

MAR 31 1980

Mr. William J. Driver
Commissioner of Social Security
Department of Health, Education,
and Welfare

Dear Mr. Driver:

Subject: [Improving Social Security Administration
Procedures for Acquiring ADP and
Telecommunications Resources]

At the request of the Chairman, House Committee on Government Operations, we have been reviewing the Social Security Administration's (SSA's) systems development plans and its proposals for upgrading its telecommunications network. We are presently developing formal conclusions and recommendations for each of the individual segments of our review, which will be included in our upcoming report to the Chairman. This letter summarizes the results of our review segment dealing with SSA's procedures for acquiring automatic data processing (ADP) and telecommunications resources. It expands on deficiencies we discussed briefly with you and members of your executive staff on January 21, 1980.

Under SSA's recent functional reorganization, the Office of Systems is responsible for managing the acquisition of ADP and telecommunications resources. In this regard, the Associate Commissioner for Systems has recently been developing and implementing steps to improve agency performance in this area. We have been following the efforts of his staff in revising user guidelines for ADP acquisitions and developing an automated ADP procurement management information system, and have offered suggestions for using these efforts to correct deficiencies we noted in the development and monitoring of past SSA proposals for acquiring ADP resources. We believe our observations and suggestions regarding these deficiencies should assist the Office of Systems in avoiding the recurrence of such problems, thus improving the ADP and telecommunications resource acquisition process at SSA.



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Our work required initial screening of over 600 individual agency ADP and telecommunications resource acquisition proposals, 61 of which we reviewed in detail because they appeared to be associated with the key issues toward which our audit was initially directed. Most of the 61 proposals were initially developed prior to the SSA reorganization. In analyzing these proposals, we noted that some lacked required procurement authority while others did not contain adequate justification of need. ^{1/} In addition, SSA was not sufficiently monitoring acquisition status in many cases. These deficiencies have resulted in excessive staff time expenditures, unnecessary acquisition delays, and the actual or potential acquisition of unauthorized or unneeded services and equipment.

We found more than one deficiency in each of the proposals discussed below. However, because we were not intending at the time of our analysis to assess SSA's ADP and telecommunications resource acquisition process, we did not catalog all of the deficiencies identified nor account for all procurement proposals containing deficiencies.

FAILURE TO MAINTAIN CURRENT PROCUREMENT AUTHORITY

Federal Procurement Regulations [41 CFR Part 1-4 (FPR Temp. Reg. 46, Supp. 2)] specify the various conditions under which an agency must obtain approval from the General Services Administration (GSA) before acquiring ADP resources. In such cases, GSA can conduct the acquisition itself, assist the agency, or delegate full procurement authority to the agency. We noted that in some instances where previously issued delegations of procurement authority (DPAs) were no longer in effect, SSA continued procurement actions without the required authority. This resulted in violations of Federal Procurement Regulations, and, in the following case, the unauthorized retention and long-term use of ADP equipment.

^{1/}These deficiencies are similar in nature to procedural weaknesses we identified during prior work at SSA, as discussed in our January 24, 1974, report to the Secretary of Health, Education, and Welfare, entitled "Improving the Acquisition of Computer Systems" [B-164031(4)].

IBM disk equipment retained
by SSA without proper authority

In early November 1974, SSA received a conditional sole source DPA from GSA to lease International Business Machines (IBM) Corporation disk subsystems for up to 12 months under GSA's ADP schedule contract. In exercising the DPA, SSA ordered 11.2 billion bytes ^{1/} of IBM disk storage, which was installed in early December 1974. When the DPA expired, SSA requested two extensions, subsequent GSA approval of which rendered the DPA effective through June 30, 1977. SSA increased the total storage capacity of the equipment to 14.4 billion bytes through an equipment upgrade in June and July 1975.

The initial DPA was granted on the condition that during its life SSA competitively replace the IBM disk subsystems. Thus, in December 1976, SSA received a second DPA permitting them to proceed with the competitive replacement of the IBM equipment. Under this DPA, SSA awarded a replacement contract to Storage Technology Corporation (STC) in January 1978, which provided for phased delivery and installation of STC disk equipment over a 14-month period. STC delivered 6.4 billion bytes of disk storage in February 1978, after which SSA released 6.4 billion bytes of IBM disk. STC subsequently delivered additional quantities of disk equipment to SSA under the disk replacement contract, but SSA continued to lease and use the remaining 8.0 billion bytes of IBM disk, even though the extended DPA authorizing such retention had expired on June 30, 1977.

In August 1978, SSA requested another extension of the expired DPA to authorize retaining the 8.0 billion bytes of IBM disk for meeting additional disk storage requirements. GSA questioned the extension request and in mid-September 1978, suspended all actions on the DPA indefinitely. After meeting with GSA, SSA again formally requested a DPA extension. GSA's September 29, 1978, response suggested that SSA meet any additional disk requirements either through GSA's ADP schedule contract or by accelerating further disk delivery under SSA's existing STC contract; GSA did not grant the DPA extension.

^{1/}A basic unit of information as used in a digital computer system, referring here to the information storage capacity of disk equipment.

During September 1978, and again in early 1979, SSA explored the prospects of purchasing the IBM disk equipment. In late June 1979, we advised the Associate Commissioner for Systems of our concern over SSA's continuing unauthorized retention and use of the equipment. Shortly thereafter, SSA decided not to purchase the disks but rather to continue leasing them after obtaining a current DPA from GSA. Finally, on September 28, 1979, SSA requested and received a DPA extension to continue leasing the IBM disks for up to 12 additional months.

Although GSA twice extended SSA's deadline for competitively replacing the 8.0 billion bytes of IBM disk equipment SSA had originally acquired on a non-competitive basis, SSA never followed through on the replacement. For 27 months-- June 30, 1977, until September 28, 1979--SSA retained and used this equipment without GSA authorization, incurring lease costs of about \$1.3 million. SSA records show that during 14 months of that period--July 1977 through August 1978 --SSA took no action to obtain DPA renewal.

SSA not aware that
procurement authority expired

In December 1977, SSA requested--and in February 1978, received--a DPA to acquire a data base management system for providing additional ADP software capability. When the DPA expired six months later, SSA applied for and received an extension for an additional six months, through February 7, 1979. SSA requested no subsequent DPA extensions. In June 1979, SSA was about to award a contract for this acquisition even though no DPA was in effect at the time. The contract award was delayed, however, because we had not yet completed our review of this acquisition proposal.

In late September 1979, after we had completed our analysis of the data base management system acquisition proposal, we discussed the results with SSA officials. Regarding deficiencies we had identified, we pointed out that the DPA had expired February 7, 1979. The SSA officials told us they were not aware that their procurement authority for this acquisition had expired, and would take immediate action to obtain an extension from GSA. SSA received a DPA extension on November 26, 1979, effective through December 7. The contract was awarded November 27, 1979.

Conclusions and recommendations

As shown in the examples above, SSA had violated Federal Procurement Regulations by retaining or attempting to acquire ADP resources without valid DPAs. We believe this occurred because SSA has not stressed the need to assure that adequate procurement authority is currently in effect. The Office of Systems has initiated action to obtain the required DPAs when it has become an issue, but we feel SSA should employ a more systematic procedure to assure that all DPAs remain current. The fact that SSA is proceeding with hundreds of ADP acquisitions costing many millions of dollars demonstrates the need for such a systematic approach.

We recommend that SSA routinely verify that a current and proper DPA is in effect prior to extending or awarding any ADP resource contract requiring such a DPA, and automatically suspend all further procurement actions concerning such acquisitions when DPA renewal has not been obtained. In this regard, we note that SSA currently uses Form 3706, Procurement Planning Document (ADP) to process certain types of ADP resource acquisitions. Section E of this form constitutes a planning schedule for establishing specific procurement action milestones. Although this schedule includes a specific milestone (no. 7) for receiving an initial DPA, SSA could revise it to provide for DPA verification prior to contract extension or award. SSA should also consider using this revised schedule in processing all proposed ADP acquisitions.

FAILURE TO ADEQUATELY JUSTIFY ADP ACQUISITION PROPOSALS

Federal Property Management Regulations issued by GSA [FPMR 101-35.206(a)] require Federal agencies to develop and retain feasibility studies, management justifications and approvals, and determinations of the least costly alternative for ADP acquisition proposals. Nevertheless, our review showed that SSA has processed some ADP acquisition proposals having incomplete or inadequate justifications. This problem has been costly to SSA in terms of delayed acquisitions, excessive work for staff, and the potential for acquiring resources not needed. SSA is currently developing new guidelines for users to follow in initiating ADP procurements, including instructions on justification preparation. If sufficiently comprehensive and detailed, and if followed regularly by users, these guidelines should preclude the recurrence of the problems described below.

Workload projections and processing alternatives not addressed

Early in our review, we analyzed an SSA proposal for acquiring a small-scale computer system to process certain annual earnings information submitted by employers. Responsibility for this function shifted from the Internal Revenue Service (IRS) to SSA, effective January 1, 1979, under provisions of PL 94-202. At the time of our review, SSA was ready to award a contract for the system to process the annual earnings reports for calendar year 1978.

We completed our analysis of this acquisition proposal in late April 1979. Our work showed that because SSA had not developed workload projections for the annual earnings reporting function, agency personnel were unable to determine whether or not there were more cost-effective alternatives to acquiring the proposed computer system.

During May 1979, SSA determined that the vendor solicitation for this proposed acquisition should be cancelled because the actual annual earnings reporting workload was substantially less than anticipated, and therefore not sufficient to justify the proposed acquisition. Moreover, SSA had arranged for IRS to process the calendar year 1978 workload. This alternative processing method was employed at no cost to SSA for the 1978 workload, saving at least \$24,765 in Social Security trust fund expenditures for pro-rata system acquisition and maintenance costs. Undeterminable systems operation costs were also avoided.

In March 1979, SSA and IRS finalized a Cooperative Agreement on Annual Wage Reporting which provided for the two agencies to share a single annual earnings processing facility for tax year 1979 and thereafter. The joint facility is expected to (1) have greater processing capabilities than the proposed SSA acquisition, (2) be more cost-effective overall, and (3) have no adverse impact on either agency's processing schedules.

Justification no longer current

In January 1979, we learned that SSA was about to award a contract to acquire a mass storage system, acquisition of which had been in process for several years. This proposed acquisition was connected to several major issues we planned to examine in detail during our review, and we believed proceeding with it could be inconsistent with other proposed

agency ADP activities. We therefore began a detailed analysis of this acquisition proposal.

While we were reviewing the proposal, SSA management reevaluated the agency's needs for such a mass storage system. They determined that SSA's needs in the mass storage area had changed significantly since the time when the functional requirements to be met by the proposed acquisition had been finalized, more than 36 months before. They concluded that since those functional requirements no longer reflected SSA's current and future needs, acquiring a mass storage system on the basis of those requirements would not be in the best interests of the Government. As a result, SSA did not award a contract and cancelled its vendor solicitation, saving at least \$10.9 million--the amount of the least expensive vendor proposal considered by SSA--in Social Security trust fund expenditures. Had SSA performed such a reevaluation earlier under a system for periodically revalidating need, substantial staffing costs invested in processing this acquisition proposal could have likewise been avoided.

Conclusions

As noted above, SSA is currently revising its ADP procurement guidelines, including instructions on justification preparation. In reviewing an early draft of the revised guidelines, we noted that SSA is including specific instructions which provide more detailed guidance on justification preparation than is contained in the formal SSA guidelines currently in effect. In this regard, we believe SSA should also include provisions in its revised guidelines requiring that all justifications contain the date of original preparation, so that routine revalidation at specific intervals thereafter can be made to ensure that the ADP equipment, software or service to be acquired is still needed. We conveyed this suggestion to Office of Systems personnel responsible for revising the guidelines, and they informed us they would consider adding such a provision.

We support SSA incorporating more detailed instructions on justification preparation into its revised ADP procurement guidelines. Such instructions, if followed by users, should inhibit recurrence of such deficiencies as failure to develop workload projections and to consider cost-effective alternatives, as described above.

SSA EFFORTS TO IMPROVE ITS
MONITORING OF ADP ACQUISITION
STATUS

During our review, we found that SSA had experienced many past difficulties in acquiring ADP resources in a timely fashion. The primary reason for these difficulties appeared to be that SSA was not effectively monitoring the status of ongoing ADP resource acquisitions. For example, we noted that SSA had neither established a comprehensive mechanism for carrying out such procurement monitoring on a regular basis nor set milestones for accomplishing individual phases of the agency's ADP resource acquisition process. In fact, various organizational elements within SSA did not even agree on what specific phases comprised that process.

The Office of Systems has recently taken steps to define the ADP resource acquisition process followed at SSA, set milestones for accomplishing individual steps, and establish an improved management information system to aid in monitoring acquisition status. We believe that these steps, when fully implemented, should enable SSA to better monitor the status of ongoing ADP resource acquisitions, thereby improving the agency's management decision making on changes in priorities and the scheduling and application of personnel resources.

SSA difficulties in timely
acquisition of ADP resources

During our review, we noted that acquisition of ADP resources had in many cases been taking extended periods of time. For example, actions to renew numerous existing annual hardware and software leases and maintenance agreements, although initiated prior to the start of the new fiscal year, were still in process months after that date, when they were to have become effective. In addition, we reviewed acquisition proposals supporting new ADP capabilities--such as those for acquiring a data base management system, a small-scale computer system for processing annual earnings data, and a mass storage system (all discussed above)--which were in process for periods ranging from 22 to more than 36 months. The particular problems delaying movement of these cases through the individual steps in SSA's acquisition process varied widely. However, it appears that these problems were not resolved in a timely fashion primarily because SSA had not developed the basic tools needed to bring them to the attention of agency management in a timely fashion.

Establishing an effective monitoring
mechanism for tracking acquisition progress

Prior to the start of our review, SSA had not developed a comprehensive mechanism for systematically tracking the progress of all ADP resource acquisitions through the procurement process. We noted that two organizational components had established their own methods for periodically checking on the status of certain acquisitions, but these tracking methods only covered acquisitions for which each organization had some responsibility. We found no comprehensive mechanism for systematically tracking procurement progress of all ADP acquisitions at SSA. During the early stages of our work, SSA attempted to implement a comprehensive automated ADP procurement tracking system. Although we felt this was a significant positive effort on SSA's part, we advised the Office of Systems in June 1979, of specific instances where the procurement status data produced by the system for certain acquisitions was inconsistent, incomplete, inaccurate or out-of-date.

In July 1979, the Office of Systems informed us of its plans to improve the quality of data produced by its automated ADP procurement tracking system. This included the design of a new ADP procurement management information system and a daily procurement tracking log. In October 1979, Office of Systems personnel charged with designing this system requested suggestions from our staff as well as certain SSA user groups regarding specific requirements which it should satisfy. In responding to that request, we advised SSA that the new system should provide for:

- cross referencing of related ADP resource acquisitions;
- more specific descriptions of acquisitions and identification coding by type; and
- generation of certain management reports such as those listing all ADP resource acquisitions within, above or below specified cost ranges; all those not meeting some established acquisition schedule; all those of a certain type (e.g., hardware, software or services), and all those for a specific organizational unit.

Office of Systems personnel informed us in February 1980, that all our suggestions were being incorporated into the new system.

Setting ADP acquisition milestones

For certain ADP resource acquisitions which we noted were taking extended periods of time, SSA had not established milestones for completing succeeding acquisition phases. In this regard, SSA systems personnel and contracting staff did not even fully agree on the content or order of these acquisition phases. As a result, SSA had no criteria for determining whether or when a particular acquisition required special management attention because it was "behind schedule." This was true not only for annual proposals to renew existing lease and maintenance agreements but also for proposals to acquire new ADP capabilities.

In November 1979, we advised Office of Systems personnel of the need to establish acquisition milestones in order to identify procurements which fall behind schedule. These personnel are incorporating our suggestion into the new user guidelines they are developing for the acquisition of ADP resources. Early drafts of these guidelines documented in flow-chart format the succeeding phases making up the acquisition cycle for a major procurement of new ADP capabilities at SSA. In subsequent versions of the guidelines the Office of Systems has expanded this listing to include specific milestones for accomplishing various acquisition phases associated with such a procurement. The Office of Systems should be able to employ a similar approach to establish milestones for initiating actions to renew annual lease and maintenance agreements. Milestones for such renewals would be set on a case-by-case basis, according to the anticipated lead time needed to perform required cost and workload analyses and to prepare justifications, as appropriate.

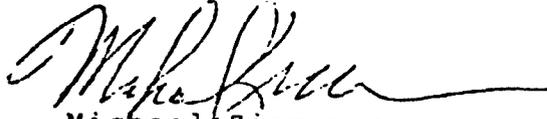
Conclusions

Timely acquisition of ADP resources at SSA has been inhibited by the lack of specific acquisition milestones and a comprehensive procurement monitoring mechanism. During our review the Office of Systems has taken action to provide for setting such milestones and to establish an effective acquisition monitoring system. This system, used in conjunction with the established milestones, should enable SSA to monitor the progress of ADP acquisitions from initiation through final contract award. Such monitoring would alert SSA management immediately when any ADP resource acquisition falls behind schedule, enabling them to take quick, appropriate action to alleviate further delay.

Please advise us of the actions you propose to take concerning our recommendations calling for routine DPA verification. We would also appreciate being kept up-to-date on SSA's progress in revising its ADP acquisition guidelines and improving its monitoring of acquisition status.

We are encouraged by the progress attained to date by the Associate Commissioner for Systems and his staff in better managing SSA's ADP systems activities, and we appreciate the cooperation and assistance they have provided during our work.

Sincerely yours,



Michael Zimmerman
Associate Director