to determine whether the Social Security Administration (SSA) has adequate controls in place for the administration, oversight and accountability of its contract for information technology maintenance and local area network (LAN) relocation.<sup>1</sup>

## BACKGROUND

In July 2002, SSA awarded TFE Technology Holdings LLC (TFE) a performance-based contract to maintain and relocate Government-owned LANs, also known as computer networks, and associated peripheral<sup>2</sup> equipment. TFE was acquired by Diebold, Incorporated in 2004 and the company's name changed to Diebold Information and Security Systems LLC (Diebold-ISS) effective May 18, 2005. A typical SSA computer network includes equipment such as workstations, LAN cabinets, file servers, bridges, routers, switches, and printers with stands. LAN equipment is a critical part of SSA's operating environment, and is used daily by SSA and Disability Determination Services employees nationwide. A recent article in *Government Computer News* aptly stated: "Networks...form a critical part of the infrastructure of all agencies. Without a working network, most agency activity would quickly grind to a complete halt."<sup>3</sup>

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<sup>1</sup> SSA Contract Number: 0600-02-60007.

<sup>2</sup> Peripheral equipment is a computer device (such as a keyboard or printer), that is not part of the essential computer, i.e., the memory and microprocessor. Some other examples of peripheral devices are a mouse, compact disc read-only memory drive (commonly known as CD-ROM drive), monitor, external zip drive, scanner and modem.

<sup>3</sup> McCormick, John, "Plug and Play: Network appliances help ease major changes to the system," *Government Computer News*, (August 7, 2006), page 20.

Diebold-ISS performs the following tasks under the contract:

1. **Task Orders**, indefinite delivery and quantity orders, to repair and modify LANs, install components, analyze networks, and provide advice about efficient network usage. Diebold-ISS bills SSA based on fixed hourly rates.
2. **Relocation Services** to deinstall, pack, ship and reinstall LANs; bring equipment back up to working order; and dispose of packing material. Diebold-ISS bills SSA a fixed price per call based on the number of components relocated.
3. **Maintenance** services to repair and replace broken computer workstations and peripherals. Diebold-ISS bills SSA a fixed price per call based on the equipment type. In an effort to cut contract costs, SSA added drop shipment maintenance repairs to the Statement of Work in February 2004. The drop shipment pricing includes the cost of a component device, such as a mouse or a keyboard, and the cost of overnight shipping. The equipment is replaced by the end-user or the Agency's site LAN coordinator.

The contract term is 1 year beginning on September 1, 2002, with 4 1-year options to renew. The fifth contract year began on October 1, 2006. The maximum contract amount is \$75 million. As of the end of our field work in October 2006, \$51.8 million was obligated under the contract. The SSA project officer in the Office of Telecommunications and Systems Operations (OTSO) and the SSA Contracting Officer in the Office of Acquisition and Grants (OAG) are authorized to place task orders/delivery orders under the contract.

## RESULTS OF REVIEW

SSA generally has adequate controls in place for the administration, oversight and accountability of its contract for information technology maintenance and LAN relocation. Some of the controls are:

- separation of duties between (1) procurement and contract administration, (2) program oversight, (3) finance and accounting, and (4) contractor suitability determination;
- invoices must be certified before payment;
- obligation transactions flow electronically from the procurement administration system to the accounting system;
- maintenance transactions are comprehensively tracked from the date the problem is reported to SSA's Network Customer Service Centre to the date the problem is resolved; and

- maintenance invoices include the contract line item number and key information regarding the services rendered.

There are areas of contract management that need to be addressed, including:

- suitability determinations were not performed for all Diebold-ISS staff with access to SSA buildings and equipment;
- some paid invoices were not sufficiently supported;
- information was not recorded in the accounting system to distinguish payments made against specific order numbers;
- internal control weakness existed in contract oversight; and
- contractor's reports on the destruction of hard drives were not made as required.

At the end of our fieldwork, we shared our findings and recommendations with SSA employees responsible for managing the contract. The Agency's contracting, program, accounting, and suitability offices have subsequently taken steps to address most of our findings.

### **SUITABILITY DETERMINATIONS WERE NOT PERFORMED FOR ALL DIEBOLD-ISS STAFF WITH ACCESS TO SSA BUILDINGS AND EQUIPMENT**

A number of the Diebold-ISS employees and its subcontractor staff involved in office relocations we reviewed<sup>4</sup> did not receive background checks and should not have been allowed to work on-site at an SSA facility or have access to Agency programmatic or sensitive information. As a result, SSA is exposing its sensitive data to possible compromise.

We did a two-step review of the contractor's compliance with the Agency's Protective Security Clause<sup>5</sup> found in the Diebold-ISS contract. Through interviews and the review of SSA and Diebold-ISS documentation, we found that four Diebold-ISS staff working under the contract did not receive a background check as required by the Protective Security Clause. One of the four nonapproved Diebold-ISS staff received SSA's replaced computer hard drives for destruction. Additionally, a Diebold-ISS contract administrator informed us that its staff no longer request suitability approvals for movers. However, SSA's suitability office informed us that the suitability determination requirement for the movers was not waived.

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<sup>4</sup> We reviewed documentation from relocations at SSA offices in Tampa-Carrollwood, Florida, October 2006; Ann Arbor, Michigan, October - November 2006; Freeport, New York, November 2006; and Pomona, California, November 2006.

<sup>5</sup> The purpose of the Protective Security Clause is to provide procedures for obtaining suitability determinations for contractor personnel who will be performing under the contract. "Performing under the contract" is defined as either working on-site at an SSA facility (including visiting the SSA site for any reason) or having access to agency programmatic or sensitive information.

As a result of the initial findings, we reviewed documentation from four Agency relocations that took place in October and November 2006. According to Agency suitability records, 4 of the 9 Diebold-ISS staff involved in the moves and all 27 subcontractor staff did not receive background checks and should not have been permitted to work on-site at an SSA facility or have access to Agency programmatic or sensitive information.

We recommend SSA strengthen internal controls to ensure that contractor personnel performing under contracts have obtained the appropriate background checks prior to beginning work on a contract. Additionally, we expect that full implementation of Homeland Security Presidential Directive 12 (HSPD-12)<sup>6</sup> by SSA will help ensure that background checks are conducted on all contract employees working on contracts of this nature. HSPD-12 requires that mandatory common identification standards for Federal employees and contractors be implemented to ensure that secure and reliable forms of identification are issued by the Federal Government to its employees and contractors, including contractor employees.

### **SOME INVOICES WERE NOT SUFFICIENTLY SUPPORTED**

We selected a sample of Diebold-ISS task order, relocation and maintenance transactions for testing (see Appendix B for the details of the sampling methodology). We reviewed 340 of the 83,616 requests for services initiated over the first 4 contract years.<sup>7</sup> The table on page 5 reflects the results of our review:

#### **Task Orders**

We reviewed 100 task orders and found that 63 were billed and paid according to the agreed-upon prices detailed in the contract and 2 were not. Additionally, 32 transactions did not have enough support with the invoice to determine whether the services were billed and paid according to agreed-upon prices. For task orders billed at fixed hourly rates, the vendor did not always indicate the number of hours for which SSA was being billed or the hourly rate charged. Three task orders were erroneously paid in excess of the amount certified by the program office. The overpaid amounts were recovered in December 2005.

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<sup>6</sup> August 2004 *Presidential Policy for a Common Identification Standard for Federal Employees and Contractors*.

<sup>7</sup> The first 4 contract years are as follows: Year 1-September 1, 2002 through August 31, 2003; Year 2-September 1, 2003 through September 30, 2004; Year 3-October 1, 2004 through September 30, 2005; and Year 4-October 1, 2005 through September 30, 2006. For Year 4, we tested transactions processed through June 30, 2006.

## Relocation Orders

We reviewed 100 LAN relocation orders and found that 76 were billed and paid according to agreed-upon prices detailed in the contract and 7 were not. Additionally, 17 did not have enough support with the invoice to determine if the services were billed and paid according to agreed-upon prices. Additionally, the vendor did not always update the supporting documentation to reflect changes in the number of LAN equipment moved after the original purchase order was created. The original order is typically prepared many months ahead of the scheduled move date. Without this information, it was difficult to accurately determine, by looking at the invoice and its support, whether the Agency was billed the correct amount.

## Maintenance

We reviewed 140 maintenance transactions. With the exception of one transaction, the billed maintenance services were all billed and paid according to agreed-upon prices detailed in the contract. Four requests for services were not billed by the vendor because they were either resolved by the user or the vendor reported the equipment was not covered under the contract. The maintenance invoices showed the corresponding SSA problem management (PM) number and enough information about the specific work performed to confirm whether the appropriate amounts were billed and paid.

According to Federal Acquisition Regulation (FAR),<sup>8</sup> contract payment will be based on receipt of a proper invoice and satisfactory contract performance. Invoices should include the description, quantity, unit of measure, unit price, and extended price of supplies delivered or services performed. SSA should ensure that invoices submitted

<b>TRANSACTION TEST RESULTS</b>				
<b>Type</b>	<b>Total</b>	<b>Task Order</b>	<b>Relocation</b>	<b>Maintenance</b>
<b>Number of transactions reviewed</b>	<b>340</b>	<b>100</b>	<b>100</b>	<b>140</b>
Paid according to agreed upon prices	274	63	76	135
Not paid according to agreed upon prices	10	2	7	1
Not billed/Not paid	4	-	-	4
Not enough support provided with invoice to determine if paid according to agreed upon prices	49	32	17	-
Paid in excess of certified amount	3	3	-	-

<sup>8</sup> FAR 52.212-4 – Contract Terms and Conditions - Commercial Items and FAR 32.905 – Prompt Payment: Payment documentation and process.

by the vendor are properly supported to make certain a sufficient review can be made before certification and payments occur. Based on our recommendation, the Agency contacted Diebold-ISS representatives who informed the Agency that it is now taking steps to improve the support provided with invoices. Additionally, we recommend the Agency resolve the incorrectly billed payments made to Diebold-ISS. SSA contract managers contacted Diebold-ISS representatives and are now working with Diebold-ISS to resolve any incorrectly billed amounts.

### **INFORMATION IS NOT RECORDED IN THE ACCOUNTING SYSTEM TO DISTINGUISH PAYMENTS MADE AGAINST SPECIFIC ORDER NUMBERS**

The accounting system did not contain enough detailed information about the Diebold-ISS task and relocation invoices paid to easily query the system to locate actions related to a specific order number. For example, there was not enough information in the accounting system to easily determine whether three of the invoices we reviewed, which were paid in excess of the certified amounts, had already been recovered by the Agency. Without the specific invoice number, it is difficult to retrieve the payment information and activity concerning a particular relocation or task order transaction on the Diebold-ISS contract. When SSA payment processing staff members contacted Diebold-ISS in November 2006 to report the three payments made in excess of the certified amounts, they were informed that SSA had already recovered the funds by reducing the amount paid on another invoice in December 2005. Transactions should be promptly recorded, properly classified and accounted for to prepare timely accounts and reliable financial and other types of reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination.<sup>9</sup>

During the first few contract years, relocation and task order numbers were recorded in the description field in the financial accounting system when the invoices were paid. However, the Office of Finance has subsequently discontinued capturing this information. To allow for more management information concerning the orders against the contract, we recommend recording relocation and task order numbers in the financial accounting system.

### **INTERNAL CONTROL WEAKNESS EXISTS IN CONTRACT OVERSIGHT**

The Diebold-ISS contract does not indicate that an alternate project officer is assigned. As a result, no one is officially designated in the contract as a back-up to represent the project officer in the technical phases of the contract. Also, allowing a single individual to manage a contract with no alternate available places too much control in the hands of a single individual with insufficient oversight of the project officer's role. SSA's practice is to assign a project officer and an alternate project officer to every contract.<sup>10</sup>

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<sup>9</sup> Office of Management and Budget Circular A-123, II. *Establishing Management Controls*.

<sup>10</sup> Material Resources Manual Chapter 06, Instruction Number 05: *Technical Support for Acquisitions – The Role of the Project Officer*.



According to the Diebold-ISS contracting officer, the project officer did not want an alternate assigned. However, an alternate project officer would improve checks and balances in contract oversight. Additionally, by being available to help manage and resolve contract issues, the alternate would provide an independent view of the contract activities. Therefore, to support best practices and improve internal controls, we recommend that the program office designate an alternate project officer in the contract.

### **CONTRACTOR REPORTS ON THE DESTRUCTION OF HARD DRIVES WERE NOT MADE AS REQUIRED**

The contractor did not issue required monthly reports to SSA about hard drive destruction until sometime in 2006, after we requested them for review during our audit field work. Without the reports, the Agency did not have formal documentation to monitor whether the hard drives were wiped per SSA standards and to identify the disposition of the equipment. The contract was modified in August 2004 to require Diebold-ISS to document and issue monthly certification reports to the Agency on hard drive replacements and disposition. According to the contract modification, the report should include a statement describing the method or methods used for destruction of the replaced hard drive(s). The contractor shall also provide on each report the SSA PM number, contractor case number, drive model and serial number, and the date destroyed.

SSA did not have formal ongoing hard drive destruction verification process for the hard drives disposed of by Diebold-ISS. However, in March 2006, the project officer received the results of an independent contractor's review which found that two hard drives destroyed by Diebold-ISS were effectively wiped clean of data. Additionally, in May 2006 the project officer performed an in-house test of several hard drives and found Diebold-ISS had properly wiped or destroyed data from the hard drives.

In discussions with the vendor, we learned that not all SSA hard drives were destroyed using the same methodology. The contractor informed auditors that its staff documented the destruction of the hard drives but failed to make the monthly reports to SSA. Based on our review of hard drive destruction reports for August, September and October 2006, the contractor has taken steps to report the required monthly information.

We recommend SSA ensure that future hard drive destruction reports are made timely and include the required information. We also recommend SSA ensure it receives reports for all equipment replaced and destroyed by Diebold-ISS since August 2004 with the required information concerning disposition. This will help ensure an appropriately documented chain of custody of the SSA equipment. Finally, we recommend SSA continue to periodically ask for a sample of replaced hard drives to test to determine whether Diebold-ISS erased or otherwise destroyed all data on the units as required.

## **CONCLUSION AND RECOMMENDATIONS**

SSA generally has adequate controls in place for the administration, oversight and accountability of its contract for information technology maintenance and LAN relocation. However, there are areas of contract management that need to be improved. A number of Diebold-ISS staff did not have suitability approval to perform under the contract. Additionally, the support Diebold-ISS provides with invoices should be improved to ensure enough information is available to confirm whether services were billed according to agreed-upon prices detailed in the contract. Finally, several weaknesses in controls over contract oversight and information recording need to be addressed.

We recommend SSA:

1. Strengthen internal controls to ensure that contractor personnel performing under contracts have obtained the appropriate suitability determinations.
2. Continue to work with Diebold-ISS to improve the support provided with invoices for task and relocation orders.
3. Resolve the incorrectly billed payments made to Diebold-ISS, as appropriate.
4. Assess the feasibility of recording relocation and task order numbers in the Agency's financial accounting system.
5. Designate an alternate project officer in the Diebold-ISS contract.
6. Ensure future hard drive destruction reports are made timely and include the required information.
7. In cases where incomplete hard drive destruction reports were provided to SSA after August 2004, request that Diebold-ISS provide updated reports where necessary.
8. Continue to periodically ask for a sample of replaced hard drives to test to determine whether Diebold-ISS erased or otherwise destroyed all data on the units as required.

**AGENCY COMMENTS**

SSA agreed with our recommendations (see Appendix C).

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

# *Appendices*

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APPENDIX A – Acronyms

APPENDIX B – Scope, Methodology and Test Results

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

## Acronyms

Diebold-ISS	Diebold Information and Security Systems LLC
FAR	Federal Acquisition Regulation
HSPD-12	Homeland Security Presidential Directive -12
LAN	Local Area Network
OAG	Office of Acquisition and Grants
OIG	Office of the Inspector General
OTSO	Office of Telecommunications and Systems Operations
PM	Problem Management
SSA	Social Security Administration
SSN	Social Security Number
TFE	TFE Technology Holdings LLC

## Scope, Methodology and Test Results

We conducted our audit field work between June and November 2006 in Baltimore, Maryland.

The principal entities audited were the Social Security Administration's (SSA):

- Office of Acquisition and Grants, the contracting office; and
- Office of Telecommunications and Systems Operations, the program office.

We also reviewed records and interviewed staff in the Agency's:

- Deputy Commissioner for Budget, Finance and Management (DCBFM), Office of Finance; and
- DCBFM, Office of Personnel, Center for Personnel Security and Project Management.

We conducted our audit in accordance with generally accepted government auditing standards. To meet our objective, we:

- reviewed applicable Federal laws and regulations and applicable SSA policies and procedures;
- reviewed the contract for Information Technology Maintenance and Local Area Network Relocation, number 0600-02-60007;
- interviewed Agency and Diebold Information and Security Systems LLC (Diebold-ISS) staff;
- reviewed and observed Agency contract management processes;
- tested task order, relocation and maintenance transactions in September and October 2006;
- reviewed Agency contractor suitability records; and
- reviewed documentation from four Agency relocations which took place in October and November 2006<sup>1</sup> to determine if Diebold-ISS staff were approved suitable to work on-site at an SSA facility or have access to Agency programmatic or sensitive information.

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<sup>1</sup> We reviewed documentation from relocations at SSA offices in Tampa-Carrollwood, Florida, October 2006; Ann Arbor, Michigan, October - November 2006; Freeport, New York, November 2006; and Pomona, California, November 2006.

<b>Table 1: Diebold-ISS Contract Statistical Sampling Information</b>				
<b>Description</b>	<b>Totals</b>	<b>Task Orders (Excludes Cancelled Orders)</b>	<b>Relocation Requests (Excludes Cancelled Orders)</b>	<b>Maintenance Service Requests (Excludes Cancelled Orders)</b>
Universe Count	<b>83,616</b>	603	433	82,580
Sample Items	<b>340</b>	100	100	140
Sample Dollars	<b>\$ 2,726,132</b>	\$ 459,992	\$ 2,170,083	\$ 96,057

Further, we determined that the Agency's computerized data used to record relocation orders, task orders and maintenance calls made to the vendor and the suitability records pertaining to Diebold-ISS staff were sufficiently reliable given the audit objective and intended use of the data and should not lead to incorrect or unintentional conclusions.

**Testing Methodology and Results**

For testing, we selected a sample of task order, relocation and maintenance requests for Diebold-ISS services made by SSA during the first 4 contract years. We reviewed 340 transactions totaling \$2.7 million from the sampling universe reflected in Table 1. The total universe was 83,616 transactions.

First, we selected 120 transactions, consisting of the 5 largest and 5 smallest dollar transactions for each of the first 4 contract years, for each of the 3 service types (task order, relocation and maintenance).

Second, we randomly selected 220 transactions through a statistical sampling methodology by contract year and type, as follows:

1. Task Orders: 15 transactions per contract year,
2. Relocation Orders: 15 transactions per contract year, and
3. Maintenance: 25 transactions per contract year.

Testing results are reflected in tables 2 through 4, which follow.

<b>Table 2: Diebold-ISS Contract Testing Review Results – Review of 100 Task Order Transactions</b>					
<b>TASK ORDER</b>	<b>Total</b>	<b>YR 1</b>	<b>YR 2</b>	<b>YR 3</b>	<b>YR 4</b>
		<b>100</b>	<b>25</b>	<b>25</b>	<b>25</b>
Paid according to agreed upon prices	63	10	16	17	20
Not paid according to agreed upon prices	2	-	1 <sup>2</sup>	1 <sup>3</sup>	-
Not enough support provided with invoice to determine if paid according to agreed upon prices	32	15	8	4	5
Paid in excess of certified amount	3	-	-	3 <sup>4</sup>	-
Paid Invoice Certified by Program Office	100	25	25	25	25
Paid transactions recorded in accounting system	100	25	25	25	25

The attributes we considered to evaluate whether the test transactions were processed correctly were:

1. For the service rendered, was the amount billed and paid in accordance with the agreed upon prices detailed in the contract;<sup>5</sup>
2. Was the paid invoice certified by the program office; and
3. Was a corresponding payment recorded in the accounting system.

<sup>2</sup> Contract Year 2 – TO0345 overbilled \$2,990.

<sup>3</sup> Contract Year 3 – TO0399 overbilled \$206.

<sup>4</sup> Contract Year 3 - Three invoices were paid in excess of the certified amount. The overpaid amounts were as follows: TO554 - \$12,514.50, TO555 - \$20,394.00 and TO556 - \$20,857.50. The Office of Finance recovered the overpaid amount of \$53,766 from Diebold-ISS in December 2005.

<sup>5</sup> Contract Addendum B – Cost Tables.



<b>Table 3: Diebold-ISS Contract Testing Review Results - Review of 100 Relocation Transactions</b>					
<b>RELOCATION</b>	<b>Total</b>	<b>YR 1</b>	<b>YR 2</b>	<b>YR 3</b>	<b>YR 4</b>
	<b>100</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>
Paid according to agreed upon prices	76	21	18	22	15
Not paid according to agreed upon prices	7	-	6 <sup>6</sup>	1 <sup>7</sup>	-
Not enough support provided with invoice to determine if paid according to agreed upon prices	17	4	1	2	10
Paid invoice certified by program office	99	25	25	24 <sup>8</sup> certified/ (1 not located)	25
Paid transactions recorded in accounting system	100	25	25	25	25

<sup>6</sup> Contract Year 2 – *RL0237* – Underbilled \$7,638.48; *RL0101* – Underbilled \$99; *RL0103* – Underbilled \$24; *RL0176* – Overbilled \$2,472; *RL00217* – Overbilled \$2,472; *RL0255* – Overbilled \$457.

<sup>7</sup> Contract Year 3 – *RL0444* – Overbilled \$343.

<sup>8</sup> Unable to locate copy of *RL0347* in accounting office to determine if certified.

<b>Table 4: Diebold-ISS Contract Testing Review Results – Review of 140 Maintenance Transactions</b>					
<b>MAINTENANCE</b>	<b>Total</b>	<b>YR 1</b>	<b>YR 2</b>	<b>YR 3</b>	<b>YR 4</b>
		<b>140</b>	<b>35</b>	<b>35</b>	<b>35</b>
Paid according to agreed upon prices	135	34	33	33	35
Not paid according to agreed upon prices	1	0	1 <sup>9</sup>	0	0
Not billed	4	1 <sup>10</sup>	1 <sup>11</sup>	2 <sup>12</sup>	0
Paid Invoice Certified by Program Office	136	34	34	33	35
Paid transactions recorded in accounting system	136	34	34	33	35

<sup>9</sup> Contract Year 2 – Maintenance Problem Number 283077 - Overbilled \$67.20 (\$70 minus 4% discount).

<sup>10</sup> Contract Year 1 - Project officer is unsure why item was not billed but reported it is likely a duplicate and/or cancelled order. CAPRS record for this contract year is archived.

<sup>11</sup> Contract Year 2 - Maintenance item fixed by user.

<sup>12</sup> Contract Year 3 - One item not covered under contract and the other item fixed by the user.

## Agency Comments



## SOCIAL SECURITY

### MEMORANDUM

**Date:** April 30, 2007 **Refer To:** S1J-3

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

**From:** Larry W. Dye /s/  
Thru: OEO \_\_\_\_\_

**Subject:** Office of the Inspector General (OIG) Draft Report, "Review of the Social Security Administration's Information Technology Maintenance and Local Area Network Relocation Contract" (A-14-07-17022)--INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the draft report content and recommendations are attached.

Please let me know if we can be of further assistance. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Attachment:  
SSA Response

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “REVIEW OF THE SOCIAL SECURITY ADMINISTRATION’S INFORMATION TECHNOLOGY MAINTENANCE AND LOCAL AREA NETWORK RELOCATION CONTRACT” (A-14-07-17022)**

Thank you for the opportunity to review and comment on the draft report. We appreciate your conducting this audit of SSA’s information technology maintenance and local area network relocation contract.

**Recommendation 1**

SSA should strengthen internal controls to ensure that contractor personnel performing under contracts have obtained the appropriate suitability determinations.

**Comment**

We agree. On April 3, 2007, SSA received a list from Diebold Information and Security Systems LLC (Diebold-ISS) with the names of approximately 540 Diebold-ISS employees. As of April 5, 2007, SSA sent Relocation and Task Order letters to Diebold-ISS that contained the requirements set forth in Addendum D-20 of the contract. Addendum D-20 states the contractor and subcontractors are required to submit a copy of their suitability letters to the project officer 10 days prior to a Relocation or Task Order activity.

However, one-time visits require a waiver. The waiver consists of all security clearance forms with the exception of fingerprint cards. This waiver is for a one time visit to any SSA building. If the same contractor/subcontractor needs to make another visit to any SSA building in the future, they will have to meet the full requirements of the suitability regulations.

**Recommendation 2**

SSA should continue to work with Diebold-ISS to improve the support provided with invoices for task and relocation orders.

**Comment**

We agree. In November 2006, the Agency sent a letter to Diebold-ISS requesting more detailed billing information in support of invoices being submitted for payment. As a result, Diebold-ISS is now providing additional information with its invoices.

### Recommendation 3

SSA should resolve the incorrectly billed payments made to Diebold-ISS, as appropriate.

### Comment

We agree. The Agency is reviewing the invoices in question. We note that during the review SSA contract managers contacted Diebold-ISS representatives and are now working with Diebold-ISS to resolve any incorrectly billed amounts and to immediately recover any payments made in error.

### Recommendation 4

SSA should assess the feasibility of recording relocation and task order numbers in the Agency's financial accounting system.

### Comment

We agree. The Agency has developed and implemented new procedures to ensure that relocation and task order numbers are correctly recorded in the Agency's financial accounting system. These new procedures were implemented in March 2007 and employees have been informed and trained on the new procedures.

### Recommendation 5

SSA should designate an alternate project officer in the Diebold-ISS contract.

### Comment

We agree. The Agency is in the process of modifying the existing contract to add an alternate project officer.

### Recommendation 6

SSA should ensure future hard drive destruction reports are made timely and include the required information.

### Comment

We agree. The November 2006 letter sent to Diebold-ISS addressed this recommendation. Diebold-ISS is to submit a monthly report on the certification/report of hard drive replacement and disposition. The reports are to be submitted to the project officer timely and should contain all of the information that is outlined in the contract.

### Recommendation 7

In cases where incomplete hard drive destruction reports were provided to SSA after August 2004, SSA should request that Diebold-ISS provide updated reports where necessary.

### Comment

We agree. In April 2007, Diebold-ISS provided SSA with updated destruction reports.

### Recommendation 8

SSA should continue to periodically ask for a sample of replaced hard drives to test to determine whether Diebold-ISS erased or otherwise destroyed all data on the units as required.

### Comment

We agree. On March 16, 2007, the Agency requested that Diebold-ISS send at least 2 hard drives that have been destroyed for our inspection. Since then, we have received 2 hard drives that were degaussed. Also, On March 27, 2007 Task Order number 0797 was issued to send the hard drives to a Data Recovery Facility to attempt to recover the data. The Data Recovery Facility will prepare a report of findings upon completion of the task order.

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Kitt Winter, Director, Data Analysis and Technology Audits Division, (410) 965-9702

Al Darago, Audit Manager, Application Controls Branch, (410) 965-9710

### ***Acknowledgments***

In addition to those named above:

Deborah Kinsey, Auditor-in-Charge

Anita McMillan, Senior Auditor

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# **Overview of the Office of the Inspector General**

The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Resource Management (ORM). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

## **Office of Audit**

OA conducts and/or supervises 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 and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

## **Office of Investigations**

OI conducts and coordinates investigative activity 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 OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

## **Office of the Chief Counsel to the Inspector General**

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG 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. Finally, OCCIG administers the Civil Monetary Penalty program.

## **Office of Resource Management**

ORM supports OIG by providing information resource management and systems security. ORM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, ORM is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act of 1993.