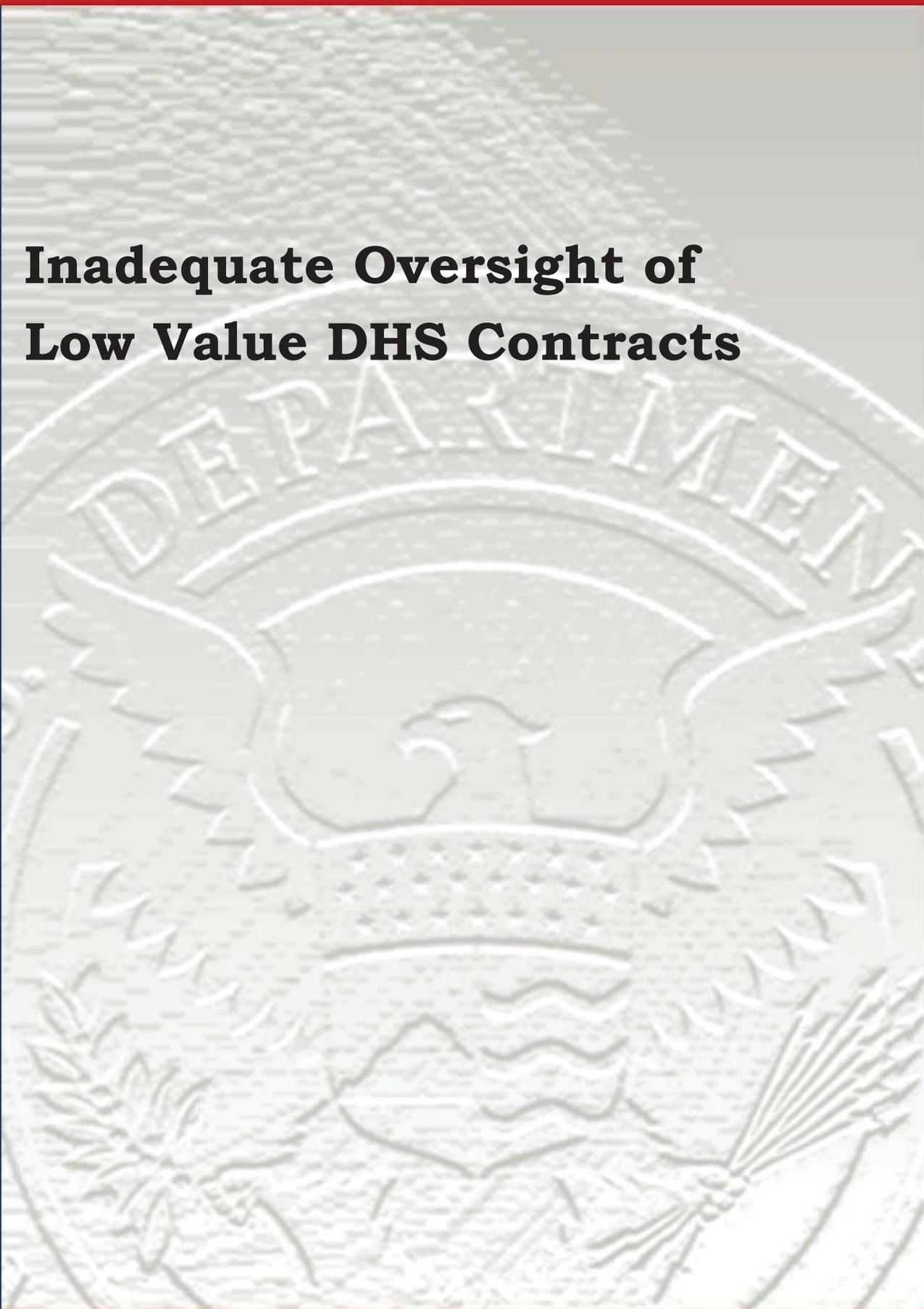


OFFICE OF INSPECTOR GENERAL

Inadequate Oversight of Low Value DHS Contracts



Homeland
Security

July 2, 2019
OIG-19-50



DHS OIG HIGHLIGHTS

Inadequate Oversight of Low Value DHS Contracts

July 2, 2019

Why We Did This Audit

The Department of Homeland Security has taken steps to improve oversight of acquisition programs costing more than \$300 million; however, acquisitions costing less than \$300 million are at risk of receiving less attention. Therefore, we conducted this audit to determine whether components properly solicit, award, and manage acquisitions costing less than \$300 million.

What We Recommend

We made two recommendations to address challenges with the solicitation, award, and management of contracts less than the \$300 million dollar acquisition threshold.

For Further Information:

Contact our Office of Public Affairs at (202) 981-6000, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov

What We Found

DHS components did not always properly solicit, award, and manage contracts according to Federal and departmental regulations. In fiscal year 2016, DHS awarded \$2.4 billion in contract actions that were valued at less than \$300 million per action. For this audit, we reviewed \$153.2 million of the \$2.4 billion in contract actions that DHS awarded. We found that components did not document their oversight in the procurement files for 18 — about 62 percent — of the 29 contract files reviewed. This represented about \$112.1 million of the \$153.2 million contract actions awarded in fiscal year 2016. This occurred because components lacked a comprehensive contract management process for maintaining contract files, and reviews conducted by procurement personnel did not ensure that contract personnel performed the required procurement processes.

As a result of these deficiencies, two contract files valued at \$4.9 million could not be located. In one instance, DHS was unable to address contractor performance issues and recover about \$1 million. Also of note, six procurement documents from four contracts valued at \$9.4 million did not have authorizing signatures, one contracting officer exceeded the warrant authority by \$12,500, and two firm-fixed-price contracts totaling \$2.3 million were not finalized. Furthermore, components lost procurement documents, mismanaged contracts, and did not adhere to contract policy requirements. These problems resulted in misspent funds and impaired the government's ability to take action when contractors did not comply with the procurements.

DHS Response

The Chief Procurement Officer did not agree with our recommendations and asserted that our report lacked basis to conclude that our findings are a result of a lack of contract management policy or guidance, either at the Department or contracting activity level.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

July 2, 2019

MEMORANDUM FOR: Soraya Correa
Chief Procurement Officer
Department of Homeland Security

FROM:

for Sondra F. McCauley *Kristen Bernard*
Assistant Inspector General for Audits

SUBJECT: *Inadequate Oversight of Low Value DHS Contracts*

For your action is our final report, *Inadequate Oversight of Low Value DHS Contracts*. We incorporated the formal comments provided by your office.

The report contains two recommendations aimed at improving the Department. Your office non-concurred with both recommendations. Based on information provided in your response to the draft report, we consider recommendations 1 and 2 open and unresolved. As prescribed by the Department of Homeland Security Directive 077-01, *Follow-Up and Resolutions for the Office of Inspector General Report Recommendations*, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendations. Until your response is received and evaluated, the recommendations will be considered open and unresolved.

Please send your response or closure request to OIGAuditsFollowup@oig.dhs.gov. We will post the final report on our website, including your formal comments as an appendix to the report.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions at (202) 981-6000, or your staff may contact Maureen E. Duddy, Deputy Assistant Inspector General for Audits, at (617) 565-8723.



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Background

The Department of Homeland Security is responsible for acquiring goods and services intended to enhance mission performance and improve acquisition efficiency. DHS awarded \$16.2 billion of the \$66.8 billion in budget authority presented in the Department's *Budget In Brief* for fiscal year 2017 for this purpose. According to the Federal Procurement Data System — Next Generation, this represents 155,471 contract actions¹ for the same time frame.

The Under Secretary for Management is responsible for management and oversight of the Department's acquisition policies and procedures. The Chief Procurement Officer (CPO) provides procurement leadership, policy oversight, professional workforce development, and procurement support. DHS classifies acquisitions into different levels (major and non-major), which determine the extent and scope of required project and program management. The life cycle cost of the program determines the acquisition level of the program. Component Acquisition Executives (CAE) are the acquisition decision authorities for programs less than \$300 million. The Head of Contracting Activity (HCA) is the lead for contracting activity at each component and receives its contracting authority from the CPO through delegation. In addition, the HCAs oversee procurement activities by collaborating with the CAEs.

Federal and departmental regulations require DHS to have contract files with supporting documentation for the solicitation, award, and contract management phases of a contract (see figure 1).

The solicitation phase begins prior to the award of the contract and concludes with the publication of the final solicitation. This phase includes, but is not limited to, acquisition planning, market research, and preparation of the source selection plan.

The award phase begins after the final solicitation is issued and concludes when the contract is awarded. The award phase includes, but is not limited to, the evaluation of the offerors for the source selection, preparing award documentation and notifications, and making the contract award.

The contract enters the contract management phase after it has been awarded; and this phase includes, but is not limited to, the preparation of post-award contract actions, evaluations of the awarded contractors' performance, and invoice receipts and payments. The contract management phase concludes once the Department closes out or terminates the contract.

¹Contract actions are oral or written actions, or steps taken, that result in the formation or modification of a contract.

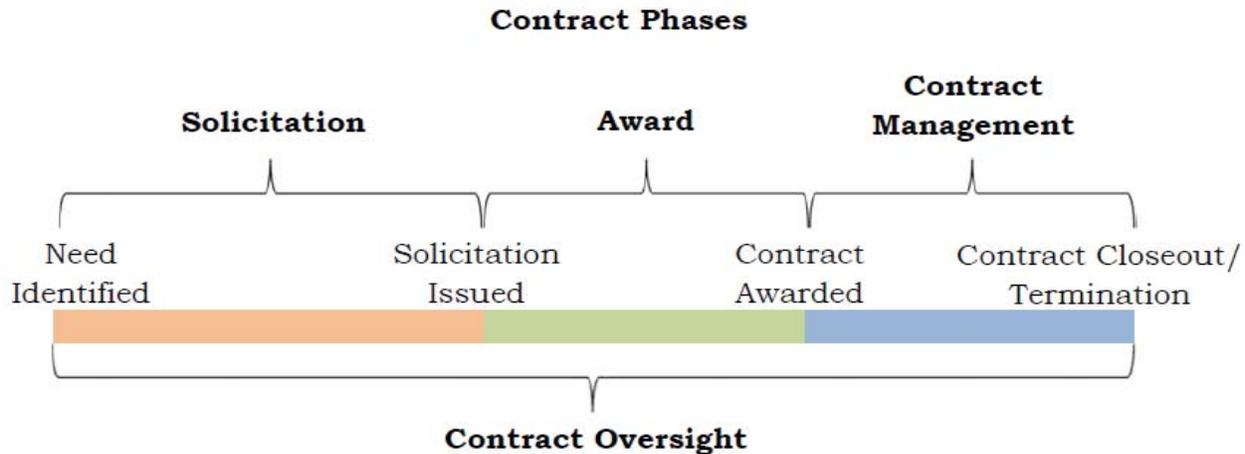


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During the entire contract life cycle, the contract should have oversight, which involves reviewing and approving documentation and maintaining complete contract files with related documents.

Figure 1. Contract Life Cycle



Source: DHS-Office of Inspector General (OIG) created

The Department issued Instruction 102-01-010, *Level 3 Acquisition Management*, on February 10, 2017. This instruction requires components to report at least quarterly in the Investment, Evaluation, Submission, and Tracking system on capital asset acquisition programs with life cycle cost estimates equal to or greater than \$50 million and that have not been closed out. The instruction also requires CAEs to at least biannually review the Investment, Evaluation, Submission, and Tracking system data and validate that they are meeting reporting requirements.

Results of Audit

DHS components did not always properly solicit, award, and manage contracts according to Federal and departmental regulations. In fiscal year 2016, DHS awarded \$2.4 billion in contract actions that were valued at less than \$300 million per action. For this audit, we reviewed \$153.2 million of the \$2.4 billion in contract actions that DHS awarded. We found that components did not document their oversight in the procurement files for 18 — about 62 percent — of the 29 contract files reviewed. This represented about \$112.1 million of the \$153.2 million contract actions awarded in fiscal year 2016. This occurred because components lacked a comprehensive contract management process for maintaining contract files, and reviews conducted by procurement personnel did not ensure that contract personnel performed the required procurement processes.



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As a result of the problems identified, two contract files valued at \$4.9 million could not be located. In one instance, DHS was unable to address contractor performance issues and recover about \$1 million. Also of note, six procurement documents from four contracts valued at \$9.4 million did not have authorizing signatures, one contracting officer exceeded the warrant authority by \$12,500, and two firm-fixed-price contracts totaling \$2.3 million were not finalized. Furthermore, components lost procurement documents, mismanaged contracts, and did not adhere to contract policy requirements. These problems resulted in misspent funds and impaired the government’s ability to take action when contractors did not comply with the terms of the procurements.

Lack of Contract Oversight

Federal Acquisition Regulation (FAR), the *Homeland Security Acquisition Manual* (HSAM), and component-level policies provide contracting personnel with requirements for performing and overseeing procurement activities within the government. Those policies require DHS components to maintain complete contract files that document the basis for informed decisions at each step in the acquisition process. For the 29 contracts reviewed, 18 contracts had a total of 26 deficiencies. We categorized these deficiencies by contract phase — solicitation, award, and contract management (see table 1).

Table 1. Contract Oversight Deficiencies Identified by Contract Phase

Deficiencies Identified by Contract Phase (N=18)	
Contract Phase	Number of Issues
Solicitation	9
Award	7
Contract Management	10
Total	26

Source: DHS OIG created

All 26 deficiencies relate to DHS components’ lack of overall contract oversight. To obtain a more in-depth understanding of the problems, we categorized the 26 issues into 5 areas — lost contract files, missing documents, missing signatures, warrant authority exceeded, and missing contract closeout (see table 2).



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Table 2. Contract Oversight Issues Identified by Category

DHS Contract Oversight Issues*					
Component	Lost Contract Files	Missing Documents	Missing Signatures	Warrant Authority Exceeded	Missing Contract Closeout
U.S. Customs and Border Protection (CBP)	X	X		X	X
Federal Emergency Management Agency (FEMA)		X			
Federal Law Enforcement Training Center (FLETC)			X		
U.S. Immigration and Customs Enforcement (ICE)		X			
Office of Procurement Operations (OPO)		X			
Transportation Security Administration (TSA)		X			
U.S. Coast Guard (Coast Guard)	X	X	X		X
U.S. Citizenship and Immigration Services (USCIS)		X	X		
U.S. Secret Service (Secret Service)		X			

Source: DHS OIG created

See appendix B for more details.

*The chart depicts issues found during our review. It does not provide a one-to-one correlation with the number of contracts we reviewed or the number of instances of each issue.

Lost Contract Files

FAR 4.800 prescribes the Federal requirement for establishing, maintaining, and disposing of contract files. The HSAM, section 3004.803, further requires components to have an official contract file folder for every contract awarded.



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During the audit, we could not review two contract files because component personnel could not locate them.

In one instance, CBP procured design infrastructure and wastewater treatment plant services for about \$4.6 million in 2009. According to CBP personnel, they realized the contract file was missing when the program office wanted to recover about \$1 million due to contractor performance issues. Without the executed contract, CBP officials said they could not address the contractors' performance issues. They ultimately settled the outstanding invoice amount of \$14,750 and canceled \$25,038 in contract line items. The remaining \$960,212 could not be recovered and was misspent. In addition, CBP did not perform or input any performance evaluations into the Contractor Performance Assessment Reporting System for this same contract. FAR 42.1502(b) requires evaluations of contractor performance to be prepared for contracts exceeding the simplified acquisition threshold of \$150,000.

In the second instance, the Coast Guard contracted for dockside ship repair, totaling \$334,191. Coast Guard personnel stated that the contract file was supposed to be transferred from its Oakland, CA, office to its Norfolk, VA, office; however, the original hardcopy file was not forwarded. Coast Guard personnel then identified the missing documentation and retrieved most of the electronic files from their databases. Despite their attempt, they were unable to locate all required contract documents.

Missing Procurement Documents

For eight of the nine components tested, contract files lacked vital documentation. FAR 4.803 states that contract files must contain record of acquisition planning, availability of funding, justifications and approvals, determination of findings, proposals, reviews, and modifications. The Department's HSAM also has a requirement for contract files to include record of acquisition planning and related approvals. Even though components had guidance regarding documenting contract files, they still had files that lacked vital procurement documents, which prevented effective procurement management.

Although components' contract files contained a checklist of what should be in the file folder, component personnel still did not include all required documents. This occurred because contracting personnel failed to maintain and update official hardcopy contract files. This resulted in documents that component personnel were unable to find.

As part of DHS Procurement Oversight Program, DHS conducts triennial reviews of each component as an internal control to assess regulatory and



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policy compliance and oversee and gain insight into the performance of the procurement functions. Issues similar to those identified during this audit were also identified during the Department’s triennial reviews (see table 3). For example, the Department noted an issue with missing documents for all of the components we reviewed as well as four missing contract files at ICE. Even though the Department’s triennial reviews showed that components improved in some areas, the reviews showed components regressed more than they improved.

Table 3. Issues Identified in Triennial Reviews

Component Issues Identified In the Office of Chief Procurement Officer (OCPO) Triennial Reviews			
	Noncompliant Areas	Improved Areas	Regressed Areas
CBP	23	3	12
FEMA	20	7	9
FLETC	18	10	7
ICE	36	5	12
OPO*	23	11	7
TSA	29	3	7
Coast Guard	28	1	7
Secret Service	19	3	11

Source: DHS OIG created

*OPO report includes USCIS information

The shaded values indicate areas in which regression outnumbered areas of improvement.

Federal, Department, and component-level guidance is clear in the requirements for procurement personnel to have complete contract files and the additional internal control the Department set up to assess regulatory and policy compliance. Nonetheless, DHS components continue to have incomplete contract files and not meet this important requirement. This is occurring because components lack a comprehensive contract management process that assures they maintain oversight. A defined contract management process would ensure that contracting personnel maintain and update the official contract file, and prevent the loss of files and procurement documents. Incomplete contract files limit a component’s ability to manage procurement activity effectively.

Missing Authorizing Signatures

For the 29 selected contract files, 6 procurement documents at Coast Guard, FLETC, and USCIS were missing authorizing signatures. HSAM 3019.201 mandates that a small business specialist must review each procurement request that requires a DHS Form 700-22, Small Business Review Form. At Coast Guard, procurement personnel did not obtain the small business specialist’s signature on the DHS Form 700-22 for one contract valued at



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\$290,238. The signature provides evidence that the small business specialist reviewed the form and concurred with the proposed procurement method.

FAR 43.103(a) requires a contractor's signature whenever there is a change to the terms of the contract. However, we found contract files at FLETC and USCIS were missing required signatures on contract modifications. Two FLETC contracts, valued at about \$8.7 million, did not have required contractors' signatures. One contract included the contractor's signature; however, it was dated 4 months prior to the contract award. For the other contract, FLETC personnel issued three contract modifications without the required contractor's signature. Although FLETC ultimately addressed this problem, these contract modifications were already executed. FLETC personnel addressed this issue associated with this contract by conducting higher levels of review for subsequent modifications; however, they did not correct the already issued modifications.

For a USCIS contract, valued at \$491,413, USCIS personnel were unable to locate a copy of an executed contract modification with the required contractor's signature. Without the contractor's signature for changes to contract terms, the components lack support to demonstrate agreement by both parties.

Warrant Authority Exceeded

A contracting officer at CBP with a delegated warrant authority of \$100,000 exceeded that authority on one CBP contract by \$12,500. The contracting officer authorized a contract for CBP to purchase parking spaces at its National Targeting Center for \$112,500. CBP procurement personnel did not conduct reviews to ensure that contracting personnel performed within their appropriate warrant authority. DHS' *Acquisition Workforce Policy*, No. 064-04-011, states that employees with contracting officer authority may enter into contracts to obligate funds subject to the limit of their authority. CBP policy also states that the warrant level required for an initial award includes the value of all options. The problem occurred because the contracting officer was not aware of CBP's policy to consider option values when determining the warrant level required for initial contract award.

Missing Contract Closeout

FAR 4.804 requires components to close out firm-fixed-price contracts within 6 months after the contracting officer verifies that all contract terms have been fulfilled. Coast Guard and CBP did not perform timely contract closeout for two contracts. In the first instance, Coast Guard did not close a firm-fixed-price contract for purchasing dry dock repairs, paying the contractor about \$1.6



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million. Despite the contractor submitting the final voucher in April 2016, at the time of our audit in May 2018, the contract still was not closed. Nonetheless, Coast Guard officials confirmed that the contract performance was complete as of February 8, 2016. In May 2018, during our review, Coast Guard officials said the contracting officer retired in spring of 2016 and the contract was still open due to a lack of manpower.

CBP also did not close out a firm-fixed-price contract, valued at \$621,348, for janitorial services. Despite the contractor sending its final invoice and release of claims on May 2, 2016, CBP still had not closed this contract by the time we completed our fieldwork in July 2018. Without Coast Guard and CBP completing the contract closeout process, the government and contractor's contractual and financial obligations cannot be finalized. Accordingly, the closure for these contracts were overdue and not managed in accordance with regulation.

Conclusion

DHS has made improvements in providing oversight for lower dollar contracts; however, more work is needed. Lost contract files, missing procurement documents, missing authorizing signatures, exceeded warrant level, and missing contract closeout caused components to mismanage contracts, misspend funds, and not comply with Federal, Department, and component contract policy requirements.

Recommendations

Recommendation 1: We recommend the Chief Procurement Officer require DHS Component Heads of Contracting Activities to establish management policies and guidelines or revise current policies that help prevent the loss of contract files.

Recommendation 2: We recommend the Chief Procurement Officer require DHS Component Heads of Contracting Activities to establish management policies and guidelines or revise current policies to ensure that contracting personnel:

- a) Monitor and maintain contract files in accordance with the FAR, Department, and component policies. Controls should include, but not be limited to:
 - documentation for rationales and decisions made;
 - approvals on all required documents at the appropriate time during the process; and



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- complete contract files.
- b) Award contracts within their warrant authority.
- c) Evaluate contractor performance to ensure adherence to contractual terms and identify opportunities to recover funds for unacceptable contractor performance (offering reductions in government spending, deobligation of funds, and avoidance of unnecessary spending).

Management Comments and OIG Analysis

DHS provided written comments in response to a draft of this report. We have included a copy of DHS management's response in its entirety in appendix A of this report. DHS did not agree with our recommendations and asserted that our report lacked basis to conclude that our findings are a result of a lack of contract management policy or guidance, either at the Department or contracting activity level. Furthermore, the Department maintained that the FAR, Homeland Security Acquisition Regulation (HSAR), HSAM, and individual contracting activities' supplemental guidance address contract file maintenance and required reviews and approvals.

The Department's CPO did not take issue with the deficiencies we identified, only the underlying causes we cited and our recommendations to fix the deficiencies. Further, component procurement leadership for the associated contract files we reviewed did not take issue with our findings or recommendations. They were all aware of the deficiencies due to our continuous communication throughout the audit. We also briefed component leadership to discuss our tentative findings and recommendations.

The Department is concerned that our report lacked basis to conclude that our findings are a result of a lack of contract management policy or guidance, either at the Department or contracting activity level. This concern is an inaccurate portrayal of what our report states. Our report clearly identifies two overarching areas in which components need to improve their contract management processes — maintaining contract files and following procurement requirements.

As we discussed in our report, despite existing Federal and Department guidance, component personnel:

- Lacked contract oversight in the solicitation, award, and contract management phases for 18 of the 29 contracts we reviewed, which equated to 26 deficiencies.



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- Lost two contract files — in one instance, CBP personnel could not recover \$960,212 because they could not locate the executed contract. In the second instance, Coast Guard personnel did not transfer the original hardcopy file from its Oakland, CA office to its Norfolk, VA office.
- One contracting officer exceeded warrant authority by \$12,500 due to a lack of awareness of CBP's policy to consider option values when determining the warrant level required for initial contract award. CBP's review and approval processes failed to ensure the contracting personnel performed within the appropriate warrant authority.
- Two firm-fixed-price contracts totaling \$2.3 million were not finalized, leaving the Government and the contractor's contractual and financial obligations open.

These problems are serious and indicate systemic weaknesses in contract oversight. As such, the CPO should not take these audit report findings lightly. The CPO's own triennial reviews continuously point out areas of noncompliance with FAR and departmental policy; however, the CPO non-concurred with our recommendations to fix problems with its components procurement processes. The CPO's dismissive approach to the identified issues is not effective.

Finally, although we agree that FAR, HSAR, and HSAM guidance is in place, our recommendations speak to a lack of guidance or gaps in component-level guidance. We disagree with the CPO's assertion that individual contracting activities' supplemental guidance addresses contract file maintenance and required reviews and approvals. Component-level guidance often referred to Federal regulation or departmental guidance for conducting contracting activities; however, this level of guidance did not always address component needs. One example of this gap is with tracking and preventing the loss or misplacement of contract files. Department policy requires DHS components to maintain an official contract file folder for every contract awarded, complete with a checklist of the items included in the file and a cross reference to the Federal or departmental requirement, as applicable. However, during our review we found that many components continued to have missing contract files and required documents. In each of these instances, component-level guidance did not address these inconsistencies.

Following is our analysis and response to DHS comments on each individual recommendation.

OCPO Response to Recommendation 1: The CPO non-concurred with this recommendation. In the response, the CPO stated that contracting activities do not need to establish management policies and guidelines, or revise existing policies, to help prevent the loss of contract files. The CPO maintained that



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sufficient policy and guidance exist to address OIG's concern and that additional policy and guidance will not help mitigate the loss of contract files.

Nonetheless, the CPO expressed plans to remind contracting activities of their responsibility to maintain proper control of contract files by the end of May 2019. The CPO further cited plans to include the number of missing files as part of a triennial contract file review and stated that no contract files were missing in the CPO's most recent contract file reviews. The estimated completion date for addressing this recommendation is May 31, 2019.

OIG Analysis: Although the CPO non-concurred with our recommendation, part of the CPO's planned corrective action to include the number of missing files as part of its triennial contract file reviews is a step in the right direction. This will provide broader oversight at the Department level; however, it does not mitigate the gaps we identified in component-level guidance.

Although the CPO cited plans to "remind" contracting activities of their responsibility to maintain proper control of files, a reminder is not as effective as establishing controls to ensure that contracting activities are properly handling and storing contract files. Accordingly, without utilizing controls to enforce management policies related to contract files, contract files may continue to go missing.

Although the CPO maintained that OCPO personnel did not identify any missing contract files during their recent contract file reviews, they issued numerous recommendations regarding noncompliant contract files. Some recommendations were to provide guidance and training to contracting personnel, correct noncompliant files by filing missing documentation, and implement an increased monitoring process; however, we still found these deficiencies during our audit. This recommendation is open and unresolved.

OCPO Response to Recommendation #2: The CPO non-concurred with this recommendation. The CPO agreed with our underlying premise that contract files should be complete with appropriate documentation, contract actions should be approved within warrant authority, and contractor performance should be appropriately assessed. However, the CPO disagreed that contracting activities need to establish additional management policies and guidelines or revise current policies to achieve these outcomes. The CPO believes that sufficient policy and guidance exist in the FAR, HSAR, HSAM, and individual contracting activities' supplemental guidance relating to contract solicitation, award, and administrative processes and procedures.

The CPO plans to remind contracting activities of their responsibilities to ensure that contract files are complete with appropriate documentation and



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approvals at the appropriate time during the procurement process, that contracting officers approve contract actions within their warrant authority; and that contractor performance is evaluated in accordance with the FAR and HSAM. The CPO will also provide direction to audit and compliance staff to place added emphasis on these items during compliance inspections reviews mandated by DHS policy. The estimated completion date is May 31, 2019.

OIG Analysis: Although the CPO non-concurred with this recommendation, its proposed actions denote concurrence and partially address the intent of our recommendation. The CPO asserted that FAR, departmental policy, and individual contracting activities' supplemental guidance relating to contract solicitation, award, and administration processes and procedures is sufficient. Although we agree that FAR, departmental, and component-level policy exist, component personnel still mismanaged contract files, including egregious actions to award a contract over the approved warrant authority level. We do not believe the CPO's response is reflective and captures the seriousness of the deficiencies identified by OIG. This recommendation is open and unresolved.

Objective, Scope, and Methodology

The DHS Office of Inspector General was established by the *Homeland Security Act of 2002* (Pub. L. No. 107-296) by amendment to the *Inspector General Act of 1978*. We conducted this audit to determine whether selected contracts were properly solicited, awarded, and managed. To achieve our audit objective, we interviewed procurement personnel in the DHS OCPO, Program Accountability and Risk Management, CBP, TSA, FEMA, Coast Guard, Secret Service, USCIS, ICE, OPO, and FLETC. We also obtained and reviewed public laws, DHS directives, congressional budget requests, contract documents, and DHS component assessments conducted.

We obtained component acquisition guidance to obtain an understanding of the controls and processes related to the solicitation, award, and management of DHS contracts. We also conducted analysis of acquisition system and reporting requirements to use as the basis for determining whether DHS components are properly documenting and reporting acquisition processes and procurement activity.

We used the Federal Procurement Data System — Next Generation (FPDS-NG) to identify the population for our review. Federal regulation mandates all Federal agencies to report data on contract actions in FPDS-NG. This data is verified and validated by the CPO and the Chief Acquisition Officer. We also verified the accuracy of the information during our contract file reviews. Although we used the data extracted from FPDS-NG, we did not rely upon it to support our findings, conclusions, and recommendations. FPDS-NG provides



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contract action data, but does not provide acquisition program information associated with the contract actions. Therefore, our population does not differentiate acquisition programs.

We ran a query of FY 2016 contract actions below \$300 million in FPDS-NG, which gave us our sampling universe of 5,060² contract actions at a total cost of \$2,382,321,732. The 5,060 contract actions equated to 3,155 base contracts. We stratified the sampling universe into obligations, deobligations, and zero dollars obligated for our judgmental selection. We categorized the contract obligations in our sampling universe into a five-tier dollar range. The five-tier dollar range consists of high dollar amounts more than \$20 million; mid-high dollar amounts more than \$1 million; mid-low dollar amounts more than \$400,000; low dollar amounts more than \$100,000; and very low dollar amounts less than \$100,000. We also considered other characteristics, such as net dollar impact to the total contract costs and reasons for contract modification.

We judgmentally selected a sample size of 29 contracts, which consisted of 20 contracts with actions obligating funds within the five-tier range, 5 contracts with actions deobligating funds, 1 contract with zero dollars obligated, and 3 contracts mentioned in a hotline referral.

We obtained, reviewed, and analyzed the contract file documentation to determine whether the Department followed Federal, Department, and component policies and procedures.

We conducted this performance audit between January 2017 and July 2018 pursuant to the *Inspector General Act of 1978*, as amended, and according to 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 upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.

The Office of Audits major contributors to this report are Carolyn Hicks, Director; LaParacina Williams, Audit Manager; LaTrina McCowin, Auditor-in-Charge; Devon Brown, Program Analyst; Jacklyn Pham, Auditor; Hope Wright, Auditor; Kevin Dolloson, Communications Analyst; and Ben Wing, Independent Referencer.

² We did not include DHS OIG data in our universe.



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Appendix A
DHS Comments to the Draft Report

U.S. Department of Homeland Security
Washington, DC 20528



April 12, 2019

MEMORANDUM FOR: Sondra F. McCauley
Assistant Inspector General for Audits
Office of Inspector General

FROM: Jim H. Crumpacker, CIA, CFE 
Director
Departmental GAO-OIG Liaison Office

SUBJECT: Management Response to OIG Draft Report: "Inadequate Oversight of Low Value DHS Contracts"
(Project No. 17-020-AUD-DHS)

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

The Department is pleased to note the OIG's positive recognition that improvements have been made to the oversight of lower dollar contracts. DHS Office of the Chief Procurement Officer (OCPO) personnel are committed to consistently serving as innovative and flexible business advisors delivering the right solutions to enable the DHS mission.

It is important to also highlight, however, that the Department is very concerned with the draft report's assertion about the lack of "a comprehensive contract management process" as the underlying basis for the OIG's findings and recommendations. The report provides no basis to conclude the OIG's findings are the result of a lack of contract management policy or guidance, either at the Department level or at the contracting activity level. In addition to the Federal Acquisition Regulation (FAR), the Department has a thorough departmental policy established and documented in the Homeland Security Acquisition Regulation (HSAR), Homeland Security Acquisition Manual (HSAM), and in individual contracting activities' supplemental guidance that address contract files maintenance and required reviews and approvals.

The draft report contained two recommendations, with which the Department non-concurs. Attached find our detailed response to the recommendations. Technical comments were previously provided under separate cover.



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Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you again in the future.

Attachment



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Attachment: Management Response to Recommendations Contained in Project No. OIG-17-020-AUD-DHS

The OIG recommended that the DHS Chief Procurement Officer (CPO):

Recommendation 1: Require DHS Component Heads of Contracting Activities to establish supplemental management procedures and guidelines or revise current policies that help prevent the loss of contract files.

Response: Non-concur. The DHS CPO does not agree that contracting activities need to establish management policies and guidelines, or revise current policies, to help prevent the loss of contract files. Rather, the CPO believes that sufficient policy and guidance exist to address OIG's concern and that additional policy and guidance will not help mitigate the loss of contract files.

However, while no additional or revised guidance and policy are necessary, the CPO will remind contracting activities of their responsibility to maintain proper control of contract files by the end of May 2019. Additionally, to help prevent the loss of contract files, OCPO staff have included the number of missing files as part of the tri-annual contract file review. OCPO encourages the contracting activities to have proper storage of contract files and a custody system. No contract files were missing in OCPO's most recent contract file reviews. ECD: May 31, 2019

Recommendation 2: Require DHS Component Heads of Contracting Activities to establish supplemental management procedures and guidelines or revise current policies to ensure that contracting personnel:

- a) Monitor and maintain contract files in accordance with the FAR, Department, and component policies. Controls should include, but not be limited to:
 - documentation for rationales and decisions made;
 - approvals on all required documents at the appropriate time during the process; and
 - complete contract files.
- b) Approve contracts within their warrant authority.
- c) Evaluate contractor performance to ensure adherence to contractual terms and identify opportunities to recover funds for unacceptable contractor performance (offering reductions in government spending, de-obligation of funds, and avoidance of unnecessary spending).



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Response: Non-concur. The CPO agrees with the OIG's underlying premise that contract files should be complete with appropriate documentation, contract actions should be approved within warrant authority, and contractor performance appropriately assessed. However, the CPO disagrees that contracting activities need to establish additional management policies and guidelines or revise current policies to achieve these outcomes. Specifically, the CPO believes that sufficient policy and guidance exist in the FAR, HSAR, HSAM, and individual contracting activities' supplemental guidance relating to contract solicitation, award, and administration processes and procedures. The CPO does not believe that additional guidance will help facilitate effective solution(s) to resolve the findings in OIG's draft report.

However, while no additional or revised guidance and policy are necessary, the CPO will remind contracting activities of their responsibilities to ensure: contract files are complete with appropriate documentation and approvals at the appropriate time during the procurement process; contracting officers approve contract actions within their warrant authority; and contractor performance is evaluated in accordance with the FAR and HSAM. CPO will also provide direction to the audit and compliance staff to place added emphasis on these items during compliance inspections reviews mandated by DHS policy. ECD: May 31, 2019.



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Appendix B
DHS Contract Oversight Issues

	Contract Number	Lost Contract	Missing Documents	Missing Signatures	Warrant Authority Exceeded	Missing Contract Closeout	Details of Missing Procurement Documents/ Missing Signatures
CBP	HSBP1109C02211	1					<u>Missing Documentation:</u> 1) Market Research 2) Contracting Officer's Representative (COR) Nomination 3) Legal Review
	HSBP1010C00120		3				<u>Missing Documentation:</u> 1) FPDS-NG entry for Contract Modifications 16, 17, and 36
	HSBP1014C00004		3				<u>Missing Documentation:</u> 1) COR Appointment Letter
	HSBP1014C00022		1			1	<u>Missing Documentation:</u> 1) Significant Impairment Determination
	HSBP1014P00671		1				<u>Missing Documentation:</u> 1) Justification for Use of Options 2) COR Nomination 3) Unsuccessful Offerors' proposals 4) Determination of No Subcontracting Opportunities 5) Contractor Performance Evaluations
FEMA	HSFEEM09C0232		5				<u>Missing Signatures:</u> 1) Contract Modifications 2, 16, and 18. <u>Missing Signatures:</u> 1) Standard Form 1449
FLETC	HSFLGL13C00011			3			
	HSFLGL14C00010			1			



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	Contract Number	Lost Contract	Missing Documents	Missing Signatures	Warrant Authority Exceeded	Missing Contract Closeout	Details of Missing Procurement Documents/ Missing Signatures
ICE	HSCEDM15C00004		3				<u>Missing Documentation:</u> 1) Evidence of Acquisition Planning Forecast System (APFS) entry 2) Streamlined Acquisition Plan 3) ICE policy requires "Skull Session" for contemplated APs but no documentation in the contract file
	HCEMD14C00003		1				<u>Missing Documentation:</u> 1) Contract Administration Plan
TSA	HSTS0515CSPP090		1				<u>Missing Documentation:</u> 1) Evidence of APFS entry
OPO	HSHQDC12C00003		1				<u>Missing Documentation:</u> 1) Change of Contracting Officer not adequately documented
Coast Guard	HSCG4016CP30573	1					
	HSCG8515CP45C71		1			1	<u>Missing Documentation:</u> 1) COR Nomination
USCIS	HSCG8516CP45E29		1	1			<u>Missing Documentation:</u> 1) COR Nomination <u>Missing Signature:</u> 1) Small Business Specialist's signature on DHS Form 700-22, Small Business Review Form
	HSSCCG11C00002		1	1			<u>Missing Documentation:</u> 1) DHS Form 700-12, Determination of Contractor Responsibility <u>Missing Signature:</u> 1) Contract Modification 8



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	Contract Number	Lost Contract	Missing Documents	Missing Signatures	Warrant Authority Exceeded	Missing Contract Closeout	Details of Missing Procurement Documents/ Missing Signatures
Secret Service	HSS0112C0007		1				<u>Missing Documentation:</u> 1) COR Nomination
	HSS0115C0028		2				<u>Missing Documentation:</u> 1) COR Nomination 2) Contract Modification 7

Source: DHS OIG created

As part of the preceding table, we included a count of the number of instances each issue occurred within the contract file. This resulted in a total number of 36 instances related to the 26 oversight issues reported.



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Appendix C
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