

# DEPARTMENT OF HOMELAND SECURITY

## Office of Inspector General

### Federal Protective Service Needs To Improve its Oversight of the Contract Guard Program



**Office of Audits**

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Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the Homeland Security Act of 2002 (*Public Law 107-296*) by amendment to the Inspector General Act of 1978. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

This report assesses the Federal Protective Service's (FPS) contract guard monitoring efforts within its National Capital Region (NCR) and compliance with provisions of the Prompt Payment Act nationwide. It is based on interviews with employees and officials from the FPS Headquarters, NCR, U.S. Immigration and Customs Enforcement, and contract guard companies, direct observations at buildings in the NCR, and reviews of applicable documents.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. It is our hope that this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Richard L. Skinner".

Richard L. Skinner  
Inspector General

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## Table of Contents/Abbreviations

Executive Summary .....	1
Background .....	2
Results of Audit .....	5
Contractor Deployment of Qualified Contract Guards .....	5
Recommendations .....	14
Management Comments and OIG Analysis .....	15
Payment of Contract Guard Invoices .....	16
Recommendations .....	22
Management Comments and OIG Analysis .....	22

### Appendices

Appendix A: Purpose, Scope, and Methodology .....	24
Appendix B: Management's Response to the Draft Report .....	27
Appendix C: Contract Guard Recertification Requirements .....	32
Appendix D: Summary of OIG Review of Expired Certifications .....	33
Appendix E: Major Contributors to this Report .....	34
Appendix F: Report Distribution .....	35

### Abbreviations

CERTS	Contract Guard Employment Requirements Tracking System
COR	Contracting Officer's Representative
CPR	Cardiopulmonary Resuscitation
DFC	Dallas Finance Center
DHS	Department of Homeland Security
FFMS	Federal Financial Management System
FPS	Federal Protective Service
GSA	General Services Administration
ICE	Immigration and Customs Enforcement
INS	Immigration and Naturalization Service
IRS	Internal Revenue Service
NCR	National Capital Region
OFM	Office of Financial Management
OIG	Office of Inspector General
PRISM	Procurement Request Information System Management
QAS	Quality Assurance Specialist

*Department of Homeland Security  
Office of Inspector General*

## **Executive Summary**

This report describes the results of our audit of the Federal Protective Service (FPS) contract guard program within FPS' Region 11, the National Capitol Region (NCR). Our objectives were to determine whether (1) effective controls are in place to ensure qualified contract guards are deployed at federal buildings; (2) FPS' Region 11 effectively monitors contractor performance and compliance with contract provisions; and 3) contract guard company invoices were paid timely according to the Prompt Payment Act.

We concluded that FPS' Region 11 is not consistently deploying qualified and certified contract guards. Contract guards were on post without current suitability determinations or with expired certifications. Also, security contractors were not performing their security services according to the terms and conditions of their contracts. These deficiencies occurred because FPS personnel were not effectively monitoring the contract guard program.

In addition, FPS is not paying invoices timely for its contract guard services nationwide and is in violation of the Prompt Payment Act. Of the 25,557 invoices paid from October 1, 2004, to November 21, 2005, only 12 percent were paid within 30 days, as required by the Prompt Payment Act. This condition occurred, in part, because the FPS transition from the General Services Administration's (GSA) Financial Management System to the U. S. Immigration and Customs Enforcement's (ICE) Federal Financial Management System was inadequately planned. As a result, FPS paid over \$1.2 million in interest to guard companies that are contracted by FPS to protect federal buildings for late payments made during this time period.

We are making four recommendations to the Regional Director of the NCR (Region 11), and one recommendation to the Director of FPS to strengthen controls over its contract guard program. Management concurred with all recommendations and, based on actions taken, we have closed three and consider two open pending planned corrective action. The Assistant Secretary's comments to our draft report, dated August 8, 2006, were

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incorporated into the body of this report, as appropriate, and are included in their entirety in Appendix B.

## **Background**

FPS was established in 1971 as the uniformed protection force of the General Services Administration for government-occupied facilities. As part of its overall strategy to ensure the physical safety of government employees and visitors, FPS uses contract guards to deter the commission of crime in and around federal buildings. The guards are deployed at roving and fixed posts, where they often operate security-screening devices such as magnetometers and x-ray machines. FPS guards play a crucial and highly visible role in the FPS mission, often the first, and sometimes the only, contact visitors have with FPS at a facility.

Under the Homeland Security Act of 2002,<sup>1</sup> the Department of Homeland Security (DHS) became responsible for protecting the buildings, grounds, and property owned, occupied, or secured by the federal government under GSA's jurisdiction. In addition to GSA facilities, the Act also provides FPS with the authority to protect properties held by DHS components that were not under GSA jurisdiction. Accordingly, FPS was moved from GSA, Public Building Services, to DHS, effective March 1, 2003. Within DHS, FPS is part of the Immigration and Customs Enforcement (ICE) Directorate.

Contract guard services represent the single largest item in the FPS operating budget, with an estimated FY 2006 budget of \$487 million. As a result of the Oklahoma City bombing in 1995, the contract guard workforce more than doubled and now numbers around 15,000. FPS has become increasingly reliant on its contract guard force, having less than 1,000 uniformed FPS officers nationwide.

FPS operations are divided into 11 Regions, of which the NCR is the largest. The NCR is further subdivided into three districts (Central, Maryland, and Virginia), with each headed by a District Director. In January 2006, a Contract Security Program Manager was appointed within the NCR to oversee the administration of the contract security guard program and act as the liaison between the Contracting Officer, Contract Specialists, contractors, Quality Assurance Specialists (QASs), and tenant agencies.

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<sup>1</sup> Public Law 107-296.

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The NCR contract guard program consists of 54 guard service contracts that provide approximately 5,700 guards to protect 125 facilities. Under these contracts, FPS issues task orders containing detailed terms and conditions under which the guard services are to be provided, such as the buildings requiring protection, specific post locations, the hours and days of the week each post is to be staffed, whether guards are armed, and the number of guards at each post.

Under contract provisions with FPS, guard contractors must ensure that their guards are qualified by undergoing background suitability checks, and possess the necessary licenses, certificates, and permits. The guards also are required to undergo training and pass an FPS-administered written examination.<sup>2</sup> In addition, guards must comply with performance requirements in the contract that address items such as the guard's appearance, work hours, supervision, equipment, and record keeping.

While the contractor has the primary responsibility for ensuring that all contract provisions and requirements are met, FPS is required to actively monitor and verify contractor performance. NCR's 12 QASs are responsible for the day-to-day inspection and monitoring of the contractors' work. The role of the QAS is critical to monitoring contract guard performance, as they are the primary NCR personnel on-site who can verify compliance with contract provisions and requirements. Specifically, QASs are responsible for:

- Inspecting work to ensure compliance with the contract statement of work requirements.
- Documenting the results of all inspections conducted through written inspection reports.
- Ensuring defects or omissions are corrected.
- Identifying areas of nonperformance by the contractor to the NCR Contracting Officer and Contracting Officer's Representative (COR) that may result in deductions from contract payment or other contractual remedies being taken.
- Conferring with representatives of the contractor regarding problems encountered in the performance of the work, and generally assisting the COR in carrying out the duties.

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<sup>2</sup> For a complete listing of guard requirements, see Appendix C.

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Previous GSA OIG reports<sup>3</sup> have noted numerous deficiencies with both guard qualifications as well as FPS management of guard contracts:

- Guards on post without valid background suitability determinations;
- Guards lacking training to perform their duties;
- Armed guards on post without valid firearm qualifications;
- Guards without weapons stationed at armed posts;
- Inconsistent oversight of guard operations and contracts; and
- Inadequate post orders.

During the course of our review, FPS personnel pointed out that numerous contract guard companies have complained that they were not being paid for services rendered in a timely manner by FPS. FPS personnel advised us that FPS failure to pay contractor invoices on time, according to the provisions of the Prompt Payment Act, is costing the government in excess of a million dollars in interest, and placing contractors, the services they provide to protect federal buildings, and employees at risk. Accordingly, we expanded the scope of our audit to address this issue on a nationwide basis, as it was clear that this was a problem throughout FPS, not just in the NCR.

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<sup>3</sup> “Audit of the Federal Protective Service’s Contract Guard Program,” Report Number A995175/P/2/R00010, March 28, 2000; and, “Follow-Up Review of the Federal Protective Service’s Contract Guard Program,” Report Number A020092/P/2/R02016, August 29, 2002.

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## Results of Audit

### Contractor Deployment of Qualified Contract Guards

The security of federal employees, facilities, and visitors may be at risk because NCR contractors are not consistently deploying qualified and certified contract guards. Contract guards had expired suitability determinations (background checks) as well as other expired certifications. Also, contract guards were not performing their security services according to contract provisions. These deficiencies occurred because the NCR is not consistently and actively monitoring contract guard contracts. NCR does not have sufficient QAS and Contract Section resources to supervise QAS activities, and does not have the systems to track inspection reports and contract deduction status.

To test whether guard contractors were deploying qualified and certified contract guards, we reviewed 93 contract guard files and visited 18 FPS-protected facilities in the NCR. We reviewed files to determine whether guards had current suitability determinations and certifications needed to perform their duties. For the 18 buildings we visited, we obtained and reviewed post orders, requested certification cards, and interviewed guards on post to verify that they met current contract provisions related to guard deployments and qualifications.

#### **Expired Suitability Determinations**

FPS policy mandates that prospective contract employees, including guards, undergo limited criminal history background checks to ascertain whether any serious criminal offenses or incidents exist in order to determine potential risk or threat to the safety and security of personnel and equipment. Failure to obtain a favorable suitability determination disqualifies prospective guards from employment under a contract with FPS. To receive a suitability determination, applicants must undergo several computerized background checks, including those administered by the U.S. Citizenship and Immigration Services, the National Crime Information Center, and the Federal Bureau of Investigation.

Contractors are responsible for renewing guard suitability determinations prior to their expiration.<sup>4</sup> Guards that continue to work under the contract after

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<sup>4</sup> All contract guards must be re-certified for background suitability every two years.



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their suitability determination has expired must be removed from the contract until a new suitability determination is made. Contract guard companies are required to submit recertification applications to NCR at least 30 days prior to an expiring suitability determination. The FPS Contract Guard Employment Requirements Tracking System (CERTS) is used by QASs to determine whether suitability determinations are current or expired.

Some contract guards continued working at FPS-protected facilities after their suitability determinations had expired.

- A review of CERTS data for 93 contract guards identified four guards (4%) that were on post with expired suitability determinations. The number of days that the suitability determinations had expired ranged from 26 to 87 days.
- In addition, a review of 25 contract suitability files identified four guards (16%) who worked during 2005 with expired suitability determinations for as long as 201 days before being recertified.
- Inspection reports submitted by QASs in November and December 2005 identified 18 guards on post with expired suitability determinations. In every case, the guards continued working at their posts. In one instance, a guard was still on post as of January 2006, although NCR adjudicated the guard unfavorable in May 2005 due to a felony assault conviction. NCR had notified the guard company on May 4, 2005, that they needed to take the necessary steps to remove the guard from the contract. However, the guard continued to work until we brought this issue to NCR management's attention. The guard was then removed from her post. In another instance, a guard continued to work, although his suitability determination had been expired for six months.

Also, contractors did not submit recertification applications to FPS 30 days prior to suitability certifications expiring. Of 58 guards whose suitability certifications were expiring within 10 days, only 11 (19%) were in the process of having their suitability reevaluated by FPS. Allowing guards to work after their suitability determinations have expired enhances the risk of retaining guards with serious criminal offenses that would otherwise disqualify them from employment.

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## **Expired Certifications**

In addition to suitability determinations, contract guards are required to have as many as 21 other certifications to perform their duties. Examples of other certifications include firearms qualification, drug screening, and first aid certifications. (See Appendix C for a complete listing of certification requirements.) The number of certifications each guard is required to have is dependent on their position (supervisory vs. non-supervisory) and building post orders (armed vs. unarmed post). According to the contract statement of work, contractors are responsible for obtaining initial and recurring certifications for all contract guards. Contractors forward completed certification documents to the NCR Suitability and Certification Unit where personnel security specialists enter certification information into the CERTS database.

Our review of CERTS data for 93 contract guards disclosed that 28 guards (30%) working for 10 contractors had at least one expired certification.<sup>5</sup>

- Twelve guards had expired expandable baton certifications.
- Eight guards had expired domestic violence certifications.<sup>6</sup>
- Five guards had expired background investigations.<sup>7</sup>
- Five guards had expired refresher training.
- Three guards had expired Cardiopulmonary Resuscitation (CPR) training.
- Two guards had expired medical certifications.

Compliance with recertification requirements ensures that the guards retain their knowledge base in required areas and enhances the security and safety of employees and visitors at federal facilities.

## **Non-compliance with Other Contract Performance Requirements**

Each guard contract includes a post coverage schedule which specifies the guard post hours and locations for each building covered by the contract. The post coverage schedule, along with the other provisions in the contract,

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<sup>5</sup> For a complete listing of expired certifications, see Appendix D.

<sup>6</sup> Guards with domestic violence backgrounds are not authorized to carry weapons.

<sup>7</sup> According to a NCR Personnel Security Specialist, the NCR requires background investigations in addition to suitability determinations. The background investigation is limited to regional police checks in the District of Columbia, Maryland, and Virginia, and is used to detect recent criminal activity that might not have been available at the time of the suitability determination.

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specify performance requirements for such items as: armed vs. unarmed guards; additional security clearances such as “Secret” or “Top Secret;” and other requirements relating to guards carrying certain credentials, such as those that indicate pistol qualification, and work permit status cards for non-citizen guards.

To work at an FPS-protected facility, a guard must possess a valid GSA Certification Card (GSA Form 3527), which provides evidence that the guard has received a favorable adjudication, passed the medical examination, completed the required training, and passed the other required examinations. In addition to the GSA Form 3527, the guard must possess an A-1 pistol card, if armed; expandable baton card; work permit card, if alien; and, a CPR/first aid card.

NCR contractors did not consistently meet contract provisions related to guard deployments and qualifications. We visited 18 NCR buildings during January and February 2006, and inspected 73 guard posts to ensure that guards stationed at armed posts were, in fact, armed; had the appropriate additional security clearance when needed; and, were carrying certification cards required by the contract or NCR procedures. We noted the following violations:

- 8 of 48 guards stationed at armed posts were not armed as required.
- 3 of 25 guards stationed at unarmed posts were armed.
- 3 of 10 contract guards did not have the required clearances to work at their assigned posts. Two did not have the required “Top Secret” and one did not have the required “Secret” clearance. Further, 2 of the 3 did not have current suitability determinations.<sup>8</sup>
- 9 of 10 non-citizen guards were not carrying their work permit cards.
- 2 of 48 armed guards were not carrying their pistol qualification cards.
- 1 of 48 armed guards was carrying an expired pistol qualification card.
- 1 of 73 guards was not carrying a first aid card.
- 4 of 73 guards were carrying an expired CPR card.
- 1 of 73 guards was not carrying their CPR card.
- 7 of 73 guards were carrying an expired expandable baton card.
- 3 of 73 guards were not carrying an expandable baton card.

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<sup>8</sup> After verifying our finding, NCR management removed the guards from post and assessed deductions to the guard companies for violating the contract.

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As a result, guards were not properly protecting federal facilities with the required weapons, security clearances, and certifications.

### **Need to Enhance Guard Contract Monitoring**

NCR officials did not adequately monitor contract guard compliance with the contract provisions. FPS's monitoring and enforcement role is critical to ensuring that contract guard companies, and the guards they deploy at FPS-protected facilities, meet the minimum standards set in the contracts between FPS and the companies. If NCR does not actively, accurately, and consistently monitor contract guard contracts, the Region, by default, will be dependent on the honesty of its contractors to ensure that all contract provisions and requirements are met.

NCR is primarily reliant upon the QAS and Contract Section personnel to monitor contract guards that are on post and ensure they were qualified, trained, and performed according to their contracts. NCR's 12 QASs are responsible for conducting audits and onsite inspections of contract guard activities at FPS-protected facilities. NCR's eight Contract Section personnel are responsible for processing deductions to contractor invoices due to noncompliance issues uncovered by the QASs. However, the QASs were not consistently submitting their inspection reports to the NCR Contract Section, and for those that were submitted, most were not submitted in a timely manner. In addition, Contract Specialists were not making deductions to contractor invoices when appropriate. Specifically, they did not process potential deductions from contractor invoices totaling almost \$1.3 million when guard companies failed to comply with contract requirements.

### **QASs Were Not Providing Adequate Onsite Monitoring of Guard Contracts**

NCR has designated 12 QASs to monitor security services contracts to ensure the government receives the caliber of services for which it has contracted and to ensure compliance by contractors with contract provisions. Each QAS is responsible for a set number of FPS-protected facilities in the NCR.

On a weekly basis, the QASs are required to collect the GSA Form 139s<sup>9</sup> from each guard post and conduct audits and inspections to identify instances of contractor violation of contract requirements. Audits consist of reviewing the

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<sup>9</sup> When contract guards report to work, they are required to sign in and to sign out on GSA Form 139, Record of Time of Arrival and Departure Contract Guarding Duty Register.

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GSA Form 139s and other records to validate that contract guards met contract requirements for manning their posts. As part of this review, a QAS would determine whether a guard worked in excess of the 12-hour work rule, or a guard was working with an expired suitability determination or certification.<sup>10</sup> Inspections consist of onsite physical inspections of contract guards that determine, for example, whether an unarmed guard was stationed at an armed post, or whether a post was abandoned. QASs are required to prepare and submit the inspection report to NCR's Contract Section by the 5<sup>th</sup> workday following the month in which guard services were provided. Results of these audits and inspections, including deficiencies, are summarized on GSA Form 2820, Guard Contractor Inspection Report (Inspection Report). The Inspection Report is the primary tool used by NCR to monitor compliance with guard contract provisions and requirements.

QASs were not consistently collecting and auditing the GSA Form 139s and submitting Inspection Reports to the NCR Contract Section. For one building we visited, a contract guard stated that no one had collected the GSA Form 139s in the five months since he started working at that building. Unless the forms are collected, NCR is unable to properly verify and ensure complete and satisfactory performance of guard services according to the terms specified under the contract.

Also, Inspection Reports submitted to NCR's Contract Section were not submitted by the 5<sup>th</sup> workday following the month in which guard services were provided, as required. For example, as of December 7, 2005, (the 5<sup>th</sup> workday of the month), the QASs had not submitted Inspection Reports for November 2005 to the Contract Section for 41 of the 62 buildings (66%) that we selected for review. Of 260 Inspection Reports submitted during November and December 2005, 191 (73%) were not submitted timely, and were late by as much as 13 months. For example, one QAS reviewed contractor performance for the time period December 12-18, 2004; however, the Inspection Report was not prepared until August 6, 2005, and was not submitted to the contract section until December 2005, a 10-month delay. Unless Inspection Reports are prepared and submitted to the Contract Section timely, monetary deduction letters for identified deficiencies cannot be prepared. Specifically, for the 191 late Inspection Reports, potential deductions identified by the QASs totaling \$221,989 could not be initiated against contractors.

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<sup>10</sup> QASs have access to the Contract Guard Employment Requirements Tracking System to determine whether the contractor has properly submitted the required information to certify the guard's qualifications.

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NCR has not provided adequate supervision of QASs in the performance of their duties and does not have a sufficient number of QASs to properly monitor 125 facilities and 5,700 guards. Prior to September 2005, the 12 QASs reported to one NCR police officer who said that, although the QASs reported to him, he believed that the Contracting Officer dictated their day-to-day work activities. The officer also said that he did not oversee whether QASs were fulfilling their oversight responsibilities over contract guard contracts, and that he supervised the QASs for time and attendance purposes only.

In September 2005, the 12 QASs were reassigned to several Area Commanders within the three NCR districts. However, this has not established responsibility for effective oversight of QAS activities. Discussions with two Area Commanders to whom nine QASs currently report disclosed they were minimally involved in supervising the QASs' work as it related to their inspection duties. One Area Commander (to whom six QASs reported) said that she did not exercise any supervisory control over the work the QASs performed related to monitoring contract guards, such as ensuring that QASs: collect GSA Form 139s weekly; perform timely audits of the GSA Form 139s; submit the Inspection Reports to the Contract Section; and conduct physical inspections of posts. Another District Area Commander, who supervises three QASs, said that he did not exercise any supervisory control over QAS contract guard monitoring activities.

In addition, the NCR Contract Security Program Manager advised us there were an inadequate number of QASs available for the large number of guard posts they were required to inspect on a weekly basis, resulting in a backlog of inspections. To relieve the backlog, he said he plans to train NCR police officers and physical security specialists to assist QASs in performing security guard audits and inspections.

### **Contract Specialists Are Not Consistently Processing Deductions to Contractor Invoices**

In response to areas of contractor non-performance identified in QAS Inspection Reports, the NCR Contract Section may propose deductions from contractor invoice payments. This remedy is the primary penalty mechanism available to FPS to address contract nonperformance or inadequate service by the contractor. After receiving information in an Inspection Report detailing contract performance violations, the NCR Contract Section prepares a proposed contractor deduction letter which informs the contractor of violations and the reasons for proposed deductions.

According to guard services contract provisions, NCR must notify the contractor of the type and dollar amount of the proposed deductions by the 10<sup>th</sup> working day following the month in which the guard services were performed. The contractor then has 10 working days after receipt of the notification to submit a rebuttal to a Contract Specialist stating the specific reasons why all or part of the proposed deductions should not be taken. If the Contracting Officer determines that any or all of the proposed deduction is still warranted, the contractor is notified and the amount of the deduction is recorded on GSA Form 3025, Receiving Report, which is then submitted to the NCR Budget Office for payment deduction processing. Examples of contract violations and deduction rates are listed in Table 1 below.

**TABLE 1: DEDUCTION RATE FOR CONTRACT VIOLATIONS**

<u>Contract Violation</u>	<u>Deduction Rate</u>
Unarmed guard working on or at armed post	100% of hourly rate for each hour worked
Guard working without valid GSA Certification or Suitability clearance	100% of hourly rate for each hour worked
Failure to provide relief breaks	Hourly rate, pro-rated for amount of break not provided
Backfill required by FPS personnel	No less than 100% of the hourly rate and no more than \$50 per hour of FPS provided services
Failure to provide uniforms or equipment	Based on actual cost of purchase, lease, or rental pro-rated for time period in question
Failure to provide vehicle or vehicle provided is inoperable	Based on pro-rated share of contractor's actual costs

The NCR Contract Section is not consistently processing deductions against contractors for violations of contract requirements. In our sample of the disposition of 45 deduction letters submitted to contractors during the period February 2005 to August 2005, the Contract Section had not processed 38 of 45 proposed deduction letters totaling almost \$1.3 million in contractor violations:<sup>11</sup>

- In 28 instances, deduction letters were sent, but no rebuttal letters were received or processed by Contract Specialists, and a final decision was never rendered on the proposed deduction.

<sup>11</sup> Examples of violations included: unarmed guards at armed post; unmanned/abandoned posts; guards working in excess of 12 hours; and, guards with expired certifications. The remaining seven letters processed by the Contract Section proposed deductions totaling \$245,000.

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- In nine instances, deduction letters were sent and rebuttal letters were received, but Contract Specialists failed to take action on the rebuttal letters, and, therefore, the Contracting Officer did not render a final decision.
  - In one instance, the deduction letter was sent, the rebuttal letter was received, a Contract Specialist reviewed the rebuttal letter, and a final decision against the contractor was rendered; however, FPS did not deduct \$12,734 from the contractor's invoice.

We attribute these lapses to the following conditions:

- NCR officials stated that the NCR Contract Section is understaffed, contributing to the delays in processing the deduction letters and responding to the rebuttal letters. The Section was operating with only one-third of the Contract Specialists it had in February 2005 (four of twelve).
- The NCR Contract Section does not have effective procedures and systems to track Inspection Reports. Inspection Reports are not date-stamped by the Contract Section when received, which makes timeliness of processing more problematic. In addition, because the Contract Section does not maintain an inventory of FPS-protected buildings, they have no assurance that they have received all required Inspection Reports. Finally, the filing system is poor, consisting of stacks of Inspection Reports and GSA Form 139s all over the floor of a filing room, as shown in Figure 1.



**Figure 1: File Room for QAS Inspection Reports and GSA Form 139s**



- The NCR Contract Section does not maintain a system to track the status of deduction letters. Consequently, the Contract Section personnel were unable to identify:
  - Number of proposed deduction letters sent to the contractors;
  - Number of contractor rebuttals submitted in response to the proposed deduction letters;
  - Final decision rendered on proposed deductions; and
  - Final deduction amounts taken against unfavorable decisions.

### **Conclusion**

FPS is not adequately monitoring its guard contracts. Guards were working with expired suitability determinations, unarmed guards were working at armed posts, a guard with felony convictions was employed by one contractor, and guards did not always have the required “Secret” and “Top Secret” clearances. These lapses in contractor oversight can result in the government paying for services it did not receive, loss of monies resulting from contract deductions due to nonperformance, and placing FPS-protected facilities, employees, and facility visitors at risk.

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## Recommendations

We recommend that the Regional Director of the National Capital Region:

**Recommendation 1:** Ensure that NCR Area Commanders adequately monitor QASs' inspection reports for quality and timeliness, and provide training for QASs found to be deficient.

**Recommendation 2:** Provide the necessary resources to the Contract Section to ensure the timely processing of proposed deduction letters.

**Recommendation 3:** Establish effective systems and procedures to track the status of Inspection Reports and proposed deduction letters to ensure guard company compliance with contract requirements.

**Recommendation 4:** Review all inspection reports and proposed deductions for the period March 1, 2003 through the present and initiate collection actions on all contracts found to be deficient.

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## **Management Comments and OIG Analysis**

### **Management Comments to Recommendation #1**

ICE stated that the agency has taken and will take specific steps to improve the monitoring of the contract guard program, which are detailed in the agency's response to our draft report. For example, standard operating procedures have been developed and implemented that outline a process to monitor contract performance and guard company deductions that are proposed, assessed, and actually taken. In addition, the agency has selected a Contract Guard Program Manager to oversee the regional guard program and act as liaison to the Consolidated Contracting Groups, QASs, agencies, and guard companies. The agency also plans to increase the number of trained personnel involved in monitoring the contract guard program. In addition, a process has been developed to assess and report on guard contractor performance and use past performance as a factor in the selection process for future contractor selection.

### **Management Comments to Recommendation #2**

ICE agreed that additional resources are needed to perform all of the responsibilities necessary to efficiently run the Contract Section and to ensure the timely processing of proposed deduction letters. However, the agency stated in its response that due to budgetary constraints that are preventing increased staffing, some of the functions have been transferred to other sections in order to accomplish their mission. The QASs have been reassigned to their respective district commands for more direct monitoring of their contract sites, the Physical Security Inspectors have been reassigned to the district command for more direct monitoring, the Contract Guard Program has been reassigned from the Threat Management Branch to the Mission Support Division, and the Background and Suitability Unit has been reassigned from the Mission Support Division to the Contract Guard Program.

### **Management Comments to Recommendation #3**

ICE accepted this recommendation and stated the following steps have already been taken to address this issue: ICE (1) selected a Contract Guard Program Manager to oversee the regional program; (2) developed and implemented Standard Operating Procedures for the Contract Guard Program; (3) trained Inspectors and Police Officers to increase the number of personnel involved in the contract guard-monitoring program; (4) developed a process to assess and

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report on guard contractor performance; and (5) initiated a weekly status report outlining all regional activities impacting the guard program.

#### **Management Comments to Recommendation #4**

ICE stated that its efforts are ongoing. The entire contract guard program has been assumed by acquisitions and compliance functions of the Consolidated Contract Guard Program under the direction of the supervision of the ICE Office of Acquisition Management. The agency further stated that this group has assumed responsibility for reviewing all past Inspection Reports and deduction letters.

#### **OIG Comments and Analysis**

We consider Recommendations #1 and #2 resolved and closed. The actions planned or taken by ICE to improve FPS's contract guard monitoring efforts should ensure that contractors are consistently deploying qualified and certified contract guards at federally protected facilities. We consider Recommendation #3 resolved but open until ICE addresses how it intends to track the status of Inspection Reports and proposed deduction letters. In addition, we consider Recommendation #4 resolved but open until the ICE Office of Acquisition Management completes its review of all past Inspection Reports and deduction letters and initiates collection actions on all contracts found to be deficient.

### **Payment of Contract Guard Invoices**

FPS is not paying invoices for its contract guard services nationwide in a timely manner, resulting in a violation of the Prompt Payment Act. Of the 25,557 invoices paid from October 1, 2004, to November 21, 2005, 88 percent were not paid within 30 days as required by the Prompt Payment Act.<sup>12</sup> Of the 25,557 invoices paid from October 1, 2004, to November 21, 2005, 88 percent were not paid within 30 days as required by the Prompt Payment Act. As a result, FPS paid over \$1.2 million in interest to guard companies that are contracted by FPS to protect federal buildings for late payments made during this time period. Failure by FPS to pay contract guard companies in a timely manner is not only costing the government millions in interest, but is

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<sup>12</sup> The Prompt Payment Act requires federal agencies to pay their bills on a timely basis and pay interest when payments are late (generally 30 days after receipt of invoice). According to Title 5 of the Code of Federal Regulations, Part 1315.4(g), interest will accrue on any payment not paid within 30 days after receipt of invoice, if not specified in the contract, if discounts are not taken, and if accelerated payment methods are not used.

also placing contractors and the services they provide to protect federal buildings and employees at risk.

To obtain payment for contract guard services, FPS guard contractors are required to submit monthly invoices for contract guard services by the first day of the following month to FPS. An NCR Contract Specialist reviews the invoice to ensure compliance with the contract, and, if acceptable, prepares a receiving report certifying that the services have been received. The invoice and receiving report are then forwarded to the NCR Budget Office, which is responsible for ensuring adequate funding is available and preparing a receiving ticket. The invoice and receiving ticket is then forwarded to Immigration and Custom Enforcement’s (ICE) Dallas Finance Center (DFC), which processes all payments for FPS. The DFC will match the invoice and the receiving ticket to an obligation. If the invoice amount plus previous payments do not exceed the obligated amount, the payment will be processed.

DFC paid 25,557 invoices amounting to \$544 million from October 1, 2004, until November 21, 2005 nationwide. As shown in Table 2, only 12 percent of these invoices were paid within 30 days. Twenty five percent of the invoices were paid later than 90 days from the date of invoice. DFC paid \$1,246,992 in interest on these late payments.

**Table 2: Paid Invoices for Contract Guards, 10/1/04 –11/21/05**

Payments	Total Invoices	Invoice Date to Payment Date			
		≤ 30days	31-60 days	61-90 days	>90 days
<b>Total</b>	<b>25,557</b>	<b>3,141</b>	<b>8,671</b>	<b>7,356</b>	<b>6,389</b>
<b>Percentage</b>	<b>100%</b>	<b>12%</b>	<b>34%</b>	<b>29%</b>	<b>25%</b>

As shown in Table 3, the NCR alone had 263 unpaid invoices for 16 contractors, totaling \$18.5 million, as of September 2005. The performance periods for these unpaid invoices date as far back as FY 2003. One contractor had 46 unpaid invoices, while another contractor was owed in excess of \$3.4 million.

<b>Contractor</b>	<b>Number of Unpaid Invoices</b>	<b>Amount Outstanding</b>	<b>Oldest Performance Period</b>
1	16	\$3,442,002	Sept. 2004
2	13	\$2,449,953	Feb. 2005
3	39	\$1,389,813	Sept. 2003
4	2	\$52,409	Aug. 2004
5	6	\$158,529	Mar. 2005
6	18	\$1,037,542	Oct. 2004
7	46	\$2,616,038	May 2004
8	7	\$664,159	Apr. 2004
9	13	\$114,752	Dec. 2003
10	32	\$1,418,530	May 2004
11	32	\$2,211,804	Jan. 2004
12	1	\$4,341	Dec. 2004
13	4	\$449,522	May 2005
14	11	\$205,318	Jun. 2003
15	10	\$1,619,075	Jan. 2004
16	13	\$715,435	Jan. 2005
<b>TOTAL</b>	<b>263</b>	<b>\$18,549,222</b>	

We attribute the cause for the payment delays to: (1) FPS’ transition from the GSA Financial Management System to the ICE Federal Financial Management System, which was not adequately planned; and, (2) FPS’ contract administration practices, which adversely affected invoice payment.

**FPS’ Transition from the GSA Financial Management System to the ICE Federal Financial Management System**

The FPS transition to ICE on October 1, 2004, occurred before the system was adapted to meet the unique financial and budgeting requirements associated with FPS’ business processes. The DHS, Office of the Under Secretary for Management, originally directed that the FPS transition from the GSA Financial Management System to the ICE Federal Financial Management System (FFMS) be completed by October 1, 2003. Following the initial review of the unique financial management requirements needed to support the FPS offsetting collections program, the transition date was extended to October 1, 2004. FPS officials stated that, despite attempts to explain FPS

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business processes and FFMS needs to the ICE Office of Financial Management (OFM), problems with adapting the FFMS to FPS needs remained and suggested that the transition to the ICE system be postponed. However, DHS required FPS to transition to the system on October 1, 2004, despite concerns about the system's ability to meet FPS needs. ICE financial management staff had assured the staff of the Senate Appropriations Committee, in a briefing on February 17, 2005, that the FPS transition would be completed by March 31, 2005.

However, problems with contractor payments and the transition to FFMS continued. In a May 6, 2005, memorandum to the Assistant Secretary for ICE, the Director of FPS outlined what he considered systemic problems and issues with the FFMS and noted that problems with contractor payments had, in fact, worsened since the transition. An independent auditor contracted by us to perform an audit of DHS financial statements<sup>13</sup> also concluded that the integration of FPS' accounting processes from GSA to ICE created numerous issues with the integrity of FPS transaction data and represented a material weakness in ICE's internal controls.

FPS Budget and Finance officials in Region 3 and FPS Headquarters officials informed us that inadequate training prior to the transition and the difficulty in using the FFMS contributed to the invoice payment problems. These officials indicated that the system is difficult to navigate and that errors are time-consuming to correct.

Because of the continuing problems, ICE and FPS personnel have been working in "Tiger Teams" to perform a reconciliation of the FY 2005 default account, assisting with expediting FY 2006 payments and looking at future ways to reduce the payment backlog. As of the time of our fieldwork, which ended in February 2006, the Teams were still working.

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<sup>13</sup> *DHS's Performance and Accountability Report for Fiscal year 2005*, November 15, 2005, Department of Homeland Security.

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**FPS’ Contract Administration Practices Adversely Affected Invoice Payment**

ICE procurement personnel, NCR budget personnel, NCR procurement personnel, and FPS contract guard companies identified FPS contract administration practices that have contributed to invoice payment delays. ICE procurement personnel advised that FPS does not routinely provide required, complete, and accurate supporting documentation and data for procurement actions in order to process invoice payments timely. We analyzed “After-the-Fact” ICE reviews of three FPS procurement actions. ICE personnel provided examples where FPS contracts for guard services failed to include critical items, such as:

- Contract signed and dated by the contractor;
- Contract modifications;
- Correct performance periods; and
- A contract administration plan to ensure full performance by the contractor.

As a result of these and other deficiencies in its contract administration, FPS was not able to enter the obligation data completely and accurately in the FFMS. Until the data is properly entered, payments of the invoices are delayed.

An NCR FPS analysis of 118 invoices that were unpaid at the end of FY 2005 confirmed that FPS was contributing to contractor invoice payment delays. According to this analysis, most invoices were unpaid because the obligations were missing or under-funded. As shown in Table 4, 83 of 118 invoices had no corresponding obligation in the FFMS.

<b>Reason for Delay</b>	<b>Number of Invoices</b>
No funds available	5
No Obligation	83
Problem with Obligation	6
Correct Obligation	16
Miscellaneous	8
<b>TOTAL</b>	<b>118</b>

Guard contractors said they were unable to bill FPS because paperwork was not received timely from FPS contracting officials. Because a number of



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contracts were set to expire and NCR personnel were unable to get new contracts in place, the FPS Contracting Officer requested the guard companies to agree to “letter contracts” extending their services for six months. FPS personnel informed the contractors that the paperwork finalizing the contracts would soon follow. However, the paperwork was still not provided to the contractors six months after the services began. As a result, the contractors were not paid timely for these services.

NCR understaffing also contributed to the untimely processing of contract guard invoices. According to the FPS Director of Acquisition Management, the group responsible for serving the NCR is severely understaffed and the personnel on board did not have the warrant level required for administering large procurement actions. There were 12 Contract Specialists serving NCR at the time FPS transitioned to the ICE FFMS, but at the time of our fieldwork, only four remained. As a result, he said the contractors were not getting paid; invoices were not getting reviewed, and new contracts were not getting awarded. The Director said that he was attempting to hire more procurement personnel.

#### **Payment Problems Forced ICE to Pay Some Invoices Using a Default Account**

In addition to complaints from contract guard companies, FPS and ICE received numerous inquiries from the DHS Chief Financial Officer, DHS Chief Procurement Officer, and the Congress to expedite the payment process. These inquiries combined with the \$1.2 million paid interest compelled ICE to implement changes. ICE decided to institute a default accounting string code to obligate/disburse items for which there were no supporting obligations. From October 1, 2004, until November 21, 2005, the DFC paid \$121 million in contractor invoices from the default account.

This practice could result in overpayments, duplicative payments, and significant reconciliation difficulties for FPS. The FPS Director of Financial Management strongly recommended that the default code not be applied to the FPS account. He said that that this process will almost certainly place the FPS Account in violation of the Antideficiency Act, will further delay contractor payments, cause additional delays in the reconciliation process, and create a large additional workload that neither ICE or FPS will be able to reconcile before the end of the fiscal year.

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### **Late Payments Causing Financial Hardship for Some Contractors**

Because many FPS contract guard companies are not receiving timely payments for their services, they are experiencing considerable financial hardship, especially the smaller companies that have limited borrowing capacity. In May 2005, the Director of FPS reported that FPS guard contractors were resorting to liquidating cash reserves and short-term lines of credit in order to meet their payroll obligations. The interest that is paid to these companies under the Prompt Payment Act<sup>14</sup> may not offset the added expense and difficulties associated with meeting payroll obligations.

We interviewed or visited several contract guard companies. One contractor who had contracts with several FPS regions complained that his invoices had an average turnaround time of almost 90 days. Further, he said his current outstanding balance was \$11 million. Untimely payments has caused his borrowing needs to increase by \$5 million over his existing line of credit and he had to pay an additional 2% over the existing borrowing rate. This rate of interest was considerably higher than the rate of interest used to calculate the amount of interest paid on late payments under the Prompt Payment Act.

Another contractor said late payments caused him financial hardship, which resulted in his reducing hours for administrative staff because of inadequate cash flow. The contractor told us that they had to limit full-time administrative personnel to part-time work because of their inability to meet their payroll. The financial problems became so severe that the contractor was unable to pay his taxes and the Internal Revenue Service was in the process of issuing a Notice of Levy on the company.

## **Recommendations**

**Recommendation 5:** We recommend that the Director of the Federal Protective Service work with the ICE CFO to implement corrective actions to adequately address internal control deficiencies and payment timeliness issues noted here and in our annual financial audit report issued in November 2005.

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<sup>14</sup> 5.125 percent in January 2006.

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## **Management Comments and OIG Analysis**

### **Management Comments to Recommendation #5**

The Assistant Secretary stated that FPS' contracting activities has been merged into the ICE contracting component under the supervision of the Director of the ICE Office of Acquisitions Management. ICE will continue to work with FPS to achieve improvements in business process that will address these concerns. In addition to the Tiger Team efforts referenced in the report, ICE has put into place a Financial Action Plan (FAP) to address findings from the 2004 and 2005 financial audits including those that relate to FPS issues. The Project Management Office has worked with various offices and stakeholders to develop the plan, and is overseeing the implementation of the FAP. The FAP includes a project to improve invoice processing. Under the direction of the Head of Contracting Activity (HCA), the ICE Office of Acquisition Management is taking an active oversight role over FPS contracting activities.

The Assistant Secretary also reported that reconciliation is currently underway to properly reclassify the default transactions to the appropriate accounting codes. Further, ICE has worked with the Office of Management and Budget to apportion additional budget authority in the first quarter of fiscal year 2006 to allow FPS Regions to fully fund contracts. Other steps to implement corrective action include an organizational change in facilitating standardization of acquisition policies and procedures in FPS, the establishment of a Headquarters Acquisition Management Office that reports to the HCA, and all FPS Regional contract staff now report to the Consolidated Contract Groups (CCGs). FPS also established four CCGs that report to the FPS Director of Acquisition Management. Additionally, FPS is currently using the ICE automated procurement system that standardizes the procurement process and documentation. Implementation of the electronic interface between the Procurement Request Information System Management (PRISM) system and the financial system will result in automated establishment of obligations upon award.

### **OIG Comments and Analysis**

We agree that ICE has been responsive to our recommendation and has taken steps to implement corrective actions to adequately address internal control deficiencies and payment timeliness issues. We consider this recommendation resolved but will remain open until implementation of the various steps outlined in the agency's response are complete.

The objective of the audit was to determine whether the FPS monitors contractor performance and compliance with contract provisions and whether effective controls are in place to ensure that qualified and certified contract guards are deployed at federal buildings. Also, we determined whether FPS contract guard company invoices were paid timely according to provisions the Prompt Payment Act.

The scope of our work for reviewing guard qualifications, performance requirements, and FPS's monitoring of contract guards was conducted at the NCR. The scope of our work on the timeliness of contract guard payments included all FPS regions. Our scope did not permit evaluating the quality of contractor processes for monitoring guard qualifications and ensuring compliance with other contract provisions.

To determine the timeliness of NCR's contract suitability reviews, we examined contract suitability files for 25 contract guards. We reviewed information stored in the Contract Suitability System and verified it against the information in the contract suitability files for the 25 contract guards. To determine whether there were any contract guards whose suitability determination had expired, we reviewed Inspection Reports and GSA Form 139s submitted by QASs in November and December 2005, and identified 19 guards. We examined the CERTS guard files for the 19 guards to determine when their suitability had expired and whether it had been adjudicated favorably later. We reviewed Inspection Reports for the 19 guards covering the period that each guard's suitability was expired and documented whether the QAS had identified the deficiency on the relevant Inspection Reports.

To examine contractor qualifications, we obtained and reviewed FPS's Policy Handbook, Contract Guard Information Manual, and guard services contracts for NCR. We selected 93 contract guard files for review. We examined the guard files and CERTS data for all 93 guards to determine whether suitability determinations or other certifications had expired.

To examine the contractor guards' performance, we inspected 73 guard posts at 18 buildings within the NCR. We judgmentally selected six buildings from each of the three NCR districts. The 18 buildings were guarded by 12 of 18 guard contractors in the NCR. At each building, we determined whether guards: 1) were manning the guard posts; 2) were in uniform and were well groomed; 3) were performing any prohibited activities such as reading, eating,

sleeping, etc; 4) were armed when required; 5) had required guard certifications; 6) had additional security clearance above the FPS suitability determination when needed; and 7) were carrying required certification cards, such as the FPS Certification card and cards for CPR and First Aid Training. We visited and inspected posts at these 18 buildings between January 10, 2006, and February 2, 2006.

To evaluate NCR monitoring of qualifications and performance of contract guards, we obtained and reviewed the QAS position description, contract guard service contracts, and the FPS Policy Handbook. We also reviewed GSA Form 2820s, and GSA Form 139s submitted by QASs for 62 buildings. We determined whether the QASs were submitting Inspection Reports in a timely manner. We did not evaluate the quality of the QASs' inspections and audits. We interviewed contractor support personnel to determine how they process Inspection Reports from the QASs. We also assessed the disposition of 45 deduction letters submitted to contractors during the period February 2005 to August 2005 to determine whether the Contract Section was processing deductions against contractors for violations of contract requirements.

To analyze the timeliness of contract guard payments, we visited or interviewed six contract guard companies that had contracts with NCR or other FPS regions. We visited ICE's DFC in Dallas, Texas, which handles all the accounts payables for FPS. We obtained a listing of paid invoices from October 1, 2004, through November 21, 2005. We judgmentally selected a sample of 26 payment transactions, and obtained payment files and examined invoices, FY 2005 payment logs, and file correspondence. We interviewed the DFC Director and the Supervisory Accountant for Commercial Payments.

Other ICE personnel interviewed included the Director, Office of Procurement and a Senior Procurement Analyst within the Policy and Oversight Branch. We obtained "After-the-Fact" reviews conducted by ICE Office of Procurement on three Region 11 procurement actions. We also obtained a copy of ICE's procurement review process as documented in ICECAP 0503.02.11. Finally, we obtained a listing of congressional requests from the Office of Legislative Affairs concerning FPS from October 1, 2004, until January 27, 2006.

We conducted interviews with FPS Headquarters officials, FPS Region 3 (Philadelphia) representatives, FPS NCR officials, Personnel Security

Specialists, Contract Specialists, Area Commanders, QASs, and FPS's Consolidated Contracting Group. In conjunction with this review, we sent a questionnaire to NCR Contract Section personnel on the Region's contract monitoring process, concerning the proposed deduction process.

We reviewed prior reports from FPS, GSA OIG, and Congressional Research Service on contract guards and the contract guard program. We reviewed contracts, modifications, statements of work, and related documentation for the contract guard program.

We conducted fieldwork between November 2005 and February 2006 under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The cooperation and courtesies extended to our audit team by FPS were appreciated.

Office of the Assistant Secretary


U.S. Department of Homeland Security  
425 I Street, NW  
Washington, DC 20536



U.S. Immigration  
and Customs  
Enforcement

SEP 13 2006

MEMORANDUM FOR: Richard L. Skinner  
Inspector General  
Department of Homeland Security

FROM: Julie L. Myers  
Assistant Secretary 

SUBJECT: OIG Draft Report Titled: "Federal Protective Service Needs To More Effectively Oversee Its Contract Guard Program", August, 2006

I appreciate the opportunity to address the OIG's recommendations relevant to the issues in the audit report titled, "Federal Protective Service Needs To More Effectively Oversee Its Contract Guard Program." One of my top goals as the Assistant Secretary of the U.S. Immigration and Customs Enforcement (ICE) agency is to strengthen the agency's infrastructure. It is in this context that the following steps address the report's five recommendations:

**Recommendation 1:** Ensure that NCR Area Commanders adequately monitor QASs' inspection reports for quality and timeliness, and provide training for QASs found to be deficient.

**ICE Response:** The steps outlined below will improve the monitoring of the contract guard program by increasing the number of employees trained to oversee the program, provide them with better training, and use the tracking mechanisms to ensure quality assurance:

- Selected a Contract Guard Program Manager (CGPM) to oversee the regional program. The CGPM serves as a liaison between Budget, Consolidated Contracting Groups (CCG), Inspectors/QAS, agencies, and guard companies regarding payment and pricing issues, deductions, post additions and deletions, and Temporary Additional Service (TAS) requests. Completed in January 2006.
- Developed and implemented Standard Operating Procedures (SOP) for the Contract Guard Program. SOP outlines a process to monitor contract

[www.ice.gov](http://www.ice.gov)

Subject: Federal Protective Service Needs To More Effectively Oversee  
Its Contract Guard Program

performance and guard company deductions that are proposed, assessed, and actually taken. Completed in April 2006.

- Created a list of buildings and related information under contract for guard service. Completed in March 2006.
- Formalized through regional policy a process to inform Districts of guard suspensions, temporary removals, permanent removals, and re-instatements. Completed in April 2006.
- Provided Form 2820 training for 98% of Police Officers, Inspectors and Area Commanders. Completed in July 2006.
- Contracting officer's technical representative (COTR) training certificates were received for those who completed the July 24-28 class and another is scheduled for September 25-29 2006. Trained inspectors and Police Officers will increase the number of personnel involved in the contract guard-monitoring program. Additionally, CGPM is coordinating refresher training using the online training information recently provided by ICE Acquisitions. Further, the CGPM developed a follow-on "COTR 101" training curriculum. This training will provide region-specific instruction to certified personnel after the official COTR training.
- Facilitated post audit project to evaluate regional posts and to compare to current contractual documents. This was completed in June 2006.
- Prepared introductory letters to agencies and guard companies outlining the NCR guard program requirements. Completed in March of 2006.
- Establishing procedures to test security measures at buildings with guard service.
- Developed process to assess and report on guard contractor performance. Past performance will be used in the selection process for future contracts. Past performance evaluations on all contractors was completed in August 2006.
- Initiated a CGPM weekly status report, outlining all regional activities impacting the guard program. The report outlines the status of inspections, deductions, TAS service, and suitability and certification issues, among others.

**Recommendation 2:** Determine whether additional resources are needed by the Contract Section to ensure timely processing of proposed deduction letters.



Subject: Federal Protective Service Needs To More Effectively Oversee  
Its Contract Guard Program

**ICE Response:** Additional resources are needed to perform all of the responsibilities necessary to efficiently run the contract section and to ensure the timely processing of proposed deduction letters. However, due to budgetary constraints preventing increased staffing, some of the functions have been transferred to other sections in order to accomplish the mission. For instance, the Quality Assurance Specialists [QAS] have been reassigned to their respective district commands for more direct monitoring of their contract sites, the Physical Security Inspectors have been reassigned to the district command for more direct monitoring, the Contract Guard Program has been reassigned from the Threat Management Branch to the Mission Support Division, and the Background and Suitability Unit has been reassigned from the Mission Support Division to the Contract Guard Program.

**Recommendation 3:** Establish effective systems and procedures to track the status of Inspection Reports and proposed deduction letters to ensure guard company compliance with contract requirements.

**ICE Response:** Recommendation accepted. As addressed more fully in the ICE response to Recommendation 1, the following steps have already been taken to address this issue:

- Selected a Contract Guard Program Manager (CGPM) to oversee the regional program.
- Developed and implemented Standard Operating Procedures (SOP) for the Contract Guard Program.
- Trained inspectors and Police Officers to increase the number of personnel involved in the contract guard-monitoring program.
- Developed process to assess and report on guard contractor performance.
- Initiated a CGPM weekly status report, outlining all regional activities impacting the guard program.

In addition, the NCR SOP fully addresses the deduction process. In recent months, the deduction process has greatly improved. Deductions for FY 05 totaled \$844,409 while deductions for Oct 05 – July 06 stand at \$2,466,604.31.

**Recommendation 4:** Review all inspection reports and proposed deductions for the period March 1, 2003 through the present and initiate collection actions on all contracts found to be deficient.

**ICE Response:** ICE's efforts are ongoing. The entire contract program has been assumed by acquisition and compliance functions of the Consolidated Contract Guard

## Appendix B Management's Response to the Draft Report

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Subject: Federal Protective Service Needs To More Effectively Oversee  
Its Contract Guard Program

Program under the direction of the supervision of the ICE Office of Acquisition Management. They have taken over the task of review all past inspection reports and deduction letters.

**Recommendation 5:** We recommend that the Director of the Federal Protective Service work with the ICE CFO to implement corrective actions to adequately address internal control deficiencies and payment timeliness issues noted here and in our annual financial audit report issued in November 2005.

**ICE Response:** FPS' contracting activity has been merged into the ICE contracting component under the supervision of the director of the ICE Office of Acquisitions Management. ICE will continue to work with FPS to achieve improvements in business processes that will address these concerns. In addition to the Tiger Team efforts referenced in the report, ICE has put into place a Financial Action Plan (FAP) to address findings from the 2004 and 2005 financial audits including those that relate to FPS issues. The Project Management Office has worked with various offices and stakeholders to develop the plan, and is overseeing the implementation of the FAP. The FAP includes a project to improve invoice process. Under the direction of the Head of Contracting Activity (HCA), the ICE Office of Acquisition Management is taking an active oversight role over FPS contracting activities.

The FPS transition from the General Services Administration (GSA) to ICE, particularly the transition of financial system data, was difficult. Any transition of this size and complexity given the lack of a strong FPS infrastructure would be challenging. Transition teams were established for every subject matter and ICE was successful on many planning and implementation fronts, for example, payroll and assets. The transition period was short, and difficulties encountered with the data transition from the GSA system into the ICE financial system complicated the tracking and cross walking obligations and payments and contributed to invoice processing delays.

As noted in the OIG report, delays in payments to contractors created a hardship for some companies. The decision to use the default accounting string code was made in order to ensure that payment of valid invoices, approved by FPS for work which had been ordered by FPS contracting officers and for which services had been received, would not be further delayed by the backlog of paperwork and financial system transactions. The alternative would have resulted in added hardship to contractors and increased Prompt Payment penalties. It was understood at the time that a reconciliation of transactions would be necessary to properly reclassify the default transactions to the appropriate accounting codes. That reconciliation is currently underway.

Further, ICE has worked with the Office of Management and Budget to apportion additional budget authority in the first quarter of fiscal year 2006 to allow FPS Regions to fully fund contracts. Other steps to implement corrective action include an organizational change in facilitating standardization of acquisition policies and procedures in FPS, the establishment of a Headquarters Acquisition Management Office that reports to the HCA, and all FPS Regional contracting staff now reports to the

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Appendix B  
Management's Response to the Draft Report

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Subject: Federal Protective Service Needs To More Effectively Oversee  
Its Contract Guard Program

CCGs. FPS also established four Consolidated Contracting Groups (CCGs) that report to the FPS Director of Acquisition Management. Additionally, FPS is currently using the ICE automated procurement system that standardizes the procurement process and documentation. Implementation of the electronic interface between PRISM and the financial system will result in automatic establishment of obligations upon award.

Should you have any questions, please do not hesitate to have your staff contact Ms. Clinett Short at (202) 616-7629.

CC: Steven Pecinovsky, DHS Audit Liaison  
Clinett Short, ICE OIG Audit Portfolio Manager

Appendix C  
 Contract Guard Certification Requirements

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	<b><u>Certifications</u></b>	<b><u>Expires after</u></b>
1	Background Investigation	2 years
2	Contractor Provided Basic Training	Given once
3	Contractor Provided Refresher Training	2 years
4	CPR Training and Certification	1 year
5	Domestic Violence Certification	1 year
6	FPS Provided Orientation Training	100 years <sup>15</sup>
7	Contractor Certification of Firearms Training	100 years
8	Firearms Qualification	1 year
9	Annual Weapons Re-Qualification	1 year
10	Proof of Education	100 years
11	First Aid Certification	3 years
12	Medical Certification (SF 78)	2 years
13	Mandatory Drug Screening Certification	100 years
14	Initial and Final (if applicable) Suitability Determination	2 years
15	Work Permit (Form I-9)	10 years on average
16	Written Exam	Given once
17	State Weapons Permit	100 years
18	Expandable Baton Certification	1 year
19	Magnetometers/X-Ray Machine Training	100 years
20	Supervisor Training	100 years
21	Supervisory Experience	100 years unless specified period stated on letter in file
22	Supervisory Written Exam	Given once

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<sup>15</sup> One hundred years is used here to represent the guard's life.

Appendix D  
Summary of OIG Review of Expired Certifications

	<b>Certifications</b>	<b>Number Expired</b>	<b>Expiration Date to Review Date</b>
1	Background Investigation <sup>16</sup>	5	3 to 740 days
2	Contractor Provided Basic Training	0	
3	Contractor Provided Refresher Training	5	18 to 919 days
4	CPR Training and Certification	3	1 to 153 days
5	Domestic Violence Certification	8	1 to 945 days
6	FPS Provided Orientation Training	0	
7	Contractor Certification of Firearms Training	0	
8	Firearms Qualification	0	
9	Annual Weapons Re-Qualification	0	
10	Proof of Education	0	
11	First Aid Certification	0	
12	Medical Certification (SF 78)	2	30 to 671 days
13	Mandatory Drug Screening Certification	0	
14	Initial and Final (if applicable) Suitability Determination <sup>17</sup>	4	27 to 88 days
15	Work Permit (Form I-9)	0	
16	Written Exam	0	
17	State Weapons Permit	0	
18	Expandable Baton Certification	12	3 to 324 days
19	Magnetometers/X-Ray Machine Training	0	
20	Supervisor Training	0	
21	Supervisory Experience	0	
22	Supervisory Written Exam	0	
	<b>Total</b>	<b>39</b>	

<sup>16</sup> According to a NCR Personnel Security Specialist, background checks differ from suitability determinations in that they are limited to regional (District of Columbia, Maryland, and Virginia) police checks.

<sup>17</sup> Suitability determination involves undergoing several computerized background checks, including those administered by the U.S. Citizenship and Immigration Services, the National Crime Information Center, and the Federal Bureau of Investigation.

Appendix E  
Major Contributors to this Report

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Director, GAO/OIG Liaison Office  
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