



Department of Homeland Security Office of Inspector General

Review of Management Agreements Developed for DHS' Primary Data Center





Homeland Security

FEB 18 2010

MEMORANDUM FOR: Richard Spires
Chief Information Officer

FROM: *Richard L. Skinner*
Richard L. Skinner
Inspector General

SUBJECT: *Final Letter Report: Review of Management Agreements
Developed for DHS' Primary Data Center (OIG-10-56)*

We audited the efficiency of the Department of Homeland Security's (DHS) management agreements to establish a primary data center at the Stennis Space Center in Mississippi. The department has agreements with the U.S. Navy to establish and maintain the DHS primary data center. We determined that the associated interagency agreements for this effort are missing key elements. Additionally, the department's technical representatives have not reviewed invoices associated with \$160 million in expenditures.

The audit included a review of DHS policies and procedures, interagency agreements, the memorandum of agreement, and prior audit reports. We are recommending that DHS:

- Update its interagency agreements to include (a) the location of the building; (b) DHS' percentage of space, power, and utilities; and (c) the methodology for the allocation of costs.
- Review invoices and supporting documentation for fund transfers to ensure that funds were appropriately used.

Background

In April 2009, we reported on DHS' efforts to improve its disaster recovery planning for information systems.¹ We identified technical and managerial concerns that might hinder the ability of DHS' primary data center to perform mission-essential functions. As a result of that audit, we initiated a review to determine whether the management agreements among the various stakeholders at the Stennis Space Center assist or hinder DHS' efforts to establish a primary data center.

¹ *DHS' Progress in Disaster Recovery Planning for Information Systems*, OIG-09-60, April 2009.

We reviewed actions DHS had taken to select the location of its primary data center. In 2004, DHS staff visited the Stennis Space Center in Mississippi several times to survey proposed buildings that could be used for the data center. In November 2004, the DHS Chief Information Officer committed \$5 million to establish data center services at the Stennis Space Center. However, the buildings that DHS staff had surveyed were not available, and the U.S. Navy provided DHS another building at the Stennis Space Center. The new building was a former munitions manufacturing facility that needed extensive renovations. This building is on land permitted to the U.S. Army and operated by the U.S. Navy. DHS is one of several tenants in the U.S. Navy building.

We reviewed the interagency agreements between DHS and the U.S. Navy. We also reviewed the process DHS uses to verify that goods and services received for the primary data center are approved before payments are made.

Interagency Agreements Do Not Contain Key Elements

Since 2005, the department has obligated more than \$160 million in interagency agreements with the U.S. Navy to convert a former munitions manufacturing facility at the Stennis Space Center in Mississippi into a data center. However, the interagency agreements between DHS and the U.S. Navy do not contain key elements essential to ensure that the facility can continue to operate as DHS' primary data center.

According to Management Directive 125-02, *Interagency Agreements*,

“Each Interagency Agreement identifies the supplies and services to be provided and indicates the fee charged by the Servicing Agency. The description of supplies or services must be specific, definite, and clear in order to support a binding agreement that will be recorded as an obligation. Further, the Interagency Agreement must establish a ceiling amount limiting the Requesting Agency's financial obligation.”

Key elements that are missing from these agreements include DHS' allotted floor space, the amount of power and utilities provided, and DHS' percentage of shared costs. Without these items in the interagency agreements, DHS cannot be assured that it can continue to house its primary data center in the current location, or that DHS is reimbursing the U.S. Navy only for expenses directly related to the primary data center.

In November 2004, DHS committed to placing its primary data center at the Stennis Space Center without establishing an agreement with the U.S. Navy about the specific building that DHS would occupy. After DHS committed \$5 million to use the Stennis Space Center, DHS was provided another building that it had not previously reviewed. According to the U.S. Navy, DHS spent \$64.1 million to renovate the replacement building.

In September 2008, DHS and the U.S. Navy signed a formal memorandum of agreement for the operation and maintenance of this renovated facility. This document and the

original interagency agreements specify what services the U.S. Navy will provide. However, these documents do not specify the amount of floor space that DHS will control or DHS' percentage of shared operating costs.

Our review of DHS' payments indicates that the department is paying more than its fair share of costs for this facility. The DHS primary data center is located in a multitenant building. This building is operated by the U.S. Navy on land that has been permitted to the U.S. Army. The U.S. Army is charging the U.S. Navy \$549,332 for the use of 250,973 square feet of office space on 64 acres of land at the Stennis Space Center. According to the U.S. Navy, DHS is occupying approximately 81%, or 61,206 square feet, of the floor space in one of its shared buildings. However, the U.S. Navy is charging DHS \$444,959, or approximately 81% of the U.S. Navy's \$549,332 total cost, instead of charging DHS based on the percentage of space DHS is using. We discussed this matter with DHS officials, who agreed that DHS may be paying the U.S. Navy too much for this space.

Without documented agreements identifying the fees to be charged, as well as the specific supplies and services to be provided, DHS cannot be assured that it is operating its primary data center as cost-effectively as possible.

DHS Is Not Reviewing Invoices for Its Primary Data Center

DHS technical representatives have not reviewed invoices and other documents that detail the expenditures associated with the \$160 million that DHS has paid the U.S. Navy for its primary data center since January 2005. Without reviews of supporting documentation, senior DHS management cannot be assured that department funds are being used to acquire the goods and services outlined in the interagency agreements in a cost-effective manner and for authorized purposes.

The U.S. Navy is using the Intra-Governmental Payment and Collection (IPAC) System to obtain DHS funds designated for DHS' primary data center.² However, the U.S. Navy did not provide supporting documentation or invoices for these transfers before receiving the funds. In addition, DHS technical representatives did not request supporting documentation for the transactions and did not notify the DHS contracting officers, fund transfer officials, or budget officers that supporting documentation was not provided.

According to an U.S. Navy official, the IPAC System was used to obtain DHS funds made available through the interagency agreements for capital improvements. For example, as discussed above, DHS funds were used for renovating a munitions manufacturing facility and for rent. Additionally, according to a U.S. Navy official, DHS funds were used for rent; salaries; and the purchase of nonexpendable property such as air conditioning units (chillers), uninterruptible power supplies, fuel tanks, electrical power supply elements, and five of six emergency generators. However, DHS was not provided the invoices or documentation supporting charges for these goods and services.

² The IPAC System's primary purpose is to provide a standardized interagency fund transfer mechanism for Federal Program Agencies.

According to Management Directive 125-02, *Interagency Agreements*,

“The Program Manager is ultimately responsible for ensuring that program funds are spent in a manner that results in planned outcomes (i.e., that all Interagency Agreements contain clearly defined requirements, and performance measures and monitoring plans to the maximum extent practicable). Further, DHS Program Offices must ensure that adequate documentation is maintained with respect to the results achieved under each Interagency Agreement.”

According to DHS Directive 125-02-001, *Instruction Guide on Interagency Agreements*, the following activities are to occur before the close-out phase of an interagency agreement:

“Prior to close-out, reconciliation of the funds and acceptance of performance must occur (Requesting Agency Program Manager in conjunction with the appropriate Servicing Agency Point of Contact).”

Without supporting documentation, DHS cannot be assured that IPAC transfers to the U.S. Navy related to the DHS primary data center were for authorized goods or services and were appropriately used for capital improvements, rent, salaries, and nonexpendable property.

Recommendations

We recommend that the DHS Chief Information Officer (CIO) direct DHS technical representatives and contracting officers to:

Recommendation #1: Update interagency agreements between the U.S. Navy and DHS to include (a) the location of DHS’ data center building; (b) DHS’ percentage of space, power, and utilities; and (c) the methodology for determining DHS’ allocation of costs for space at the Stennis Space Center.

Recommendation #2: Obtain and review invoices and supporting documentation for U.S. Navy’s IPAC transfers related to the DHS primary data center to ensure that funds were appropriately used for designated goods and services.

Management Comments and Analysis

We obtained written comments on a draft of this report from the DHS CIO. In the comments, the CIO indicates that the report contains several inaccuracies. Specifically, the CIO states that two specific interagency agreements contained power and floor space requirements. We disagree. Neither agreement specifies the amount of floor space or power that will be dedicated for DHS' use. Additionally, the other 29 agreements we reviewed did not contain the amount of floor space and power that would be dedicated to DHS' use.

Further, the CIO indicated that our report appeared to confuse raised floor space with other types of space. We modified the text in this section of the report to emphasize our concern that DHS was paying 81% of the U.S. Navy's total costs, including costs for buildings not occupied by DHS.

Finally, the CIO asserted that onsite surveys and visual inspections were sufficient actions to ensure that program funds were properly spent. However, it is our opinion that these actions alone did not provide sufficient oversight. These actions must be supported by verifying that adequate documentation exists for costs charged to DHS for construction, supplies, and personnel.

The CIO also did not concur with our second recommendation. Specifically, the CIO noted that both DHS and the Office of Inspector General auditors sought invoices from the U.S. Navy without success. However, we disagree that DHS should have accepted this apparent lack of cooperation from the U.S. Navy. Staff from the DHS Office of the CIO should have notified senior DHS officials of this problem. When informed of the problem, DHS officials should have negotiated with the U.S. Navy and the General Services Administration for access to the relevant documents.

This audit is a follow-up audit to our report on *DHS' Progress in Disaster Recovery Planning for Information Systems* (OIG-09-60). The previous report concerned DHS' disaster recovery planning and its two new data centers. This report focuses on the DHS Management Directorate's efforts to establish one of those data centers, DHS' primary data center.

The objective of our audit was to determine whether the management/ownership agreements among the various stakeholders assist or hinder DHS' efforts to establish a primary data center. We reviewed DHS policies and procedures, interagency agreements, memorandum of agreement, statements of work, and prior audit reports. On-site inspections and interviews of key personnel performed for the previous report were also used to support this effort.

We conducted fieldwork at DHS Management Directorate facilities and organizational elements in the Washington DC, metropolitan area. We also requested information from the U.S. Navy, the U.S. Army, and the National Aeronautics and Space Administration. While these organizations provided us with most of the data we requested, the U.S. Navy did not provide invoices related to work performed at DHS' primary data center. We conducted this audit between April and October 2009.

We provided DHS staff with briefings and presentations concerning the results of fieldwork and the information summarized in this report. We conducted the audit 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 on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We appreciate the efforts of DHS management and staff to provide the information and access necessary to accomplish this audit. The principal Office of Inspector General points of contact for the audit are Frank Deffer, Assistant Inspector General for Information Technology Audits, (202) 254-4100, and Sharon Huiswoud, Director, Information Systems Division, (202) 254-5451. Major contributors to the audit are identified in Appendix C.

Appendix B Management Comments to the Draft Report

Office of Inspector General

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



MEMORANDUM FOR: Richard L. Skinner
Inspector General

FROM: Richard Spires
Chief Information Officer

SUBJECT: *Final Letter Report: Review of Management Agreements
Developed for DHS' Primary Data Center Response*

Please find our comments on the subject report. In addition to responding to the recommendations we have addressed several inaccuracies that were noted in the report.

Page 2, fifth paragraph (“Key elements...”) – DHS’ requirements for power and floor space were specified in Interagency Agreements HSHQPA-05-X-01066 and HSHQPA-05-X-01066, P00002. The current Memorandum of Agreement (MOA) with the Commander Naval Meteorology and Oceanography Command (CNMOC) specifies that annual budget for facility services will be proposed and mutually discussed. Interagency agreements for recurring facility costs prior and subsequent to this MOA have specified services and costs.

Page 3, first full paragraph (“Our review...”) – The report appears to confuse raised floor space with other types of space. DHS uses a number of buildings and types of space within the former Mississippi Army Ammunition Plant (MSAAP). Raised floor space, as the premium facility commodity, is used by CNMOC as the determining metric for costs cited in this paragraph. DHS currently has exclusive use of 81% of the raised floor space within the MSSAP.

Page 4, initial reference to Management Directive 125-02 – DHS personnel undertook repeated on-site surveys of the facility during the course construction, performing a thorough visual inspection of assets such as chillers, fuel tanks, power supply elements and emergency generators. Such inspection represents full attention to the MD 125-02 requirement to ensure program funds are properly spent.

Recommendation #1: *Update interagency agreements between the U.S. Navy and DHS to include: (a) the location of DHS data center (building), (b) DHS’ percentage of space,*

power, and utilities, and (c) the methodology for determining DHS' allocation of costs for space at the Stennis Space Center.

OCIO Concurs with caveat - Facility ownership is expected to transfer from CNMOC to the NASA Stennis Space Center (SSC) in April 2010. DHS and SSC are presently working to establish an agreement for specific terms and conditions. DHS plans to incorporate this recommendation into the new agreement with SSC.

Recommendation #2: *Obtain and review invoices and supporting documentation for U.S. Navy's IPAC transfers related to the DHS primary data center to ensure that funds were appropriately used for designated goods and services.*

OCIO Non-concurs - DHS has sought invoices from Navy without success. The DHS Office of Inspector General also sought invoices without success. It is not a common practice for invoices to be provided in the kinds of intra-governmental relationships such as that DHS has for the data center at SSC. Contracting functions related to facility services are performed by the Navy and the General Services Administration (GSA), thus access to invoices is controlled by CNMOC Contracting Officer Representatives and GSA Contracting Officers. These parties have direct responsibility for vendor oversight and invoice review. Further, these parties have treated invoice information as subject to privity. As DHS works with SSC to establish a new agreement, efforts will be made to impose a requirement for access to vendor invoices, but results cannot be assured. DHS has and will continue to mitigate this risk through direct on-site observation of rendered services and capabilities.

Appendix C
Major Contributors to This Report

Sharon Huiswoud, Director, Department of Homeland Security,
Information Technology Audits

Kevin Burke, Audit Manager, Department of Homeland Security,
Information Technology Audits

Domingo Alvarez, Senior Auditor, Department of Homeland
Security, Information Technology Audits

Matthew Worner, Senior Auditor, Department of Homeland
Security, Information Technology Audits

Philip Greene, Referencer

Appendix D
Report Distribution

Department of Homeland Security

Secretary
Deputy Secretary
Chief of Staff for Policy
Chief of Staff for Operations
Deputy Chiefs of Staff
General Counsel
Executive Secretary
Under Secretary for Management
Director, GAO/OIG Liaison Office
Assistant Secretary for Policy
Assistant Secretary for Legislative Affairs
Assistant Secretary for Public Affairs
Office of Management, Audit Liaison
Chief Information Officer, DHS
Deputy Chief Information Officer, DHS
Chief Information Security Officer, DHS
Director, Compliance and Oversight
Deputy Director, Compliance and Oversight
DHS Chief Information Officer, Audit Liaison
DHS Chief Information Security Officer, Audit Liaison

Office of Management and Budget

Chief, Homeland Security Branch DHS OIG Budget Examiner

Congress

Congressional Oversight and Appropriations Committees, as appropriate



ADDITIONAL INFORMATION AND COPIES

To obtain additional copies of this report, please call the Office of Inspector General (OIG) at (202) 254-4100, fax your request to (202) 254-4305, or visit the OIG web site at www.dhs.gov/oig.

OIG HOTLINE

To report alleged fraud, waste, abuse or mismanagement, or any other kind of criminal or noncriminal misconduct relative to department programs or operations:

- Call our Hotline at 1-800-323-8603;
- Fax the complaint directly to us at (202) 254-4292;
- Email us at DHSOIGHOTLINE@dhs.gov; or
- Write to us at:
DHS Office of Inspector General/MAIL STOP 2600,
Attention: Office of Investigations - Hotline,
245 Murray Drive, SW, Building 410,
Washington, DC 20528.

The OIG seeks to protect the identity of each writer and caller.