



Department of Homeland Security Office of Inspector General

Advisory Report:

Department of Homeland Security's Capabilities to Implement the American Recovery and Reinvestment Act of 2009



American Recovery and Reinvestment Act of 2009



Homeland
Security

June 30, 2009

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 for programs and projects being administered by the department under the *American Recovery and Reinvestment Act of 2009*.

This report is based on previous audits, including audits that reviewed the department's acquisition capabilities, performed over the past several years. The report identifies potential risks that the department should mitigate to manage funds appropriated through the *American Recovery and Reinvestment Act of 2009* (Public Law 111-5). The report also identifies open recommendations that the department should implement to reduce management risks and increase its success in meeting the goals of the Recovery Act.

We trust this report will result in more effective, efficient, and economical operations. We express our appreciation to all 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	2
Results.....	4
Human Capital Shortages	4
Accounting System Weaknesses.....	6
Conclusion and Recommendation	6

Appendices

Appendix A: Purpose, Scope, and Methodology.....	8
Appendix B: References	9
Appendix C: Open Recommendations from Related OIG Reports.....	10
Appendix D: Major Contributors to this Report.....	12
Appendix E: Report Distribution.....	13

Abbreviations

COTR	Contracting Officer Technical Representative
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	Fiscal Year
GAO	Government Accountability Office
OIG	Office of Inspector General
OMB	Office of Management and Budget

OIG

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Executive Summary

The *American Recovery and Reinvestment Act of 2009* (Recovery Act) provided the Department of Homeland Security approximately \$2.8 billion to acquire goods and services to help stimulate the United States economy. We are issuing this report to assist the department in meeting its responsibilities outlined in the Recovery Act. This report summarizes results from previous audits to identify potential risks and challenges the department faces as it prepares to manage and oversee the expenditure of the Recovery Act funds.

There is ample evidence that the Department of Homeland Security has faced innumerable challenges in establishing management controls since its creation. The department has put a great deal of effort into improving its processes and controls over awarding, managing, and monitoring contract and grant funds, but it still needs to do more. The department should address the risks of a shortage of trained contracting personnel, such as contracting officers, contracting officer technical representatives, and project managers, as well as a shortage of trained grants management personnel. The department also needs to continue to improve its oversight of the grants it awards to state and local recipients. Finally, the department needs to identify prudent measures to track the Recovery Act funds while simultaneously working to complete its remediation of material weaknesses in its financial management systems and processes. The department is working on implementing long-term solutions to these issues. The department may need to devise short-term or immediate actions to mitigate the risks.

Background

In February 2009, Congress passed the *American Recovery and Reinvestment Act of 2009* injecting \$787 billion of federal funds into the economy over the next two years. The Recovery Act made supplemental appropriations for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, and state and local stabilization for the Fiscal Year (FY) ending September 30, 2009. Individual federal departments and agencies were appropriated specific portions of the total funding to help accomplish these objectives. The Department of Homeland Security (DHS) received approximately \$2.8 billion:

DHS	Amount in Millions	Objective
St. Elizabeth's	\$200	DHS Headquarters Consolidation
U.S. Customs and Border Protection	\$720 (\$300 to the General Services Administration; \$420 to CBP)	<ul style="list-style-type: none"> • Construction of land ports of entry
	\$100	<ul style="list-style-type: none"> • Non-Intrusive Inspection technology
	\$100	<ul style="list-style-type: none"> • Southwest Border Technology
	\$60	<ul style="list-style-type: none"> • Tactical Communications
U.S. Immigration and Customs Enforcement	\$20	Automation modernization and tactical communications
Transportation Security Administration	\$1,000	Explosives detection system and checkpoint screening equipment
U.S. Coast Guard	\$142	<ul style="list-style-type: none"> • Alteration of Bridges
	\$98	<ul style="list-style-type: none"> • Shore facilities, Aids to Navigation Facilities and vessel repair/acquisition
Federal Emergency Management Agency	\$100	<ul style="list-style-type: none"> • Emergency Food and Shelter
	\$150	<ul style="list-style-type: none"> • Transit and Rail Security Grants
	\$150	<ul style="list-style-type: none"> • Port Security Grants
	\$210	<ul style="list-style-type: none"> • Assistance to Firefighter Grants
Office of Inspector General	\$5	Related Oversight and Audits

To ensure transparency and accountability for this spending, the Recovery Act, along with supporting Office of Management and Budget (OMB) guidance, requires agency compliance with a series of periodic reporting requirements and new information collection procedures.¹ The Recovery Act specifies that no later than 45 days after the date of enactment of the Act, the Secretary of Homeland Security shall submit to Congress plans for the expenditure of funds for non-grant monies. According to OMB guidance, DHS must provide a plan to OMB that describes broad recovery goals and agencies' coordinating efforts by May 1, 2009. Other reporting requirements include weekly updates, monthly financial reports, and award transaction data which will ultimately feed into, Recovery.gov, a "user-friendly, public-facing website" that will show how funds are being spent by each recipient.

The Recovery Act also established a Recovery Accountability and Transparency Board to coordinate and conduct oversight of funds to prevent fraud, waste, and abuse, and to foster transparency on spending by providing the public with accurate user-friendly information. Members of the Board include the Inspectors General of a number of 12 federal departments and agencies, including DHS. The Board is headed by a chairman who is appointed by the President.

The individual Offices of Inspector General are responsible for reviewing their respective department and agency activities to implement the legislation. In line with this oversight responsibility, we are identifying grants management acquisition management, and financial management risks that the department faces as it develops plans for expending the funds.

¹ *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, M-09-10, Office of Management and Budget, February 18, 2009.

Results

The Recovery Act will inject approximately \$2.8 billion into DHS programs. Each responsible component is required to expend the funds quickly, according to the Recovery Act, but must make sure it manages the funds applying prudent business judgment to achieve the desired outcomes. As the components manage and expend the funds, the department is responsible for providing timely, complete, and transparent public reporting on an unprecedented scale. This report highlights those areas of concern from past GAO and OIG reports that may affect the department's capability to manage Recovery Act funds in an effective and efficient manner. Our review of prior reports indicates that the department is limited by insufficient numbers of trained acquisition and grants management personnel. Further, the department does not have reliable financial systems to track and report on Recovery Act obligations and expenditures.

Human Capital Shortages

Contract Administration

DHS does not have enough trained and qualified staff to fulfill the responsibilities of contracting officers, contracting officer technical representatives (COTRs), program and project managers, and grant managers.

In April 2008, GAO reported that DHS employed approximately 61% of the minimum required acquisition staff and 38% of the optimal level of contract specialists.² Competition with other departments for acquisition personnel is intense and may intensify with the additional requirements of the Recovery Act at multiple agencies.

The existing shortage of skilled, federal acquisition personnel adversely affects the capacity of the department to manage mission-critical programs and represents a risk to Recovery Act investments.

In its response to our November 2008 management challenges report, DHS highlighted a number of headquarters-level initiatives

² *Department of Homeland Security: Better Planning and Assessment Needed to Improve Outcomes for Complex Service Acquisitions*, GAO-08-263, April 2008.

for recruiting and retaining a workforce capable of managing a complex acquisition program.³ These include:

- Centralized recruitment and hiring of acquisition personnel;
- Establishment of the Acquisition Professional Career Program;
- Hiring of qualified procurement interns under the Acquisition Professional Career Program;
- Hiring of retired acquisition personnel to serve as mentors to acquisition interns in the training and oversight areas;
- Creation of a tuition assistance program; and
- Annual employee satisfaction surveys, an exit survey, and structured rotational and development work assignments.

DHS has not had the time to complete all of these new initiatives nor is it likely that these initiatives will be accomplished prior to or during the time line that Recovery Act funds are being spent. Consequently, personnel shortages continue to hamper the department's ability to manage its contracts and workload in an effective and efficient manner. The department needs to institute a priority personnel hiring and development plan to ensure Recovery Act contracts are being awarded and managed according to applicable federal acquisition regulations and to ensure it receives the best value for the billions of dollars it plans to spend for goods and services under the Recovery Act.

Upon enactment of the Recovery Act, the department appointed Senior Accountable Officials for each component that received Recovery Act money, in an effort to improve its capability to oversee Recovery Act funds. In addition, the Office of the Chief Procurement Officer has stated it will perform a special review of Recovery Act transactions.

Grants Management

In addition to overseeing the acquisition of goods and services, DHS must ensure that the billions of dollars appropriated annually for disaster and non-disaster grant programs achieve successful outcomes. Our March 2009 report showed, however, that improvements are needed in the Federal Emergency Management Agency's (FEMA) grant management infrastructure to ensure effective monitoring of grantees.⁴ FEMA does not consistently and comprehensively execute its two major oversight activities, financial and program monitoring. This occurs because FEMA has

³ *Department of Homeland Security FY 2008 Annual Financial Report.*

⁴ *Improvements Needed in Federal Emergency Management Agency Monitoring of Grantees*, OIG-09-38, March 2009.

not implemented required analyses and a plan of action associated with its strategic human capital plan. Also, FEMA's financial and programmatic monitoring policies, procedures, and plans are not comprehensive. As a result, FEMA cannot adequately ensure that federal grant funds are being used effectively and appropriately. FEMA is working to implement our recommendations, but has not had sufficient time to complete its actions.

Accounting System Weaknesses

DHS will face severe challenges in tracking its share of Recovery Act funds through its financial management systems. DHS does not have an integrated financial system that will accurately record the department's receipt, allocation, disbursement, and expenditures of Recovery Act money.

DHS has been working towards consolidation of key component financial systems since 2003 when the department began the eMerge2 project. This project ended in 2004 and failed to produce a consolidated system. Similar efforts were initiated in 2005 and 2007, but were postponed as DHS reassessed the projects' goals.

DHS components continue to use their legacy systems to record financial transactions and material weaknesses continue to be identified with those systems. The department made modest progress in remediating weaknesses during FY 2008 and remains committed to focusing on remediation efforts at the U.S. Coast Guard, FEMA, and Transportation Security Administration. Unfortunately, these efforts may not be enough to satisfy the immediate and detailed reporting requirements of the Recovery Act.

The department needs to develop alternative methods to track and report on the status and usage of the Recovery Act funds. The department is exploring alternatives to determine the most efficient ways to track data needed to comply with the reporting requirements of the Recovery Act.

Conclusion and Recommendation

We highlighted areas of concern from past OIG and GAO reports that may affect the department's capability to prudently expend, manage, and report on Recovery Act funds. Specifically, the department is limited by insufficient numbers of trained acquisition and grant oversight personnel. In addition, the department does not have integrated and fully reliable systems to manage the funds,

record expenditures, and generate accurate and timely reports. While past weaknesses do not automatically translate into future deficiencies, the unprecedented levels of transparency, accountability and timeliness, as prescribed by the Recovery Act, make it critical that the department's approach to spending and monitoring Recovery Act funds include establishing alternative practices as needed.

To address these concerns, we recommend that the department's Senior Accountable Officer, in coordination with the components' Senior Accountable Officers:

Develop and implement a plan of action to mitigate identified grant, contract, and financial management risks for Recovery Act funds, and document those risk mitigation strategies in the department's Recovery Plan.

The department has agreed that it will develop and implement a plan of action to mitigate the risks that it agrees are vulnerabilities to the planning, spending, and monitoring of Recovery Act funds.

Appendix A

Purpose, Scope, and Methodology

This report is a summary of previous DHS OIG and GAO reports published over the past two years addressing the efficacy of DHS' grant and contract management capabilities, as well as its financial management systems. Appendix B provides references to the reports used to compile this summary. The purpose of this summary report is to highlight the grants, acquisition, and financial management challenges the department may face as it spends Recovery Act funds. It also emphasizes the risks the department should address in its spending plans and the Agency Recovery Plan, due to Congress and the Office of Management and Budget, respectively.

This report also includes the open grants management, contract management, and financial management-related recommendations that the department should implement to successfully achieve Recovery Act goals. Appendix C provides a list of recommendations from DHS OIG audit reports discussed in this summary report. No additional audit work was performed in preparing this summary report and taken as a whole, this report does not meet generally accepted auditing standards.

Appendix B References

Published DHS OIG Reports:

Improvements Needed in Federal Emergency Management Agency Monitoring of Grantees, OIG-09-38, March 2009.

Independent Auditors' Report on DHS' FY 2008 Financial Statements, OIG-09-09, November 2008.

Government Accountability Office Reports:

Department of Homeland Security: Better Planning and Assessment Needed to Improve Outcomes for Complex Service Acquisitions, GAO-08-263, April, 2008.

Appendix C
Open Recommendations from Related OIG Reports

REPORT	RECOMMENDATION
DHS' Management of Automated Procurement Systems Needs Improvement (OIG-06-46, July 2006)	Ensure that procurement information is entered accurately into Federal Procurement Data System-Next Generation within three days of contract award so that the Office of the Chief Procurement Officer can discontinue the use of the ad hoc spreadsheets.
	Develop the required interconnection security agreements for DHS' contract-writing systems and have them signed by the appropriate Designated Approving Authorities.
	Develop an appropriate benefit-cost analysis prior to the selection of an enterprise-wide contract-writing system.
Acquisition Workforce Training and Qualifications (OIG-08-56, May 2008)	Develop policies, procedures, and practices to maintain and regularly reconcile an accurate, current, and reliable inventory of acquisition workforce personnel and their assignments that fully complies with government-wide requirements.
	Establish quality control policies, procedures and practices to ensure that the requisite data are entered into Acquisition Career Management Information System and agency officials have access to evidence that acquisition workforce personnel meet education, training and experience requirements.
	Revise DHS acquisition workforce related management directives to resolve inconsistencies and to reflect current federal training and qualifications requirements for acquisition workforce personnel.
Improvements Needed in Federal Emergency Management Agency Monitoring of Grantees (OIG-09-38, March 2009)	For all grant management and oversight personnel, conduct the analyses mandated in the <i>Post-Katrina Emergency Management Reform Act of 2006</i> and develop a plan of action with milestones for resolving identified human capital issues.
	Develop comprehensive grant management and monitoring policies and procedures, including details on conducting financial and programmatic monitoring activities, the number and frequency of site visits, and the need to adequately document the results.

* The asterisk denotes recommendations that the department or component has not agreed to implement.

Appendix C
Open Recommendations from Related OIG Reports

REPORT	RECOMMENDATION
	<p>* Immediately stop the practice of contractor personnel approving Staffing for Adequate Fire and Emergency Response grant payments and making program decisions resulting from quarterly performance report evaluations.</p>
	<p>* Establish and implement monitoring procedures to ensure that approval and program decision-making activities are performed by FEMA employees, and clarify the roles and responsibilities of Staffing for Adequate Fire and Emergency Response grant support contractors, limiting the contractors to developing options or implementing courses of action, but not making decisions on the courses of action.</p>

* The asterisk denotes recommendations that the department or component has not agreed to implement.

Appendix D
Major Contributors to this Report

Sondra McCauley, Chief, Audit Planning, Execution, and Review
Andrea Rambow, Desk Officer
Barry Cleveland, Program Analyst
Carolyn Floyd, Auditor

Appendix E
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