

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

Vehicle Disposal and Sales Program
Within U.S. Border Patrol's
San Diego Sector



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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 by our office as part of our DHS oversight responsibilities to promote economy, effectiveness, and efficiency within the Department.

At the request of Bob Filner, the U.S. House of Representatives member for the 51st District of California, this report assesses the fleet vehicle disposal and sales activities of the U.S. Border Patrol's San Diego Sector. It is based on interviews with employees and officials from the U.S. Border Patrol's San Diego Sector, U.S. Customs and Border Protection, and General Service Administration, as well as direct observations, and a review 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

Table of Contents/Abbreviations

Executive Summary	1
Background.....	4
Results of Audit	4
The Sector’s Management of an Aging Vehicle Fleet.....	4
Recommendations.....	11
Management Comments and OIG Analysis	12
Vehicle Sales and Transfers.....	12
Recommendations.....	17
Management Comments and OIG Analysis	18

Appendices

Appendix A: Purpose, Scope, and Methodology.....	19
Appendix B: Management’s Response to the Draft Report.....	21
Appendix C: Major Contributors to this Report	30
Appendix D: Report Distribution.....	31

Abbreviations

ATV	All Terrain Vehicle
CBP	U.S. Customs and Border Protection
BIA	Bureau of Indian Affairs
CFR	Code of Federal Regulations
DHS	Department of Homeland Security
DRMO	Defense Reutilization and Marketing Office
FPI	Federal Prison Industries
FSC	Federal Supply Classification
GSA	General Services Administration
INS	Immigration and Naturalization Service
OIG	Office of Inspector General
SAP	System Application Products
Sector	U. S. Border Patrol – San Diego Sector
VMIS	Vehicle Management Information System

*Department of Homeland Security
Office of Inspector General*

Executive Summary

At the request of Bob Filner, the U.S. House of Representatives member for the 51st District of California, we audited the fleet vehicle disposal and sales activities of the U.S. Border Patrol's San Diego Sector (Sector). The Congressman's request was primarily spurred by a constituent's assertions that (1) vehicles were prematurely disposed of after major restoration work; (2) vehicles were reported as inoperable and downgraded to scrap although the majority were actually in good condition; (3) useable vehicles reported as inoperable or in poor condition were sold to scrap dealers with major components intact; (4) vehicles downgraded to salvage were sold to select individuals and companies at extremely low prices without following traditional sales procedures; and (5) vehicles and heavy-duty equipment were improperly transferred to an Indian Tribe. (See Appendix A for additional information on the purpose, scope and methodology of the audit.)

This report describes the results of our audit of the Sector's overall management of fleet vehicles and focuses primarily on management procedures, practices, and processes. Most of these procedures, practices, and processes were carried over from the Sector's legacy agency, the Immigration and Naturalization Service (INS), prior to the establishment of U.S. Customs and Border Protection (CBP) on March 1, 2003.

We confirmed the validity of the five assertions by Congressman Filner's constituent and confirmed that the Sector did not manage its aging fleet of vehicles in an effective manner or ensure that government funds were expended in the most economical way, as follows:

1. The Sector performed major restoration and expensive work on fleet vehicles that were subsequently sold while retaining lesser-maintained vehicles. INS approved and the Sector expended over \$750,000 to restore 129 vehicles; however, the Sector subsequently sold 23 of the 90 vehicles sampled.
2. The Sector downgraded operable vehicles to scrap and in some instances, disposed of these vehicles with major components intact although major

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- repairs to the components had been accomplished. In other instances, the Sector reportedly cannibalized scrapped vehicles for parts but did not
3. document the disposition of the cannibalized parts and could not locate the parts or otherwise account for them.
 4. The Sector downgraded operable vehicles to scrap and auctioned them at local small lot sales even though an interagency agreement between INS and the Federal Prison Industries (FPI) dictated that repairable or operable Border Patrol vehicles be transported to a FPI facility.
 5. The Sector did not follow procedures for local small lot sales of vehicles, but sold the majority of vehicles at auction to one wrecking company.
 6. The Sector transferred excess equipment through the Bureau of Indian Affairs (BIA) to an Indian Tribe Fire Protection District to circumvent the costs it would have incurred by returning the property to the Defense Reutilization and Marketing Office (DRMO), the entity from which the property was originally acquired. Further, the Sector did not comply with applicable Surplus Property Donation Program guidelines and General Services Administration (GSA) regulations.

While disposal and sales practices needed improvement, it was noteworthy that in response to a severe shortage of serviceable vehicles to meet the Border Patrol's operational readiness standards, the Sector recommended a stopgap solution in 2001 for restoring its aging Ford Bronco vehicle fleet. Although we questioned the disposal of some of the restored Ford Broncos, as recently as March 17, 2005, the Sector reported to CBP that 69 of the 129 vehicles remained operational in the Sector's fleet.

CBP is currently undertaking an effort to standardize vehicle fleet management CBP-wide; however, additional improvements are needed and we made five recommendations to help strengthen controls over the Sector's vehicle fleet. These recommendations may be useful to CBP as it evaluates how effectively other Border Patrol Sectors are managing their fleet vehicles and as it implements its CBP-wide fleet vehicle management system.

In response to our draft report, CBP agreed with our overall observation that under INS, the Sector did not manage its aging fleet in an effective manner or ensure that government funds were expended in the most economical way. CBP indicated that it has improved controls over vehicle disposal and sales procedures by creating a CBP-wide Fleet Management Program. CBP concurred with our recommendations and indicated that its *CBP Motor Vehicle Management Handbook*, CIS HB 5200-14, scheduled for release and distribution during the first quarter of fiscal year 2006, will incorporate our

recommendations. In addition to the Handbook, CBP Fleet Management Branch has worked directly with the Sector to ensure compliance with CBP procedures. The actions taken or planned by CBP, together with increased Fleet Management Branch oversight, should result in improvements to Sector and CBP-wide management of motor vehicle fleets.

The complete text of CBP's response to our draft report is included herein as Appendix B. We considered the technical comments provided with CBP's response and made changes to the final report when deemed appropriate.

Background

In fiscal year 2000, the Sector operated a fleet of approximately 1,800 vehicles to fulfill its mission of facilitating the flow of legal immigration and goods, while preventing the illegal trafficking of people and contraband over 66 linear miles of the United States' southwestern border. At that time, over 90 percent of the vehicles were out of warranty, the operational readiness of fleet vehicles had declined to 77.1 percent, Sector stations were falling short of the recommended two vehicles to every three agents, and repair costs were increasing.

Budget constraints led to a drastic reduction in the Sector's allocation of replacement vehicles for fiscal year 2000. To increase its operational readiness, the Sector proposed a stopgap solution in an October 25, 2000, memorandum to INS. The proposal, called the Bronco Body-off/Frame-up Restoration Program (Restoration Program), recommended restoration and rehabilitation of 100 of the 482 Ford Broncos in the Sector's aging fleet. The proposal requested \$1.0 million in INS funding based on anticipated costs of \$10,000 per vehicle for frames, transmissions, engines, and suspension packages. Sector management affirmed that one benefit of the Restoration Program was the recapture of costs since the ultimate sale of restored vehicles would demand a higher sales price. INS approved \$750,000 for the Restoration Program. In subsequent years, the Sector returned to a more normalized vehicle replacement program and increased its fleet to approximately 2,100 vehicles by 2003.

INS and GSA fleet management guidelines and regulations controlled the Sector's vehicle disposal and sales activities, an interagency agreement between the INS and FPI covered the handling of excess fleet vehicles, and Sector policies and practices governed the management of its fleet.

Results of Audit

The Sector's Management of an Aging Vehicle Fleet

The Sector did not expend restoration/repair funds in the most economical way or effectively manage aging fleet vehicles. Specifically, the Sector: (1) performed major vehicle restorations and expensive repairs but subsequently disposed of those vehicles in lieu of lesser-maintained ones, (2) downgraded other operable vehicles to scrap, and in some instances, disposed of them with major components intact although major repairs to the components had been accomplished, and (3) cannibalized scrapped vehicles for parts but lacked documentation on the disposition of the parts. These

deficiencies occurred because INS did not provide sufficient control or oversight of the Sector's maintenance and disposal processes, decisions, and actions, and the Sector focused its efforts on keeping aging vehicles operational in order to meet mission requirements without necessarily examining the best ways to satisfy their operational readiness goals. Inadequate INS oversight and Sector management of repair and disposal processes likely resulted in a decreased operational readiness posture and resulted in an ineffective and inefficient use of vehicle repair/restoration funds.

Vehicle Restoration Activities. In response to a severe shortage of serviceable vehicles to meet the Border Patrol's operational readiness standards, the Sector recommended a stopgap solution in 2001 for restoring its aging vehicle fleet. The Sector received \$750,000 from INS for the Restoration Program and performed major restoration work on its best 1994-1996 Ford Broncos to extend the service lives of its fleet. However, in 2003, the Sector transferred many of these vehicles to FPI in Bastrop, Texas to be sold at auction even though it kept other lesser-maintained vehicles. Although we questioned the disposal of some of the Ford Broncos, as recently as March 17, 2005, the Sector reported to CBP that 69 of the 129 restored vehicles remained operational in the Sector's fleet.

- We reviewed the costs involved in restoring 90 of 129 Ford Broncos, their use, and ultimate disposition. Based on the extensive nature of the work performed, the number of months of usage, and the mileage put on the vehicles after having been restored, the Sector prematurely disposed of 23 vehicles that had incurred total repair costs of \$224,885. Each vehicle had major restoration work accomplished on engines, transmissions, suspension systems, exhaust systems, and brake systems at an average cost of \$9,778. On average, the Sector used each vehicle for 19 months and drove them about 14,000 miles before forwarding the vehicles to FPI for sale in 2003.

We also noted that transfers to FPI in 2003 did not give consideration to the overall operational condition of the vehicles but were based primarily on an INS-generated "Hit List". The list assisted the Sector in selecting vehicles to be transferred but was prepared by INS based on vehicle model year and odometer readings only. Of the 23 vehicles transferred, 19 appeared on the "Hit List" while the Sector independently forwarded the 4 remaining vehicles to FPI. The Sector had no explanation as to why the four vehicles not on the "Hit List" were transferred. Further, the Sector did not request that lesser maintained and lesser operationally ready vehicles be substituted for vehicles on the "Hit List". Additionally, the Sector had no documentation to indicate that INS or FPI had been

informed of the major restoration work accomplished on those vehicles. Thus, the potential existed for the vehicles to have been under-valued when sold by FPI.

- We judgmentally sampled and reviewed documentation for an additional 92 vehicles not included in the Restoration Program but subsequently transferred to FPI. The review entailed examination of the costs and timing of major vehicle repairs and vehicle usage after the repairs. The Sector performed major repair work on eight vehicles at an average cost of \$1,844 within 14 months of the transfer and usage averaged about 13,000 miles each after the repairs were completed. Two of the eight vehicles were repaired 2 months before transfer at a combined cost of \$2,867. The Sector did not consider the operational condition of the vehicles before it took disposal action.

Disposing of restored vehicles while retaining lesser-maintained vehicles at the same time was an indication of the need for better Sector management of the maintenance and disposal processes and may have affected the operational readiness of the Sector. The Sector should consider maintenance and repair history, including major component repairs or replacements, before taking disposal action. In addition, benefit/cost analysis may be a useful tool in determining whether vehicles should be disposed of or repaired. If disposal action is warranted, the Sector should ensure that it does not expend restoration/repair funds on those vehicles before disposal.

Scrapped Vehicles. The Sector downgraded operable vehicles to scrap and disposed of them locally, contrary to an April 1999 interagency agreement between INS and FPI. This action likely resulted in less sales revenue than otherwise would have been generated by FPI. In addition, these vehicles did not meet the Code of Federal Regulation (CFR) definition of scrap and should have been disposed of using GSA's disposal guidelines.

In an August 18, 1992, memorandum from GSA's Western Regional Administrator, the Sector received specific guidelines for vehicle disposal activities. According to the memorandum, once GSA declared a vehicle to be of no commercial value, based on input from the Sector, the vehicle would be released to the local office for disposition. If justified, a small lot sale could be held, or the vehicles could be sold as scrap if no buyers expressed interest in a small lot sale. According to 41 CFR § 102-36.40, scrap is defined as property having no value except for its basic material content. The same section of the regulation defines salvage as property having a value greater than its basic material content but for which repair or rehabilitation is clearly impractical or uneconomical. The Sector reported some vehicles as scrap to INS Headquarters that more accurately should have been characterized as salvage.

According to a February 6, 1995, Sector memorandum to staff, which addressed the monetary distinction between a salvage or scrap vehicle, salvage was not the same as scrap inasmuch as an operable vehicle (salvage) would command a higher price than one listed as inoperable (scrap). Further, according to the memorandum, salvaged vehicles could be operated in public roadways with the word Salvage typed on the front of the vehicle title.

INS directed the Sector to transport operable vehicles to FPI for auction once the April 1999 interagency agreement was instituted. Additional correspondence between the Sector and INS Headquarters reaffirmed the criteria that the vehicles be operable (salvage) so as to be driven on and off of the transport truck and that the Sector not transport scrap vehicles or those lacking sufficient resale value to cover the transport cost.

During fiscal year 2002, the Sector downgraded 131 operable vehicles to scrap and notified GSA that those vehicles would be disposed of through scrap auctions. While the Sector's actions may have been the quickest and easiest to dispose of excess vehicles, the vehicles met the definition of salvage instead of scrap and should have been transported to FPI:

- Eleven vehicles had major repairs or maintenance services performed within 18 months of the auctions. The number and cost composition were as follows: five vehicles had repair costs ranging from \$1,000 to \$2,000; five vehicles had repair costs ranging from \$2,001 to \$3,000; and one vehicle had repair costs of over \$3,500. Each of the 11 vehicles had limited usage subsequent to the repairs. For example, during a November 2002 auction, the Sector sold a 1995 vehicle for \$758. The two latest available Government Vehicle Work Orders, dated April 5, 2001 and May 9, 2001, showed the vehicle's odometer readings as 52,433 and 53,701, respectively, and indicated service and repairs including a standard safety check, new front tires, oil change with new filter, new front brakes with adjustment to rear brakes plus replacement of anti-lock braking system sensors, power steering pump, degreasing of engine, and repair to hood hinge. A November 26, 2002 Certificate to Obtain Title noted the odometer reading to be 54,188 miles.¹ As indicated, the Sector drove this vehicle less than 1,755 miles from April 2001 to November 2002 when title transferred to a private party for vehicle use on public roadways.

¹ An INS "Report of Personal Property for Sale" dated September 10, 2001 noted the odometer reading as 85,328 miles. Based on Government Vehicle Work Orders and the Certificate to Obtain Title, the OIG concluded that the mileage reported on the Report of Personal Property for Sale was in error.

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- Seven high mileage vehicles were reported within the Sector to be in overall fair condition while GSA was informed that the same vehicles were scrap. Four of these vehicles had major repairs performed within 18 months of being auctioned and were also included in the bullet above.
 - Seven operating sedan-type vehicles were auctioned at nominal amounts because new replacement vehicles were received. No documentation in the Sector's files evidenced high mileage or maintenance concerns for these vehicles.

At a minimum, once the Sector determined that vehicles were no longer required to meet its operational needs, it should have shipped the vehicles to FPI based on the INS/FPI agreement or sold them at small lot sales following GSA guidelines.

Cannibalized Vehicles. While the Sector's staff said that they scrapped both operable and inoperable vehicles with major repaired components intact, primarily Ford Broncos, they also reportedly cannibalized (removed) useable parts and components from some vehicles prior to disposing of the vehicles for their metal content (scrap) value.

- Sector staff said they evaluated every Ford Bronco in its fleet for structural and body integrity and chose 129 vehicles for the Restoration Program. Sector staff also said that vehicles not in the program were cannibalized to provide parts for Restoration Program vehicles, but little documentation could be found to indicate that major parts used in the Restoration Program came from other vehicles. Further, while we found indications that major parts and components had been cannibalized, the Sector generally could not account for these parts and components on Government Vehicle Work Orders. Review of the Sector's records and the records of the two wrecking companies to whom scrapped vehicles were sold gave an indication that parts were cannibalized as follows:
 - One company paid \$10 per ton for each scrapped vehicle. The curb weight of a standard equipped Ford Bronco was generally 4,350 pounds, excluding weight attributable to fluids, wheels, and optional equipment, such as the upgraded suspension systems installed by the Border Patrol. A summary of disposal records from the wrecking company indicated that 32 scrapped Ford Broncos weighed under the expected norm of 4,350 pounds, as follows: 25 vehicles weighed less than 3,800 pounds; four vehicles weighed between 3,800 pounds and 4,000 pounds; and nine vehicles weighed between 4,001 pounds and 4,125 pounds. We concluded that these vehicles weighed substantially less than a standard equipped Ford Bronco because components were removed. Further, the salvage yard described some vehicles as

“shells.” Despite the evidence indicating that major components had been removed from scrapped vehicles, Sector records documented only five vehicles on which parts or components were reinstalled.

- Another company paid a set amount of \$20 per vehicle regardless of the scrapped vehicle’s weight or completeness. The Sector scrapped 50 inoperable vehicles with major repaired or restored components installed with less than 10,000 miles of usage when disposed of as scrap. The Sector’s records indicated that only two components had been removed and reinstalled into another fleet vehicle.

We determined that the Sector installed only new/rebuilt major components, i.e., engines, transmissions, rear ends, etc., into the 129 vehicles included in the Restoration Program. We also reviewed the maintenance history records of 250 Ford Broncos that were sold to wrecking companies as scrap. According to the maintenance history records and the aforementioned underweight of vehicles scrapped, useable components existed and were removed from vehicles. However, while the Sector reported that cannibalized parts were often used, it did not always document which fleet vehicles were cannibalized and which fleet vehicles were repaired using the cannibalized parts and components. At least 80 Ford Broncos had major repaired components that could have been removed or were removed based on scrapped vehicle weights and repair histories. However, little documentation existed to show the disposition or location of these parts.

- The Sector also scrapped 66 non-operable all terrain vehicles (ATVs) during the period covered by our audit and reportedly cannibalized useable parts from these vehicles before disposing of the vehicles. The maintenance histories of the ATV inventory showed instances where major components, i.e., new/rebuilt engines, starters, etc., were installed in fleet ATVs for authorized repairs within a relatively short time period prior to being scrapped. However, as with other vehicles in the Sector’s fleet, the Sector did not always document which ATVs were cannibalized for parts and components and which ATVs were repaired.

Overall, the Sector lacked operational controls or procedures that required documenting on Government Vehicle Work Orders the removal of parts and components from one vehicle to be reinstalled on another. Specifically, the Sector could not account for major operable/recently repaired components, e.g., engines and transmissions that were subsequently removed from vehicles or ATVs before scrapping those vehicles. Furthermore, the Sector had no inventory of parts that had been cannibalized and Sector officials said that it had no formal policy on cannibalizing components. This may have

contributed to the lack of documentation recording such actions but does not explain the lack of any working, on-hand inventory of cannibalized parts. While INS Headquarters endorsed and funded the Restoration Program, and it believed that useable parts would be removed from one vehicle and reinstalled on another, INS had no policy on the general practice of cannibalization. In addition, Sector records gave little indication that cannibalization occurred. Further, due to the lack of documentation supporting the removal of components from scrap vehicles being reinstalled into other fleet vehicles, and a lack of working on-hand inventory of cannibalized parts and components, parts and components were susceptible to misuse or misappropriation.

Lastly, the Sector did not properly account for vehicle maintenance services and repairs. Specifically, the individual history files set up for each vehicle did not include hundreds of Government Vehicle Work Orders, some up to two years old. The Sector's failure to maintain these records inhibited its ability to accurately determine the service level of the fleet and to make sound repair or replacement decisions.

Conclusion. According to property management guidelines provided in 41 CFR § 102-36.45(b)(1), an agency should promote the use of available excess property to the maximum extent practicable and continuously monitor its property to ensure maximum use. Further, agencies are required to develop and maintain a system to prevent and detect non-use, improper use, and unauthorized disposal or destruction of property. The issues discussed in this finding highlight the need for the Sector to better manage its vehicle fleet.

The Sector needs to maintain current status information reflecting each of the vehicle's projected operational use based on periodic maintenance services or major component replacements. In addition, the Sector should specifically identify vehicles selected for disposal and require a designated authorization level before any major repairs are performed. Further, if CBP authorizes parts to be cannibalized, the Sector needs guidelines and controls over cannibalized parts and components to ensure that they are adequately documented in Government Vehicle Work Orders and are properly accounted for and inventoried. Lastly, all Government Vehicle Work Orders should be included in vehicle history files so that the Sector can make informed repair decisions.

Subsequent to our fieldwork, CBP provided additional documentation and information on actions already taken or in process to improve the Sector's management of its vehicle fleet.

- CBP officials said that its automated system, System Application Products (SAP), has greatly improved the Sector's management over fleet vehicles. CBP has a contractor-developed Data Matrix Program to determine if

repairs are cost effective or if a reclassification of salvage or scrap is warranted. However, based on the documentation provided by CBP, the SAP does not specifically determine service life extensions resulting from major repairs or replacement of major components such as engines and transmissions.

- CBP officials said that it did not convert all of the Sector's individual fleet records due to systems configuration incompatibility between SAP and legacy INS system(s) and incomplete or inaccurate vehicle data. CBP indicated that as part of the contractor-developed Data Matrix Program, it now monitors vehicle life cycles from procurement to disposal for all vehicles acquired after April 2004 and requires that all vehicle repairs over \$2,500 be approved by CBP Headquarters.
- Sections of the 1996 U. S. Customs Service's Vehicle Management Handbook currently serves as one of the formal policies for all CBP entities. Additionally, CBP uses legacy U. S. Custom Service's Vehicle Management Information System (VMIS). Like SAP, VMIS collects specific repair and maintenance data per vehicle. Data entries posted into SAP and VMIS for fleet vehicles acquired post-April 2004 allow CBP to determine the current vehicle status and projected operational use based on periodic maintenance services or major component replacements. Further, as of April 28, 2005, CBP's new Fleet Management Handbook reflecting current policies and practices such as the SAP system was still undergoing final review and had not been issued to field offices.

The conclusions in this finding and the following recommendations consider the additional information provided by CBP subsequent to our fieldwork.

Recommendations

We recommend that the Commissioner, Bureau of Customs and Border Protection:

Recommendation #1: Require the Sector to evaluate vehicle age, mileage, maintenance and repair history, general physical appearance, and the condition of the chassis and suspension for fleet vehicles not tracked in SAP or VMIS, before requesting CBP approval to perform repairs in excess of \$2,500 or to reclassify fleet vehicles as salvage or scrap.

Recommendation #2: Develop a policy on cannibalizing scrap vehicles for useable parts and components, and if cannibalization is authorized by CBP, establish specific guidelines and controls to ensure that such parts and

components are adequately documented in Government Vehicle Work Orders and are properly accounted for and inventoried.

Recommendation #3: Require the Sector to include all Government Vehicle Work Orders in applicable history files when maintenance services and repairs are performed.

Management Comments and OIG Analysis

CBP concurred with Recommendations 1 through 3 stating that its *CBP Motor Vehicle Management Handbook*, CIS HB 5200-14, scheduled for release and distribution during the first quarter of fiscal year 2006, will incorporate the OIG's recommendations to (1) evaluate vehicle repair and replacement criteria, (2) provide specific criteria for cannibalizing CBP vehicles and ensuring that parts are properly accounted for and inventoried, and (3) include all Government Vehicle Work Orders in applicable history files when maintenance services and repairs are performed. CBP's Fleet Management Branch staff has worked directly with the Sector Vehicle Officer to ensure compliance with CBP procedures and CBP plans to issue the Handbook by December 31, 2005.

The actions taken and planned by CBP meet the intent of the three recommendations. With the issuance of the *CBP Motor Vehicle Management Handbook* and continuing CBP oversight, CBP can better assess if the Sector effectively manages its fleet of vehicles and expends government funds in the most economical manner.

Vehicle Sales and Transfers

To expedite the disposal process as replacement vehicles arrived, the Sector improperly downgraded vehicles to scrap and auctioned them at local small lot sales, obtaining GSA authorization to conduct small lot sales based on representations that the operable vehicles were scrap. This was contrary to GSA regulations. Also a formal agreement between INS and FPI required the transfer of excess vehicles to FPI as replacement vehicles arrived in the Sector. In addition, the Sector transferred excess equipment through BIA to an Indian Tribe Fire Protection District without the statutory authority to do so thereby circumventing the applicable Surplus Property Donation Program guidelines. Downgrading vehicles to scrap and auctioning them at local small lot sales resulted in a substantial loss of sales revenue and gave the appearance of wrongdoing since most of the auctioned vehicles were sold to a single wrecking company. By transferring equipment to an Indian Tribe Fire Protection District, other federal and state agencies were not afforded the opportunity to claim the excess property.

Vehicle Disposal and Sales Program Within the U. S. Border Patrol's San Diego Sector

Small Lot Sales. The Sector obtained GSA authorization to conduct small lot sales based on representations that the vehicles were scrap, i.e., no commercial value, and that many of the vehicles were missing parts. In addition, the Sector informed GSA that sales conducted in compliance with GSA guidelines would be uneconomical or impractical and that the storage of the vehicles was creating a severe parking space shortage for the Sector's operational fleet. In a November 17, 2003 memorandum to the OIG, a Sector fleet management official stated that while vehicles may have been operable, some had structural frame cracks and were made inoperable by intentionally cutting out sections of the frame in obvious locations that could not be repaired. The memorandum stated that this action was taken to ensure that the vehicles were not resold to third parties.

The Sector downgraded 131 vehicles to scrap and conducted five small lot sales in 2002. The Sector marketed the sales by facsimile transmittal to five or six companies or individuals 2 to 3 days in advance of the auction. One wrecking company purchased 92 of the 131 vehicles and another wrecking company purchased 32. Further, the company that purchased the majority of the vehicles was licensed by the State of California as a dealer of used automobiles rather than an auto dismantler. The Certificate to Obtain Title prepared by the Sector for the auctioned vehicles bore the stamp Salvage Only allowing the vehicles to be registered and operated on public roadways. Despite the Sector's representations that all vehicles determined to be scrap were inoperable or made inoperable prior to the auction, the used automobile dealer resold the vehicles in the retail market at a substantial profit.

We reviewed 43 of the 92 vehicles purchased by one company in 2002, and determined that the 43 vehicles were resold to the public for \$70,518 more than the company paid the Sector. Two examples of vehicles purchased at auction and resold to the public are shown below:

- Six 1997 Chevrolet Tahoes were sold at a December 15, 2002, auction for \$1,510 each. Five of the vehicles were resold for \$4,000 each and one for \$3,632.
- Two 1995 and two 1996 Ford Broncos were sold at the same auction for \$210 each and subsequently resold to the public--three for \$2,500 each and one for \$2,455.

We did not determine whether the company incurred any repair or restoration costs prior to reselling the vehicles that it had purchased at auction.

The Sector circumvented formal disposal processes in at least two ways.

Vehicle Disposal and Sales Program Within the U. S. Border Patrol's San Diego Sector

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- First, the Sector failed to follow the small lot sales processes outlined in January 1988 by the Department of Justice.² Specifically, notification of the sale was to be provided to prospective bidders and posted in prominent locations at least 14 days prior to the sale and inspection of the vehicles was to be permitted for at least 2 days. In addition, the Sector was required to set a minimum price as a standard for evaluating the bids received.
 - Second, operable vehicles should have been transferred to FPI as agreed to in April 1999 thus ensuring that (1) top dollar was received for INS vehicles sold at auction and (2) sale proceeds were properly accounted for and deposited in an INS account. However, only one vehicle was sent to FPI between 1999 and 2002.

Downgrading operable vehicles to scrap and auctioning them at local small lot sales was contrary to INS directions to the Sector, likely resulted in a substantial loss of sales revenue, and gave the appearance of deliberate wrongdoing since the Sector did not follow established small lot sales procedures.

Transfers to the Federal Prison Industries. An April 14, 1999, interagency agreement between INS and FPI required the transfer of excess vehicles to FPI as replacement vehicles arrived in the Sector. According to the terms of the agreement, FPI would prepare the transferred vehicles for sale and perform minor maintenance and other work as deemed necessary to ensure that top dollar was received at auction. INS was required to provide FPI a condition report of each vehicle shipped. FPI agreed to use an INS-developed Vehicle Pre-Sale Inspection Checklist to inspect and report the condition of each vehicle to INS and to suggest other repairs that could be made to increase sale proceeds. INS was then supposed to report each transferred vehicle to GSA and coordinate with GSA and FPI to ensure that each vehicle was sold and that sale proceeds were properly accounted for and deposited in an INS account.

While the Sector reported 72 new vehicle acquisitions in 2000, 87 in 2001, and 343 in 2002, it transferred only one vehicle to FPI before 2003. Instead, the Sector classified many of its aging fleet vehicles as scrap and disposed of them locally. The Sector began adhering to the terms of the agreement in 2003 when it transferred 151 excess vehicles to FPI. Of those 151 vehicles, 84 appeared on the INS “Hit List” and 67 did not. Since the Sector did not document the overall condition or the maintenance histories of the vehicles

² INS and U.S. Border Patrol were operating entities under the Department of Justice until March 1, 2003, when DHS was established.

transferred to FPI, we could not determine whether the vehicles were the least operationally ready, or whether FPI sales revenues were maximized at the time the vehicles were sold.

The Sector's failure to adhere to the terms of the 1999 agreement until 2003, and the fact that beginning in 2003, the Sector independently transferred 67 vehicles to FPI that were not on the "Hit List", reflected a need for better management oversight of Sector disposal and sales activities. Further, by classifying the condition of excess vehicles as scrap prior to 2003, the Sector circumvented compliance with the agreement and may not have generated the sales revenue from small lot sales that would have been generated by FPI.

Transfer of Excess Equipment. The Sector transferred excess equipment through BIA to an Indian Tribe Fire Protection District to circumvent the costs it would have incurred by returning the property to DRMO, the entity from which the property was originally acquired. The excess equipment fell under Federal Supply Classification (FSC) Group 24 (Tractors); Group 38 (Construction, Mining, Excavating and Highway Maintenance Equipment); and Group 62 (Lighting Fixtures and Lamps). Further, the Sector did not comply with applicable Surplus Property Donation Program guidelines and GSA regulations. As a result, other federal and state agencies were denied the opportunity to claim the Sector's excess property. DRMO was unaware that the Sector transferred the property to the Indian Tribe.

The Sector acquired some of its FSC Group 24 (tractors) and FSC Group 38 (water trucks, dump truck, fuel truck, cherry picker, bulldozer, and dozers) equipment from DRMO. Once it deemed the equipment excess, the Sector was responsible for the costs of returning the equipment to DRMO.

In 2003, the Sector transferred 27 heavy-duty equipment items to a local Indian Tribe Reservation Fire Protection District through BIA to minimize the disposal costs it would have incurred if the property items were shipped back to DRMO. Some of the equipment, such as light towers, was classified as open inventory when discussions initially started directly with the Tribe's representatives in January 2003. The second group of heavy-duty truck, trailers, tractors, and bulldozers was classified as available for sale. However, prior to the transfer in June 2003, the Sector indicated that the light towers and heavy-duty equipment were inoperable or scrap. The Sector prepared and submitted property transfer reports with equipment itemized in the Instructions or Remarks section "Transfer of Vehicles to Bureau of Indian Affairs for fire fighting efforts." None of the equipment met the FSC Group 42 classification of fire fighting equipment or safety and rescue equipment.

According to 41 CFR § 102-36.145, agencies can make direct transfers of property without GSA participation provided the transferring agency has the statutory authority to do so and the receiving entity is an eligible recipient. The Sector did not have the statutory authority to transfer excess property to the Indian Tribe, even using BIA as an intermediary in the transfer.

According to 41 CFR § 102-36.210, the Sector is required to report excess property to promote reuse by the Government and to enable federal agencies to benefit from the continued use of property already paid for with taxpayers' money. Further, the reporting of excess property to GSA helps assure that information on available property is accessible and disseminated to the widest range of reuse customers. In addition, 41 CFR § 102-36.35 requires that excess property be offered for use elsewhere within an agency. If the property is no longer needed within an agency, it is declared excess and reported to GSA for possible transfer to eligible recipients, including other federal agencies. If GSA determines that no federal requirements exist for the excess property, it becomes surplus property and is available for donation to state and local public agencies and other eligible non-federal activities through the Surplus Property Donation Program. These regulations require that surplus property be distributed to eligible recipients by an agency established by each state for this purpose.

While the Sector minimized excess property disposal costs, it did not comply with applicable guidelines and regulations governing the disposition of such property. By doing so, the Sector circumvented the prescribed priorities for federal and state agency claims to surplus property.

Conclusion. The Sector managed its vehicle fleet without higher-level oversight as indicated by its failure to (1) follow the small lot sales processes outlined in January 1988 by the Department of Justice and (2) adhere to the interagency agreement between INS and FPI for nearly 4 years. Further, the Sector: (1) classified vehicles as poor and inoperative and improperly disposed of them through local small lot sales rather than sending them to FPI; (2) disposed of vehicles not identified by INS on its “Hit List;”, and (3) did not comply with property disposal regulations when it transferred vehicles and equipment to the Indian Tribe. Consequently, the Sector gave the appearance of wrongdoing and may have lost revenue that otherwise could have been generated if established regulations, policies, agreements, and guidelines had been followed.

CBP provided us additional information subsequent to the audit fieldwork. We considered that additional information in developing our findings, conclusions, and recommendations.

-
- CBP pointed out that it engaged a contractor to replace the local small lot sales procedures. The contract covers June 1, 2004, through June 30, 2008; includes disposal of salvage and scrap vehicles; and mandates specific practices based on the CFR for full and free competition in the auction process. CBP also provided sections of the 1996 U. S. Customs Service's Vehicle Management Handbook. The Handbook does not address the transfer of vehicles to FPI or sales conducted by a contractor. However, the new CBP Fleet Management Handbook, once issued, should address management policies, procedures, and agreements applicable to the Sector's vehicle fleet and should have provisions allowing CBP to monitor Sector compliance with specific guidance relative to vehicle sales and transfers. Until the new handbook is available, CBP communicates current policies, procedures, and practices through channels such as CBP's "Information Notices", and its monthly newsletter "High Beam".
 - CBP renewed its agreement with FPI in December 2004 wherein salvageable fleet vehicles are to be forwarded to FPI for sale. Further, CBP implemented formal internal procedures that assign responsibilities for complying with the provisions of the agreement.
 - CBP indicated that the SAP system has a module where prerequisites must be met before a SF 120 Excess Property form can be generated. As part of the SAP system approval process, the Fleet Management Branch Personal Property Specialist is the authorizing official. The workflow in SAP system uses the property code to send the disposal document to the appropriate CBP official for review and approval.

Recommendations

We recommend that the Commissioner, Bureau of Customs and Border Protection:

Recommendation #4: Monitor Sector compliance with vehicle sale and transfer policies, procedures, and practices currently based on CBP's information notices and monthly newsletters and ultimately to be based on its new Fleet Management Handbook.

Recommendation 5: Require the Sector to submit to the appropriate CBP Headquarters approving official properly prepared SF 120 Excess Property Forms for surplus property not tracked in SAP.

Management Comments and OIG Analysis

CBP concurred with the Recommendations 4 and 5 and indicated that its Fleet Management Branch staff has worked directly with the Sector Vehicle Officer to ensure compliance with CBP procedures. CBP said that the recommended actions will be addressed in the *CBP Motor Vehicle Management Handbook*, CIS HB 5200-14, that is planned for issuance by December 31, 2005.

For Recommendation 4, CBP stated that its Fleet Management Branch staff monitors Sector and all of CBP compliance by generating SAP daily vehicle reports, annual self-inspections that sample disposals, and a 100 percent annual inventory. For Recommendation 5, CBP indicated that the Sector now works directly with the Fleet Management Branch staff and that it requires an official SF-120 for excess property be prepared in SAP regardless of whether or not the item is recorded in SAP.

The actions taken or planned by CBP, together with increased Fleet Management Branch oversight should result in improvements to the way the Sector disposes of excess vehicles and equipment.

Purpose, Scope, and Methodology

At the request of Bob Filner, the U.S. House of Representatives member for the 51st District of California, we assessed the fleet vehicle disposal and sales activities of the U.S. Border Patrol's San Diego Sector (Sector). The purpose of the audit was to determine whether:

- Vehicles were prematurely disposed of after major restoration work;
- Vehicles were reported as inoperable and downgraded to scrap although the majority were actually in good condition;
- Useable vehicles reported as inoperable or in poor condition were sold to scrap dealers with major components intact;
- Vehicles downgraded to salvage were sold to select individuals and companies at extremely low prices without following traditional sales procedures; and
- Vehicles and heavy-duty equipment were improperly transferred to an Indian Tribe.

We visited the Sector's Headquarters in Chula Vista, California and three separate Sector maintenance stations in Chula Vista, Imperial Beach, and San Ysidro. We focused our review on vehicles acquired before 2000 and major repairs to and disposal of those vehicles between 1999 and 2002. For the period under audit, the Sector operated a vehicle fleet of about 1,800 vehicles.

We reviewed INS and GSA fleet management guidelines and regulations, including an interagency agreement between INS and FPI. We also reviewed Sector policies and practices governing the management of its fleet, including the Sector's implementation of the INS-approved Bronco Body-off/Frame-up Restoration Program. We interviewed key Sector and GSA personnel, and for vehicles included within the scope of the audit, we reviewed and analyzed documentation for those vehicles downgraded to scrap/salvage and either sold for their metal content value or sold in small lot sales. Maintenance and repair histories were reviewed and the subsequent use of vehicles was determined. We also assessed the Sector's practice of cannibalizing useable parts and components from inoperable vehicles as well as the associated record keeping and accounting controls for such actions. Lastly, we reviewed the documentation and correspondence associated with the transfer of heavy-duty equipment to an Indian Tribe Fire Protection District.

Audit work was conducted between October 2003 and May 2005 and performed under the authority of the Inspector General Act of 1978, as amended, and according to *Government Auditing Standards* issued by the Comptroller General of the United States.

Throughout the audit, we worked closely with Sector officials and kept Sector and CBP officials informed of audit progress. Subsequent to audit fieldwork, we discussed potential findings with officials from CBP and the Sector. CBP provided us with additional information not available in the Sector to reflect ongoing and planned fleet vehicle management initiatives. CBP provided comments on how those initiatives would address many of the control weaknesses identified at the Sector. CBP inputs and additional information were considered in drafting this report and revisions were made as appropriate, based on the information provided. The cooperation and courtesies extended to our audit team by CBP and the Sector were appreciated.

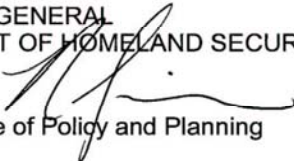
Management's Response to the Draft Report



U.S. Customs and
Border Protection

August 31, 2005

MEMORANDUM FOR RICHARD L. SKINNER
INSPECTOR GENERAL
DEPARTMENT OF HOMELAND SECURITY

FROM: Nicolle Sciara 
Director, Office of Policy and Planning

SUBJECT: Response to the Office of Inspector General's Draft Report
on Vehicle Disposal and Sales Program Within U.S. Border
Patrol's San Diego Sector

Thank you for providing us with a copy of your draft report entitled "Vehicle Disposal and Sales Program Within U.S. Border Patrol's San Diego Sector" and the opportunity to discuss the issues in this report. The U.S. Customs and Border Protection (CBP) agrees with the Department of Homeland Security (DHS), Office of Inspector General's (OIG's) overall observations that, under legacy Immigration and Naturalization Service (INS), the Sector did not manage its aging fleet of vehicles in an effective manner or ensure that government funds were expended in the most economical way.

It is clear that the OIG made every attempt to learn about how vehicles were sold and otherwise disposed of in the San Diego Sector and attempted to present a factual accounting of vehicle disposition in San Diego before 2003. However, the audit focused on oversights and shortcomings of the Sector's Fleet Management office without giving adequate consideration to the Sector's immediate need to respond to a severe shortage of serviceable vehicles in order to meet operational readiness.

Circumstances beyond the Sector's control led to a drastic reduction in the allocation of replacement vehicles for fiscal year 2000. The Bronco project was a proactive initiative to ensure an adequate number of safe vehicles for our agents in the field. The willingness of the vehicle fleet staff to put in incredibly long hours, often outdoors, performing very difficult, repetitive, and dirty tasks for months, kept the San Diego Sector agents mobile in reliable and safe vehicles during our country's darkest hour. The project was a logistical nightmare, but an ultimate success in that more vehicles were available to the agents.

Additionally, the Border Patrol has grown to over 10,000 agents; the support staff that should handle vehicle matters and the input of data into the various CBP systems has not proportionately increased.

CBP has improved controls over vehicle disposal and sales procedures. Since the creation of DHS, CBP has created a CBP-wide Fleet Management Program, and as such, has addressed the recommendations in this report from an agency-wide perspective. The *CBP Motor Vehicle Management Handbook* is currently under review. This Handbook will provide guidance on procedural matters. All five recommendations will be addressed in the Handbook, which is scheduled for release and distribution during the first quarter of fiscal year 2006.

Systems such as Systems Applications and Products (SAP—already in place) and Vehicle Maintenance Information System (VMIS—scheduled to come online) provide the mechanisms for tracking vehicles, vehicle parts, and work orders. CBP has internal controls, such as Self-Inspection and onsite inspections, whereby compliance with CBP policies can be systematically monitored. The Office of Border Patrol (OBP) participates in these programs. Additionally, as part of the National Border Patrol Strategy, OBP's chain of command has become more centralized.

CBP's review of the draft report did not reveal any portion that requires protection under a Freedom of Information Act exemption. Attached are comments specific to the recommendations, as well as technical comments that relate to statements that need to be clarified prior to the finalization of this report. If you have any questions regarding this response, please contact me or have a member of your staff contact Ms. Lynn Richardson at (202) 344-2953.

Attachment

**Response to Recommendations Concerning OIG Draft Report Entitled
“Vehicle Disposal and Sales Program Within
U.S. Border Patrol’s San Diego Sector”**

CBP Corrective Action Plan

Recommendation 1: Require the Sector to evaluate vehicle age, mileage, maintenance and repair history, general physical appearance, and the condition of the chassis and suspension for fleet vehicles not tracked in SAP or VMIS, before requesting CBP approval to perform repairs in excess of \$2,500 or to reclassify fleet vehicles as salvage or scrap.

Response: CBP concurs with this recommendation. Fleet Management Branch staff has worked directly with the Sector Vehicle Officer to ensure they are in compliance with CBP procedures. This evaluation will be addressed in the revised *CBP Motor Vehicle Management Handbook*, CIS HB 5200-14, which is scheduled for release and distribution during the first quarter of fiscal year 2006. CBP has, and continues to, comply with FMR 102-34.280, which outlines the minimum replacement criteria as only age and mileage.

Due Date: December 31, 2005

Recommendation 2: Develop a policy on cannibalizing scrap vehicles for useable parts and components, and if cannibalization is authorized by CBP, establish specific guidelines and controls to ensure that such parts and components are adequately documented in Government Vehicles Work Orders and are properly accounted for and inventoried.

Response: CBP concurs with this recommendation and will incorporate this recommendation into the revised *CBP Motor Vehicle Management Handbook*, CIS HB 5200-14. The Handbook will address specific criteria for cannibalization of CBP vehicles and ensure that parts are properly accounted for and inventoried.

Due Date: December 31, 2005

Recommendation 3: Require the Sector to include all Government Vehicle Work Orders in applicable history files when maintenance services and repairs are performed.

Response: CBP concurs with this recommendation. This recommendation will be addressed in the revised *CBP Motor Vehicle Management Handbook*, CIS HB 5200-14.

Due Date: December 31, 2005

Recommendation 4: Monitor Sector compliance with vehicle sale and transfer policies, procedures, and practices currently based on CBP's information notices and monthly newsletters and ultimately to be based on its new Fleet Management Handbook.

Response: CBP concurs with the recommendation. Fleet Management Branch staff has worked directly with the Sector Vehicle Officer to ensure they are in compliance with CBP procedures. Fleet Management Branch staff monitor Sector compliance through daily vehicle reports, annual self-inspection and annual inventory. This will be covered in the revised *CBP Motor Vehicle Management Handbook*, CIS HB 5200-14. The Fleet Management Branch monitors all of CBP Fleet by generating SAP daily vehicle reports, Annual Self Inspections that samples disposals, and a 100 percent annual inventory.

Due Date: December 31, 2005

Recommendation 5: Require the Sector to submit to the appropriate CBP Headquarters approving official properly prepared SF 120 Excess Property Forms for surplus property not tracked in SAP.

Response: CBP concurs with the recommendation. Fleet Management Branch staff has worked directly with the Sector Vehicle Officer to ensure they are in compliance with CBP procedures. The San Diego Sector now works directly with the Fleet Management Branch staff. An official SF-120 is required to excess property and must be prepared in SAP regardless of whether or not the item is recorded in SAP. This will be addressed in the revised *CBP Motor Vehicle Management Handbook*.

Due Date: December 31, 2005

**“Vehicle Disposal and Sales Program Within
U.S. Border Patrol’s San Diego Sector”**

Technical Comments:

We recommend that all references to BCBP be changed to read the appropriate U.S. Customs and Border Protection acronym - CBP.

CBP is concerned that the negative tone of the audit report could give an uninformed reader the impression that the intent of the San Diego Sector and legacy INS Fleet Managers who made decisions regarding fleet disposal and sales was suspect. The auditors could make the same recommendations while presenting a balanced account of the reasons vehicle sales and disposals were handled in the way they were during that time. An example is given in the following section.

“The Sector’s Management of an Aging Fleet,” Pages 3 and 4:

Portions that could be rewritten or further explained have been italicized.

“These deficiencies occurred because INS did not provide sufficient control or oversight of the Sector’s maintenance and disposal processes, decisions, and actions and the Sector focused its efforts on keeping aging vehicles operational in order to meet mission requirements *without necessarily examining the best ways to satisfy their operational readiness goals*. Inadequate INS oversight and Sector management of repair and disposal processes *likely* resulted in a *decreased* operational readiness posture and resulted in an ineffective and inefficient use of vehicle repair/restoration funds.”

OBP’s term for situations when an agent must wait at the station until a vehicle becomes available is “curb time.” Every hour of curb time results in lost revenue to the U.S. taxpayer because money is wasted while the agent is paid for waiting for a vehicle. Every hour of curb time results in unguarded positions in the border area and increases the opportunity for undocumented aliens, including terrorists; terrorist weapons; and narcotics to enter the United States undeterred. Thus, spending money to reduce curb time and increase operational effectiveness is a valid expenditure of Government funds, and we can speculate that Sector management of repair and disposal process *likely* resulted in *increase* operational readiness posture.

As the San Diego Sector explained in the memorandum dated November 17, 2003, and addressed to the OIG, during that time, new and replacement vehicles were not forthcoming and the existing fleet was unsafe. Agents were not placed in unsafe vehicles and curb time was minimized. The Sector received permission and funding from legacy INS Fleet to rehabilitate a fleet of aging vehicles, specifically Broncos. The Sector determined that the way to best satisfy its operational readiness goals was to repair vehicles. They began production in May 2001.

San Diego Sector managers made the decisions that they did in an effort to reduce curb time by getting agents into vehicles. They exemplified the Border Patrol "can do" attitude, an attitude that CBP is proud of.

It should be noted in the first pages of the audit report that 69 vehicles repaired under the Vehicle Restoration Program are still in service today.

"Vehicle Restoration Activities," Page 4:

The following quotation contains a statement that requires explanation. "... the Sector prematurely disposed of 23 vehicles that had incurred total repair costs of \$224, 885." The auditor reached this conclusion without looking at the reasons for disposing of those 23 vehicles. From the Sector's response to the discussion draft, we know that one of those vehicles had been in an accident after it was repaired.

The bottom portion of the page discusses the INS "Hit List" and indicates that the Sector "did not request that lesser maintained and lesser operationally ready vehicles be substituted for vehicles on the 'Hit List.'" In its responses to the OIG (discussion draft and memorandum dated November 17, 2003), the Sector makes an important point. The Sector did attempt to contact INS Fleet. The urgency of the situation must be explained. The trucks with the new vehicles arrived in San Diego. They were to be unloaded and the same trucks loaded with the "Hit List" vehicles. The Sector could not obtain a response from INS Fleet, and rather than return the brand new vehicles, it sent the "Hit List" vehicles.

"Scrapped Vehicles," Pages 5-7:

In response to the draft report, the San Diego sector requested that the final report indicate that there is a fine line between the definitions of "scrap" and "salvage." When vehicles were deadlined, the decision was made by the Sector to deem them as scrap. The vehicles could have been shipped to Federal Prison Industries (FPI) in accordance with an outstanding agreement because they could be driven on and off the transporter. However, these vehicles were in extremely poor condition. Many had cracked frames and hidden damage, as well as damaged engines and transmissions. Additionally, the local union had inspected these vehicles and found structural body cracks in many of them. None were roadworthy, and none should have been driven on any public road or highway.

For these reasons, they were sold as scrap and were labeled as salvage. By not sending these vehicle to FPI, the Sector attempted to ensure that these vehicles, in fact, would not be used on public roads. Disposing of them locally resulted in a \$500-\$700 per vehicle savings in transportation costs to the Government. Moreover, the Sector Fleet Office thought that the Sector had been insulated from liability by identifying the vehicles as scrap or salvage.

Neither INS Headquarters nor the FPI complained or ordered the sales curtailed. Only one vehicle was transferred to FPI during a 4-year period, yet no one at legacy INS Headquarters or Regional Offices mentioned this as an anomaly.

“Cannibalized Vehicles,” Page 7:

Before September 11, 2001, the vehicle situation in the San Diego Sector was in crisis; after September 11, 2001, the Nation was in crisis. Returning vehicles to the line so that agents could drive them was the Sector’s primary concern.

Vehicles were cannibalized, and it is true that in most cases, the disposition of the parts was not documented. The Bronco Project was a one-of-a-kind, fast tracked, undertaking. The Fleet Management Office tracked every new part carefully but did not track every used part, especially unusable parts.

Nowhere in the report is the terrain of the San Diego Sector mentioned. This terrain greatly affected the condition of the vehicles. Some Broncos had good frames and bad bodies; others had broken frames and good bodies. Frames and bodies were mixed and matched.

The Vehicle Restoration Project was huge. At any one time, as many as 10-12 vehicles were in various states of disassembly in a relatively small shop area. Orchestrating the operation, efficiently and safely, required a clean, neat work area.

In an ideal world, every part of a vehicle would be tracked and logged into a system, and we understand that this is the goal of CBP. Tracking used parts would have required manual input into an Excel spreadsheet. There was neither time nor personnel to maintain such a log. Again the main goal was to return safe vehicles to the agents quickly.

Cannibalized Vehicles, Page 9, Last Paragraph, Second Sentence:

The report states:

"SAP provides a Data Matrix Program to determine if repairs are cost effective or if a reclassification of salvage or scrap is warranted."

We request you revise the sentence to read:

"CBP has a contractor developed Data Matrix Program to determine if repairs are cost effective or if a reclassification of salvage or scrap is warranted."

Cannibalized Vehicles, Page 9, Last Paragraph, Fourth Sentence:

The report states:

"However, the system provides an indicator of adjusted useful life through a sub-asset module in SAP that depreciates the asset (cost) over the extended useful life."

We request that you delete the sentence.

Cannibalized Vehicles, Page 10, First Paragraph, Second Sentence:

The report states:

"BCBP indicated that it now monitors vehicle life cycles from procurement to disposal for all vehicles acquired after April 2004 and requires that all vehicle repairs over \$2,500 be approved by BCBP Headquarters."

We request you revise the sentence to read:

"CBP indicated that it now monitors vehicle life cycles from procurement to disposal for all vehicles acquired after April 2004 as part of the contractor developed Data Matrix Program and requires that all vehicle repairs over \$2,500 be approved by CBP Headquarters."

"Small Lot Sales," Page 11:

The report states:

"In a November 17, 2003, memorandum to the OIG, a Sector fleet management official stated that although vehicles may have been operable, some had structural frame cracks and were made inoperable by intentionally cutting out sections of the frame in obvious locations that could not be repaired. This action was *reportedly* taken to ensure that the vehicles were not resold to third parties." (Emphasis added.)

The word "reportedly" will leave an uninformed reader with the impression that frames possibly were cut for some reason other than to ensure that they were not sold to a third party. The vehicles were unsafe. By cutting a section out of the frame in an obvious place that could not be pieced together, the Sector tried to guarantee that the vehicle would not become a danger to the motoring public.

"Small Lot Sales," Page 12:

The report states:

"We reviewed 43 of the 92 vehicles purchased by one company in 2002, and determined that the 43 vehicles were resold to the public for \$70,518 more than the company paid the Sector. Two examples of vehicles purchased at auction and resold to the public are shown below:

- Six 1997 Chevrolet Tahoes were sold at a December 15, 2002, auction for \$1,510 each. Five of the vehicles were resold for \$4,000 each and one for \$3,632.
- Two 1995 and two 1996 Ford Broncos were sold at the same auction for \$210 each and subsequently resold to the public--three for \$2,500 each and one for \$2,455.

We did not determine whether the company incurred any repair or restoration costs prior to reselling the vehicles that it had purchased at auction.”

Without a determination of the cost of repair and restoration incurred by the company, none of the above figures are relevant.

“Transfer of Excess Equipment,” Pages 13 and 14:

At the time, the San Diego Sector employed a Defense Reutilization and Marketing Office (DRMO) Logistics Manager. On the basis of his interpretation of the excess property rules and regulations, the equipment was transferred to the Bureau of Indian Affairs (BIA) rather than to the DRMO. At the time, the BIA was at the top of the priority list to receive surplus equipment, the ultimate recipients of the equipment from DRMO. Because the BIA picked up the equipment, the Sector saved the operational money that it would have spent shipping the equipment to the DRMO.

Major Contributors to this Report

Robert Lastrico, Field Office Director, San Francisco Field Office
Curtis Johnson, Auditor, San Francisco Field Office
Joseph Artes, Special Agent in Charge, San Diego Field Office
James Black, Assistant Special Agent In-Charge, San Diego Field Office
Robin Clements, OIG Investigator, San Diego Field Office

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