

DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General

U.S. Customs and Border Protection's Management of 2005 Gulf Coast Hurricanes Mission Assignment Funding



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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 addresses the strengths and weaknesses of the United States Customs and Border Protection's (CBP's) management of mission assignment funding from the Federal Emergency Management Agency (FEMA). It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

We contracted with the independent public accounting firm of Regis & Associates, PC to perform the review. The contract required that Regis & Associates, PC perform its review according to guidance from the Office of Management and Budget and the Government Accountability Office. Regis & Associates, PC identified five areas where CBP's management of the mission assignments and funds could be improved. Specifically, CBP needs to: (1) improve its preparedness for future responses, (2) improve its disaster response procurement and contract monitoring processes, (3) develop and implement disaster field command location policies and procedures that enhance property accountability, (4) provide FEMA complete documentation to support reimbursable expenditures, and (5) improve its mission assignment reimbursement billing processes. Regis & Associates, PC, is responsible for the attached independent accountants' report and the conclusions expressed therein.

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 black ink, appearing to read "Richard L. Skinner".

Richard L. Skinner
Inspector General

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Abbreviations:

CBP	U.S. Customs and Border Protection
DHS	U.S. Department of Homeland Security
FEMA	Federal Emergency Management Agency
GAO	Government Accountability Office
MRE	Meal Ready-to-Eat
OIG	Office of Inspector General
OMB	Office of Management and Budget

Independent Accountants' Report on Applying Agreed Upon Procedures

Office of Inspector General
U.S. Department of Homeland Security
Washington, D.C.

We have performed certain agreed-upon procedures (the Procedures), as summarized in the Objectives, Scope, and Methodology section of this report, related to mission assignment funding to the U.S. Customs and Border Protection (CBP). These funds were allocated to CBP by the Federal Emergency Management Agency (FEMA) for the 2005 Gulf Coast Hurricanes. This engagement consisted of reviewing selected management activities for the 11 mission assignments to CBP for Hurricanes Katrina (August 28-29, 2005), Rita (September 24, 2005), and Wilma (October 24, 2005) issued through March 31, 2006.

The Procedures, which were agreed to by the Department of Homeland Security Office of Inspector General, Office of Emergency Management Oversight, were performed to examine the expenditures made in executing the mission assignments, and to evaluate the management of the mission assignment process from origination to closeout.

This agreed-upon procedures engagement was performed according to standards established by the American Institute of Certified Public Accountants and guidance from the Office of Management and Budget and the Government Accountability Office. The sufficiency of the Procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations regarding the sufficiency of the Procedures, either for the purpose for which this report has been requested, or for any other purpose. Our test procedures revealed internal control weakness in five areas. These findings and the associated recommendations are presented in the Results of Review section of this report.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Department of Homeland Security Office of Inspector General, Office of Emergency Management Oversight, and should not be used by those who have not agreed to the Procedures and taken responsibility for the sufficiency of the Procedures for their purposes.

Regis & Associates, PC

Executive Summary

Regis & Associates, PC, under contract with the U.S. Department of Homeland Security Office of Inspector General, reviewed the U.S. Customs and Border Protection's management processes and internal controls for implementing Federal Emergency Management Agency (FEMA)-issued mission assignments related to the 2005 Gulf Coast Hurricanes disaster relief efforts. FEMA is authorized to task other federal agencies, including components within Homeland Security, with needed expertise to carry out specific disaster relief activities. Our objective was to determine whether Customs and Border Protection had properly designed and implemented management processes and internal controls over the funds it received for the specific mission assignments.

Customs and Border Protection was not prepared to efficiently respond to disasters and the related financial management responsibilities were not performed as well as expected. Our review of its financial controls and tests of transactions revealed material weaknesses that undermined confidence that all costs incurred were applicable, necessary, and supportable.

Customs and Border Protection had not preestablished the contracts needed to support its disaster relief efforts. As a result, it used its alternative procurement authority to contract for goods and services as soon as disaster field command location personnel identified needs. Customs and Border Protection did not have effective procedures for assuring that purchased goods and services had been delivered and performed, or provide documentation that services were rendered or goods delivered for 56 transactions totaling about \$3.2 million.

Customs and Border Protection also had not prepared to provide the Federal Emergency Management Agency with the level of detail required for reimbursement for mission assignment activities. Although its initial submissions were inadequate and rejected by the Federal Emergency Management Agency, Customs and Border Protection ultimately demonstrated its capacity to provide this data after the end of our fieldwork. As of the end of November 2006, which was the end of our fieldwork, it had not done so.

Cumulatively, we questioned approximately \$5 million of the \$17.7 million that Customs and Border Protection had billed as of March 31, 2006. This included \$2.3 million for the cost of property reimbursed by but not yet returned; \$2 million for unsupported expenditures; and \$0.6 million for expenditures that did not comply with the scope or duration of mission assignment terms.

Customs and Border Protection should have been better prepared because of its designation as a key part of the Emergency Support Function for public safety and security for incident management activities. To its credit, after its 2005 hurricane response, Customs and Border Protection analyzed its business processes for disaster response and identified numerous operational and administrative problems along with proposed enhancements.

Background

The *Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act)*, signed into law on November 23, 1988, is the statutory authority for most federal disaster response activities, especially as they pertain to the Federal Emergency Management Agency (FEMA) and FEMA programs. To make federal assistance under the *Stafford Act* available, states must initiate a request for an emergency or major disaster declaration that is reviewed by FEMA for approval of the President. The *Stafford Act* permits FEMA to anticipate declarations, and pre-stage federal personnel and resources when a disaster that threatens human health and safety is imminent, but not yet declared. FEMA cannot provide federal assistance until an emergency or major disaster declaration is made.

The *Homeland Security Act of 2002 (Homeland Security Act)* created the United States Department of Homeland Security (DHS) and realigned FEMA, previously an independent agency, as part of DHS within the Emergency Preparedness and Response Directorate. In addition, the *Homeland Security Act* and other Presidential directives established a new, unified, all-hazards framework and plan for future responses to terrorism, natural disasters, special events, and emergencies. This plan, referred to as the *National Response Plan*, last updated May 25, 2006, establishes a comprehensive all-hazards approach to enhance the ability of the United States to manage domestic incidents. The *National Response Plan* incorporates best practices and procedures from incident management disciplines such as emergency management, law enforcement, firefighting, public works, public health, responder and recovery worker health and safety, and emergency medical assistance, and integrates them into a unified structure. It forms the basis of how the federal government coordinates with state, local, and tribal governments and the private sector during incidents, and establishes lead agencies for many different aspects of possible disaster response.

One of the designated entities in the *National Response Plan* is the United States Customs and Border Protection (CBP), an entity within DHS in which the former responsibilities of the United States Customs Service, the United States Border Patrol, and the inspectional functions of the United States Immigration and Naturalization Service and the United States Department of Agriculture's Animal and Plant Health Inspection Service are now housed. Under the *National Response Plan*, CBP has a role in situations where state and local government resources are overwhelmed or are inadequate or in pre-incident or post-incident situations that require protective solutions or capabilities unique to the Federal Government. FEMA is authorized to issue mission assignments that task other federal entities to perform specified services beyond their usual authorities and resources. CBP became an integral provider of life support and first aid to Gulf Coast residents affected by the hurricanes, and also partnered with FEMA to deliver food and medical supplies. In addition, CBP used its aircraft to shuttle rescue workers, doctors, and FEMA authorities to the affected areas, provided aerial views of the extensive damage on the ground, and served as the primary air traffic control agent.

On August 29, 2005, Hurricane Katrina devastated the Gulf Coast states of Florida, Alabama, Mississippi, and Louisiana with Category Three winds and torrential rains. By September 9, 2005,

Congress passed legislation that provided over \$63 billion to DHS for disaster relief. In the aftermath of the Gulf Coast Hurricanes, FEMA issued mission assignments to CBP to conduct search and rescue activities and to provide law enforcement and air support during hurricane relief efforts. As of March 31, 2006, FEMA had assigned CBP 11 mission assignments with authority to incur costs up to \$45.8 million. Under the provisions of the *Stafford Act*, CBP is authorized to seek reimbursement from FEMA for eligible costs incurred during the performance of assigned missions. As of March 31, 2006, CBP had requested \$17.7 million from FEMA as reimbursement for costs incurred under mission assignments. CBP had determined that \$19.4 million of the \$45.8 million was not needed, and was in the process of determining how much of the remaining \$8.7 million that was obligated would actually be spent.

Results of Review

This section presents the results of our assessment of CBP's internal control environment used to administer mission assigned tasks and funding, and our tests to evaluate mission assignment procurements, expenditures, and supporting documentation for reimbursement billings.

Our results are presented sequentially, as CBP would have progressed in its planning and administration of the 11 mission assignments, starting with organizing the effort and ending with steps for obtaining reimbursement for costs incurred on FEMA's behalf. In addition to interviewing cognizant CBP management staff, we conducted extensive testing of transactions to assess initial preparedness to implement the mission assignments; financial management system support available and used; conformity of outlays with the mission assignment; controls over receipt, acceptance, and payments for goods and services procured; asset accountability; and validity and support for reimbursement claims to FEMA.

The basis for our test work was a detailed list of all mission assignment obligation, expenditure, and reimbursement billing transaction activity through our March 31, 2006 engagement cutoff date. For each aspect of our testing, we selected transactions that would allow us to cover a large percentage of the dollars involved. Because our work was based on a combination of high-dollar and judgmental sampling, the results are not statistically representative. However, due to high-dollar coverage obtained and the types of internal control issues discussed throughout this report, we believe that our test results reflect management challenges CBP faced. Appendix A includes additional details on our objectives, scope, and methodology.

A. CBP Needs to Improve Preparedness for Future Responses

While CBP performed successfully as a DHS public safety and security responder, the procurement, logistics, and financial management procedures used to support these operations were implemented spontaneously. CBP acknowledged that in almost all cases, it had not yet started to develop the needed standard operating procedures or those procedures were still under development when the 2005 Gulf Coast Hurricane disaster response was required.

As a designated *National Response Plan* public safety and security responder, it was incumbent on CBP to have developed the procedures for providing law enforcement, aerial support, and search and rescue services during incidents of national significance. Therefore, CBP should have had fully considered plans for the support of various scenarios including defined levels of personnel, equipment, and support demands for different scopes of response that may be required. Without the requisite planning, it faced this challenge without having an established logistics support model, any pre-positioned assets, or established supply channels.

Due to the extent of damage to property, communication networks, and transportation systems resulting from the 2005 Gulf Coast Hurricanes and its debilitating effect on local law enforcement,

FEMA requested CBP to supply search and rescue, law enforcement, and aerial support and reconnaissance to Florida, Louisiana, Mississippi, and Texas. This assistance was requested through 11 mission assignments with a collective performance period of August 2005 through February 2006. Prior to these requests, CBP's only prior assistance relationship with FEMA had been to provide aerial support and reconnaissance through its Air and Marine Division.

The large volume of personnel (including 400 law enforcement officers and 75 support personnel at its peak) deployed to meet the search and rescue and law enforcement requests represented a rapid buildup of a full range of life sustaining support activities including meals, clothing, and shelter, as well as communication and transportation. Absent a developed plan, CBP established impromptu processes to meet its disaster response field support needs. These impromptu processes included:

- A methodology for developing field support requirements;
- A system of communicating requirements and acquisitions between disaster field command locations¹ and its procurement officials;
- Modified acquisition procedures that incorporated DHS-authorized increases to the micropurchase and simplified acquisition thresholds², alternative acquisition regulations within Federal Acquisition Regulations³, and expanded use of its purchase card processes; and
- Disaster field command location property management.

During CBP's operational success with search and rescue and law enforcement efforts, material weaknesses and reportable conditions existed in the procurement, logistics, and financial management procedures and internal controls associated with its mission assignment execution. These are discussed in the following sections of this report.

In its after-action reports, CBP recognized that it had serious administrative problems, and assigned personnel to identify issues and weaknesses and propose business process changes.

¹ Other federal agencies carrying out mission assignment tasks usually establish a field or site office from which to oversee or administer operations. This office is entirely independent of the Joint Field Office established by FEMA for overall operations and command of the disaster. Most agencies use the standard operating procedures and policies already in place for their permanent field or regional locations to provide the control structure for temporary site locations as well.

² On September 7, 2005, DHS authorized increases of the micropurchase threshold to \$15,000, the Simplified Acquisition Threshold to \$250,000, and the test program for commercial items threshold to \$10,000,000.

³ Justification for 'Other than Full and Open Competition' under Federal Acquisition Regulations 6.302-2, Unusual and Compelling Urgency, permits contracting without providing for full and open competition when the agency's need for supplies or services is of such an unusual and compelling urgency that the Government would be seriously injured unless the agency is permitted to limit the number of sources from which it solicits bids or proposals. Federal Acquisition Regulations Part 2.101, ...definition of 'Best Value' and Part 15.101, 'Best Value Continuum and the Tradeoff Limitation' allows an agency to obtain best value in negotiated acquisitions by using any one or a combination of source selection approaches. This process permits tradeoffs among cost or price and non-cost factors, and allows the Government to accept other than the lowest priced proposal.

The cumulative results of these efforts were two after-action reports that acknowledged the following issues with recommended follow-up actions.

To address its preparedness and incident management:

- Establish a dedicated headquarters-level incident management task force;
- Develop a CBP Directive that establishes clear roles and responsibilities for incident management/operations coordination; and
- Identify locations to pre-stage assets and establish contracts with supply and equipment vendors in regions predisposed to natural disasters to ensure an expeditious CBP response.

To address its shortfall of trained personnel:

- Pre-designate and train personnel that will form command and response teams;
- Establish a selection and training program that sets training and knowledge standards for personnel who will fill critical positions during incident response; and
- Encourage and support CBP field office and regional participation in local exercises.

To address post-incident communication:

- Establish a national web-based database that provides real time access to critical information and incident reports;
- Ensure one unified CBP voice when communicating with DHS and/or any external entities; and
- Immediately move to establish a national, post-incident, personnel reporting/accountability process.

RECOMMENDATION

We recommend that CBP:

- **Recommendation #1:** Implement its after-action report recommendations in the areas of preparedness and incident management, personnel and training, and post-incident communication.

B. Disaster Response Procurement and Contract Monitoring Processes Need Improvement

In the absence of disaster field command location standard operating procedures to support CBP's 2005 Gulf Coast Hurricane disaster response deployment, impromptu requirements development, validation, and procurement procedures were established. These led to internal control weaknesses that resulted in procurement of goods and services outside the scope of work for one mission

assignment and purchases after the expiration of the specified performance period of another mission assignment.

The use of its purchase card system for expediting vendor payments and delivery of goods and services resulted in miscoding that had property management accountability implications and markedly increased the level of effort required to provide supporting documentation.

1. CBP Needs to Ensure Procurements Are Consistent with Mission Assignment Terms

We identified internal control weaknesses that contributed to the acquisition of goods and services that were inconsistent with the mission assignment statements of work and that were ordered after the performance period expired. While these costs may have contributed to accomplishing the mission assignment goals, it is not clear from the available documentation whether and to what extent that was the case.

In the absence of developed plans, on-site logistics officers developed disaster field site operational needs and forwarded them to CBP's headquarters logistics cell. These requirements included mission assignment response requirements as well as CBP's own requirements for assessing damage to its local facilities and returning them to an operational state. These cumulative requirements, along with the funding sources to be charged, were then validated and procured either locally or through its headquarters procurement office after completing its local versus central buy determination process. CBP procurement officials said that the headquarters procurement staff did not have the terms of all mission assignments and thus were not always able to validate whether the assigned funding sources for each requirement were accurate.

The Financial Management Support Annex of the *National Response Plan* refers to the general requirement that agencies implement effective internal controls and financial practices in administering mission assignment funds. Inherent in these would be a key budgetary requirement that funds be used only for the specified purpose and that they are only available for use during the specified timeframe.

Our tests of transactions identified two mission assignments for which incurred costs appeared to have been either outside the scope of work or after the period for which funds were available. In one example, a mission assignment provided \$7.5 million for CBP to deploy up to 240 officers to the Louisiana Superdome to assist in crowd/riot control during evacuation of the Superdome from August 31, 2005 through September 30, 2005. The mission assignment's performance period was later extended through December 31, 2005 for administrative purposes. In support of these officers, the mission assignment allowed CBP to provide such items as water, Meals Ready-to-Eat (MREs), temporary support packs, and other equipment distributed to officers.

We reviewed ten procurement actions related to this mission assignment. Four of the procurements appear to be for data processing and telecommunication goods and services that are not consistent with allowable support expenditures.

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- One procurement action of \$400,100 that had been fully expended as of March 31, 2006 to buy 155 desktop and 30 laptop computers using a delivery order with a data processing vendor.
 - Three procurement actions totaling \$2,750,905 under which \$399,095 was expended as of March 31, 2006 for office computer networking services from a personal services vendor.

To obtain additional perspective on the above four procurements, we requested evidence of the networking services to assess whether the related expenditures may have been within the scope of a different mission assignment. In response, CBP provided us a summary vendor invoice and a copy of the receiving record that was the basis for paying the vendor. However, that documentation did not provide details on the location or timing of service delivery. Without this information, we were not able to confirm that these orders and expenditures related to a FEMA mission assignment.

Another mission assignment provided \$8 million to deploy up to 260 officers to Louisiana for law enforcement tasks from August 31, 2005 through December 31, 2005. We reviewed 31 procurement actions related to this mission assignment. Three involved orders for goods and services placed after the mission assignment performance period had expired totaling \$292,724.

- One procurement action of \$65,951, which had been fully expended as of March 31, 2006 to acquire a 30-ton, trailer-mounted air conditioning unit was ordered on January 10, 2006.
- Two procurement actions totaling \$226,773, which had been fully expended as of March 31, 2006 to acquire rental trailers and other miscellaneous supplies ordered on January 11, 2006.

RECOMMENDATIONS

We recommend that CBP:

- **Recommendation #2:** Require that the procurement office confirm that each requisition is consistent with the purpose and performance period of the mission assignment to which the purchase is to be charged.
- **Recommendation #3:** Process a billing adjustment for the unallowable and unsupported expenditures identified as inconsistent with the mission assignment purpose and performance periods.

2. **Initial Reliance on the Purchase Card System to Expedite Vendor Payments Resulted in Internal Control Weaknesses**

CBP used purchase cards to buy \$3.4 million of goods and services through March 31, 2006 some of which were in high demand. Using the cards allowed paying vendors quickly to guarantee short-

term delivery during the start-up response period. While heavy reliance on purchase cards allowed expedient payments, there were some tradeoffs that included circumventing designed purchase approvals for equipment purchases and, as explained later, major inefficiencies in obtaining supporting documentation for purchase card expenditures recorded in the general ledger.

CBP's purchase card payment system requires identifying the necessary accounting classification information to allow processing of transactions in the financial management system. Part of the accounting classification is the budget object code for each purchase transaction. There is an additional control for budget object codes used to identify proposed equipment purchases that meet DHS' capitalized equipment criteria. For those transactions, the purchase card system requires approval by CBP's Asset Management Division. The stated purpose of this control is to ensure that it is a valid requirement and that it has the correct budget object code. Because of CBP's financial management system integration, correct coding will ensure that the item is recorded as a capitalized asset in its property management system. This, in turn, would enhance asset accountability and improve the accuracy of capital equipment costs recorded in CBP's financial statements.

Of the 30 purchase card transactions we selected for our contract evaluation test procedures, CBP had assigned an equipment budget object code to 6. Three of these equipment acquisitions totaling \$226,251 meet DHS' \$50,000 capitalization criteria and should have been coded to a capitalized budget object code and been approved by CBP's Asset Management Division prior to the purchase. As noted above, this would have allowed these three transactions to be routinely recorded in the property management system. However, to expedite these purchases, these three listed below were coded as budget object code 311G, Equipment Inventories – Other Vehicles (noncapitalized), which is used to account for a specific category of consumable property.

- Forklift at a cost of \$82,520
- 550 kilowatt generator at a cost of \$77,780
- 30 ton trailer mounted air conditioning unit at a cost of \$65,951

CBP's Asset Management Division approval process was circumvented by miscoding these capital assets as consumable equipment inventory, and we confirmed that they were not recorded in CBP's property management system.

RECOMMENDATION

We recommend that CBP:

- **Recommendation #4:** Implement controls to ensure adherence to the existing policies for recording budget object codes. For capitalized equipment purchases, ensure that a sufficient number of CBP property management officers with approval authority and access to procurement systems are available to approve these types of payments timely.

3. Traceability of Purchase Card Transactions Recorded in the General Ledger Needs Improvement

The use of purchase cards in compliance with applicable regulations can create efficiencies during mission assignment implementation; however, its extensive use can also result in challenges in verifying the adequacy of supporting documentation. Under the standard procurement model, which contemplates contracts in place and payment through CBP's financial management system, contracts, obligations and vendor payments are referenced in the general ledger so as to allow the vendor payment to be easily traced back to the originating procurement as conceptually required by Office of Management and Budget (OMB) Circular A-127, "Financial Management Systems."⁴ However, for purchase card activity, when transactions are transferred to the general ledger, the reference number used with the transaction in the purchase card system is modified in such a way so that the traceability between the original and modified reference numbers is obscured. The resulting reference number only allows a user to identify a group of purchase card transactions. Manual research is then needed to determine which item in the group is the originating transaction for the selected general ledger transaction.

Normally, purchase cards are used to pay for only a very small percentage of an agency's incurred expenditures. During CBP's 2005 Gulf Coast Hurricane response, purchase cards were used to pay for \$3.4 million of expenditures representing 19% of total mission assignment expenditures incurred through March 31, 2006. As a result, 30 of our 45 tested procurement actions and 33 of our 163 tested expenditures represented purchase card payments for which the described manual research had to be performed to locate supporting documents. To the extent that CBP continues to rely heavily on purchase cards for disaster response incidents, the increased level of effort required to produce FEMA's required reimbursement billing supporting documentation will continue.

RECOMMENDATION

We recommend that CBP:

- **Recommendation #5:** Review the current relationship between the purchase card system and the general ledger to eliminate or minimize the current level of manual effort required to match paid expenditures recorded in the general ledger with applicable procurement approvals and supporting documentation.

⁴ OMB Circular A-127, "Financial Management Systems" requires that "Financial management systems shall be designed to provide for effective and efficient interrelationships between software, hardware, personnel, procedures, controls, and data contained within the systems."

4. Excess Costs Were Incurred as a Result of CBP's Procurement Strategy

CBP management acknowledged that they paid more to meet requirements on an emergency basis during its initial support of deployed officers, because they had not completed sufficient planning work including establishing contracts with suppliers for the type of items likely to be needed. Procurement using the modified acquisition regulations and paid for with purchase cards was addressed in detail by a U.S. Government Accountability Office (GAO) report⁵ that noted the many advantages of advance planning and avoiding the effects of possible spikes in demand and the resulting cost penalties. That report pointed out that through additional planning, including advance contracting initiatives, CBP could have been aware of already established General Services Administration contracts as well as current inventory levels of other federal agencies who routinely buy items likely to be needed for a disaster response initiative such as MREs.

We selected transactions related to purchase of MREs for review because of their high-dollar value, and performed tests to validate the accuracy of expenditures and compliance with applicable Federal Acquisition Regulations. We did not perform any audit work regarding the reasonableness of the requirements or how they went about buying those items, because the GAO had already reported on this matter. GAO said that the Department of Defense's Defense Logistics Agency had sufficient MRE inventory on hand to meet interim CBP needs at that time. The report also noted that CBP may have paid about \$100,000 more for the packaged meals it purchased because it did not leverage the pre-existing GSA contracts. Further, it noted that MREs could have been purchased in increments, versus all at once, to reduce the risk of excessive buys, which is what happened in this case. Specifically, the envisioned demand for MREs did not materialize because the CBP employees who had been sent to the Gulf Region were pulled out earlier than anticipated.

That report also identified avoidable ancillary costs. Related to the purchase of the above mentioned MREs, GAO pointed out that CBP wanted to pay for these items with a purchase card, but because the vendor did not want to absorb the purchase card fees, CBP paid using convenience checks, which add a 1.75% fee, which in this case increased the acquisition cost by about \$8,000.

Our test of expenditures to assess validity and accuracy included seven MRE expenditures totaling \$599,611. We concluded that the nature of these expenditures was consistent with the mission assignment; however, the absence of documentation verifying receipt at field command locations prevented us from assessing the validity of payments to vendors. This weakness in field command location property accountability is addressed in detail later in this report.

⁵ GAO-06-957T, "Purchase Cards; Control Weaknesses Leave DHS Highly Vulnerable to Fraudulent, Improper, and Abusive Activity," released July 19, 2006.

5. CBP Needs to Ensure Expenditures Charged to Mission Assignments Have Supporting Documentation

We were not able to perform contract evaluation procedures for \$640,492 of mission assignment expenditures selected as part of our contract evaluation because CBP did not provide us with the needed information.

As noted above, we tested 45 procurement actions to evaluate whether they were proper. For one of these, in the amount of \$641,799, CBP's financial management system did not include obligation or contract information. CBP determined that this procurement was composed of six summary transactions of \$640,492 to transfer expenditures paid for with its own appropriated funding to a mission assignment in order to be reimbursed, and that the remaining \$1,307 was for mission assignment travel expenditures. Travel expenditures were not included in the scope of our contract evaluation procedures. We requested the detailed transactions comprising the six items to assess whether these costs were subject to our contract evaluation test procedures. CBP provided a copy of the forms used to document the processing of the summary transactions for transferring these costs to a mission assignment, but it did not include any supporting documentation required to substantiate the original payments. As a result, we had no basis for assessing whether the transfer was valid or the contracting used to procure the transactions was appropriate.

RECOMMENDATION

We recommend that CBP:

- **Recommendation #6:** Implement procedures to ensure that expenditures transferred from other funding sources to a mission assignment for reimbursement include the necessary supporting documentation to ensure that the costs are valid and that transfer to the applicable mission assignment is correct.

C. Disaster Field Command Location Policies and Procedures Need to be Developed and Implemented to Enable Accountability for Disaster Property

The lack of disaster field command location property management procedures and the assignment of untrained and inexperienced personnel resulted in weak controls over property acquired and issued for use during the disaster response. We identified four other factors that significantly inhibited CBP's ability to account for acquired mission assignment property.

- Budget object code errors in coding of both capital and accountable property acquisitions during the procurement process.
- Absence of documentation regarding receipt of property items at field command locations.

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- Lack of accountable property tracking systems at field command locations.
 - Allowing acquired disaster property to be retained by its own local field offices.

1. Property Management Procedures and Trained Personnel Are Needed

As a part of its logistical assessment during the buildup of life sustaining support activities for deployed officers, a team of individuals was assigned disaster field command location property management responsibilities. However, as indicated above, the assignment of untrained and inexperienced property management personnel resulted in weak controls over property acquired and issued for use during the disaster response.

The designated field command location property management team developed manual procedures for documenting receipt, storage, issuance, and consumption of property. These procedures included:

- Telephone communications between the headquarters procurement office and field command locations on pending shipments and received property,
- Property receipt and the storage of related supporting documentation,
- Performing periodic assessments of consumable property inventory levels,
- Manually maintaining a spreadsheet to track received and issued property, and
- Transmitting the manually maintained property tracking spreadsheet to CBP's headquarters for entry into CBP's property management system.

CBP said that the procedures developed and implemented by its property management team were verbally communicated to field participants but were not documented due to the nature of the operating environment. Personnel assigned property management responsibilities had not received prior training.

CBP's financial management system includes integrated acquisition, receiving, and accountability functionality for items purchased using its standard procurement, and automated disbursement vendor payment; this is not the case for items procured through the use of a purchase card. The impact of these functions not being integrated when using a purchase card is largely mitigated during normal operations by the individual \$2,500 micropurchase threshold and purchase card transaction limits. However, CBP's use of purchase cards as its primary vendor payment method during its initial response increased acquisition thresholds and the implementation of emergency acquisition procedures presented CBP with a large volume of acquisitions that required alternative property management procedures.

The disaster field property management requirements for CBP are consistent with the nature of the work expected for other FEMA mission assignment disaster response partners. FEMA has documented policies and procedures that address property acquisitions, storage, field issuance, personal accountability, and disposal. Therefore, CBP would not necessarily need to develop its

own. CBP could adapt the FEMA policy to its own circumstances and variables, as appropriate. Having defined and practical ready-to-implement property management is an important part of having an acceptable plan and approval for administering its disaster response role.

CBP also could take advantage of FEMA's existing training model for Accountable Property Officers. As with the policy guidance, training approaches, extent, and content could be geared to CBP's expectations regarding the frequency and intensity of its anticipated involvement.

RECOMMENDATIONS

We recommend that CBP:

- **Recommendation #7:** Develop and implement standard operating procedures for disaster field command location property management that address all aspects of property management, from the development of valid acquisition requirements, through receipt, tracking, and disposition. These procedures should effectively address the FEMA property management standard.
- **Recommendation #8:** Identify individuals who will have property management responsibilities as their primary responsibilities (i.e., Accountable Property Officers) when disaster field command locations are established, as well as individuals who will be performing property management tasks as a collateral responsibility.
- **Recommendation #9:** Train Accountable Property Officers and all support personnel with assigned disaster field command location property management responsibilities.
- **Recommendation #10:** Establish the requirement for trained Accountable Property Officers and support personnel to be deployed and onsite during the initial set-up of both pre-deployment staging areas and disaster field sites.

2. **Improvements Are Needed in Management Controls to Address Accountability for Property**

FEMA's "Personal Property Management Program" manual⁶ documents the procedures and internal controls needed to successfully ensure accountability for property during disaster responses. As documented, disaster field command location receiving processes should include:

⁶ FEMA Manual 6150.1, "Personal Property Management Program"

- The receiving location receiving advance notice of ordered goods and their anticipated arrival date;
- The status and quantity of received goods being verified at the time of receipt by individuals with receiving responsibilities;
- Evidence of the received property's status and quantity forwarded to the office responsible for vendor payment; and
- Ensuring received property is recorded in an asset tracking system that enables the field command location to continually track the property location; who, if anyone, the property is currently assigned to; and its serviceability.

The implementation of these processes provides an organization the internal controls that help ensure recording of the type and quantity of procured goods received by the field command location, vendor payment is valid, that they maintain accountability over property, and that property meeting DHS' capitalization criteria is completely and accurately presented in the organization's financial management system.

Our tests of supporting documentation for 65 equipment expenditure selections showed that miscoding of procurements was a widespread problem. In addition to the three equipment purchases previously identified as meeting DHS' capitalization criteria but recorded as consumable property, 51 other expenditure transactions were coded incorrectly. Forty-six of the 51 additional miscoded transactions were telephone and radio property items for a total of \$1.4 million that were coded as Other Equipment instead of Telecommunications Equipment. Miscoding of this nature reduces the usefulness of property availability reports, which reduces management's ability to meet property requirements with available property. It also creates the possibility of additional unnecessary purchases because of erroneously recorded low levels of needed property.

At that time, CBP told us it was documenting the receipt of property in spreadsheets that were forwarded to its headquarters office for recording in its property management system. These procedures were designed to provide the basis for confirming that the type and quantity of procured goods have been received by the field command location, provide information for vendor payment validation, and enhance the accuracy of information contained in its property management system. Our tests showed that the property management system contained evidence of receipt for only 107 of the 163 selected expenditure transactions. The acquisition cost for the 56 transactions for which evidence of receipt was not available totaled \$3,248,031 and are classified as follows:

# Exceptions	Expense Category	Amount
33	Rent, Supplies and Miscellaneous	\$ 1,922,548
12	Equipment	586,899
4	Other Contractual Services	502,272
7	Travel and Transportation	236,312
56	TOTALS	\$ 3,248,031

In the absence of receiving evidence from either the property management system or as field command location prepared spreadsheets, we could not confirm (1) the type and quantity of procured goods received by the field command location, (2) whether the vendor payments for these items were valid, or (3) whether the resulting records in CBP's property management system are accurately presented due to previously addressed miscoding errors.

We also determined that 27 of the 65 equipment expenditures selected for testing, acquired at a cost of \$1,539,211, met DHS' criteria as being accountable property, but had not been recorded in CBP's asset tracking system. All of these 27 items were assets that should have been recorded as either capitalized assets or accountable property within CBP's property management system until they were no longer useful and processed for disposal.

Property acquired by CBP to conduct mission assignments is subject to the requirements of FEMA Manual 6150.1, "FEMA Personal Property Management Program" and DHS Management Directive 1120, "Capitalization and Inventory of Personal Property." Collectively, this guidance requires accounting for accountable property with an original acquisition cost of \$15,000 or more, that by its nature is not expendable or consumable,⁷ and the capitalization of property with acquisition costs equal to or exceeding \$50,000.

These guidelines require that all accountable and capitalized property acquired with mission assignment funding to be tracked from its acquisition and use during an agency's disaster field response through either its transfer to FEMA or its disposition. In response to our request for evidence of its disaster field command location tracking of accountable property, CBP property management personnel said that it tracked only vehicles received and used. We determined that these vehicles were not funded by mission assignments and were therefore not within the scope of our review. Field command location tracking procedures were not performed for accountable property funded by mission assignments such as generators, radios, and telephones. It is important to maintain information on the current status of property items for several reasons: to know the quantity available, where it is located, whether it has been issued, and if so, who has responsibility for its use and possible loss.

We also identified acquired and reimbursed accountable property items that were not returned to FEMA at the conclusion of mission assignments as required by its "Mission Assignment Billing and Reimbursement Checklist."⁸ Within this checklist, FEMA establishes the requirement for an agency

⁷ Accountable property also includes sensitive and serialized property items. DHS defines sensitive property as accountable property (regardless of original acquisition cost), that is highly susceptible to misuse, loss, or theft, such as pagers, cellular telephones, electronic test equipment, personal computers, thumb drives, or any other storage device that may contain proprietary government information and will be individually accounted for and controlled through the agency's property management system. Serialized equipment includes equipment with a manufacturer's serial number such as mechanical tools and miscellaneous data processing hardware that is not classified as sensitive property.

⁸ Requirements established by FEMA for supporting documentation and reimbursement transactions on their website (<http://www.fema.gov/government/billinst.shtm>) as referred to in the Financial Management Support Annex of the *National Response Plan* (page FIN-5).

to meet one of the following conditions to justify the reimbursement of accountable property expenditures:

- Return the acquired property;
- Provide an account of the property's disposition during its disaster response; or
- Obtain FEMA authorization to retain the property.

Of the \$2,417,701 of selected equipment expenditures, \$2,286,091 met DHS' accountable property classification criteria and was included in CBP's reimbursement requests. In response to our request for CBP to provide the current location of this accountable property still on hand or records of its disposition, CBP said that it could locate only acquired telephone equipment and that this property was still being used by its local field office as of November 2006. For property items that could not be located, CBP property management personnel said that CBP has historically allowed acquired disaster property to be retained by its local field offices and that documentation is not created when retained.

RECOMMENDATIONS

As part of the previously recommended development of disaster field command location property management standard operating procedures, we recommend that CBP:

- **Recommendation #11:** Conduct periodic reconciliations among procurements, receiving documentation, the disaster field command location property tracking system, and a physical inventory at all field sites to ensure that procured goods were properly received by the field command location, vendor payments are supported, and all acquired property is accurately presented in the property management system.
- **Recommendation #12:** Forward acquired and reimbursed accountable property to FEMA, or process a billing adjustment for the identified accountable property amount of \$2,286,091.

D. CBP Needs to Ensure Complete and Readily Available Documentation for Supporting Expenditures

CBP did not have sufficient supporting documentation for about \$2 million of the \$18.2 million it had expended on the 11 mission assignments as of March 31, 2006. This is a significant weakness in accountability for federal funding and was a substantial portion of the \$5 million that we considered to be questionable costs incurred by CBP in carrying out the mission assignments. We identified the \$2 million of unsupported costs by testing 163 expenditure transactions totaling \$13.5 million, about 74% of total CBP outlays. Our Objectives, Scope, and Methodology in Appendix A provide the details on our sample selection.

We asked CBP to provide us the underlying purchase order, invoices, and acceptance and receipt documentation. We then analyzed the supporting documentation that CBP provided for each expenditure transaction to determine whether it was sufficient to confirm that each was a valid outlay. Based on this audit work, we concluded that 56 of the 163 transactions totaling about \$2 million were not fully supported. In addition to OMB standards for maintaining documentation in support of incurred expenditures, documentation evidencing all mission assignment expenditures is required by FEMA for reimbursement.

We present the results of our work below, classified according to the related budget object class. For each budget object class, we identify the number of transactions for which CBP did not provide sufficient documentation and the amounts involved, which we consider to be questionable costs. For the Personnel Compensation, Personnel Benefits, and Travel and Transportation budget object classes, we elaborate on the identified expenditure transaction support weaknesses due to the additional judgmental selection procedures performed.

1. ***Other Contractual Services*** – supporting documentation was either incomplete or not provided for 3 of the 17 other contractual services expenditure selections. Questioned costs totaled \$917,065.
 - ◆ For two items totaling \$822,101, no supporting documentation was provided.
 - ◆ For the remaining one item amounting to \$94,964, the vendor invoice identifying the summary amount payable for contract employee labor hours incurred was provided without the supporting details. Without the supporting employee timesheet or list of the employees, locations worked, and hours incurred, we were unable to validate the amount paid and determine whether the expenditure related to a FEMA mission assignment.

2. ***Rent, Supplies, and Miscellaneous*** – supporting documentation was not provided for 3 of the 34 rent, supplies, and miscellaneous expenditure selections. Questioned costs totaled \$252,849.
 - ◆ Supplies/materials purchased with purchase card, \$181,133
 - ◆ Aircraft jet fuel, \$50,000
 - ◆ Rental of space – GSA, \$21,716

3. ***Personnel Compensation*** – our review of personnel compensation, overtime, and related benefits (personnel compensation) expenditures included selection of high-dollar value transactions that resulted in our tests of 25 summary transactions totaling \$919,587. From the detailed transactions supporting each summary transaction, we judgmentally selected specific personnel compensation transactions from each budget object code represented in the details. The selected detailed transactions were reviewed for their accuracy and validity.

CBP's payroll system is integrated with its financial management system and allows tracking employee time charged to a specific job if the appropriate system codes are established and used. Job codes were not established to directly track time incurred by deployed CBP staff by

applicable mission assignment. CBP said that the rapid deployment of personnel, the lack of established communication channels to inform employees of the appropriate codes to be used and when, and a lack of familiarity with FEMA's reimbursement billing supporting documentation requirements were the cause for not doing this.

Instead, an alternate method of identifying mission assignment personnel compensation expenditures was developed. This method included the development and monthly execution of a custom data extraction program designed to identify payroll transactions that met specified selection criteria (i.e., job code, payroll type, pay period, etc.). The personnel compensation transactions identified during this extraction were used to create summary journal vouchers that transferred expenditures initially incurred using CBP appropriated funds to mission assignments for reimbursement. The summary journal vouchers were not reviewed by on-site supervisors to ensure their completeness and accuracy. CBP did not provide the criteria used by its personnel compensation data extraction program for our review in response to our request. As a result, we were not able to assess the effectiveness of the controls used to ensure that personnel compensation and benefits transferred to mission assignments for reimbursement were appropriate. The summary transactions resulting from this process were the personnel compensation transactions from which we selected high-dollar value transactions for our expenditure test procedures.

Of the 25 summary transactions selected for review, CBP provided us the supporting details for only five totaling \$279,869. In follow-up discussions regarding the lack of detailed supporting transactions for the remaining 20 selections totaling \$639,718, CBP said that it does not have an established policy requiring retention of the detailed data extracts used as supporting documentation for the monthly amount of reimbursable personnel compensation.

For one of the five personnel compensation summary transactions for which supporting transaction details were provided, we identified a variance of \$6,262 when reconciling the supporting detail transactions that totaled \$69,265 to the selection amount of \$63,003. In follow-up discussions regarding this variance, CBP said that the monthly determination of reimbursable personnel compensation expenditures includes an estimate of accrued personnel compensation at month-end. CBP did not provide us documentation on how the estimates were calculated. Because of the material costs associated with three possible month-end estimates in each quarterly billing to FEMA for reimbursement, it would seem reasonable to compare estimates used with actual costs as they become available and adjust future quarterly billings to reflect differences. Alternatively, CBP could defer billing based on estimates for payroll periods rolling forward into the next month to minimize the risk of overlapping or duplicate billings using both actual and estimated costs.

We also judgmentally selected 10 detailed transactions totaling \$6,923 for recalculation; one for each personnel compensation budget object codes represented in each of the provided detailed transaction files. We identified overpayments of \$409 or 5.9% in four of the ten selections.

The lack of documentation, and supporting documentation and recalculation variances resulted in net questioned personnel compensation expenditures totaling \$633,865.

4. ***Travel and Transportation*** – supporting documentation was not provided for 7 of the 22 travel and transportation expenditure selections. Each of the unsupported selections is a summary transaction transferring expenditures initially incurred with CBP appropriated funds to mission assignments for reimbursement. Questioned costs totaled \$236,313.
 - ◆ Five exceptions; Domestic Travel, \$233,435
 - ◆ Two exceptions; Training Travel, \$2,878

RECOMMENDATIONS

We recommend that CBP:

- **Recommendation #13:** Establish and require the use of job codes in its financial management system for each FEMA-issued mission assignment to allow employees to record time associated with each mission assignment;
- **Recommendation #14:** Communicate new and modified job codes for use with each mission assignment to employees and supervisors deployed to field command locations during disaster responses;
- **Recommendation #15:** Eliminate use of estimated personnel compensation from the reimbursement process; or if estimates continue to be used for billing purposes, adjust estimates for prior months to reflect actual costs; and
- **Recommendation #16:** Develop and implement standard operating procedures for the identification and transfer of expenditures to mission assignments for reimbursement that include:
 - ◆ The methodology used to identify reimbursable expenditures,
 - ◆ A requirement for either on-site supervisor approval of transferred amounts or a documented validation of transferred amounts using approved supporting documentation, and
 - ◆ A requirement to retain the detailed transactions supporting transferred amounts.

E. CBP Needs to Improve the Mission Assignment Reimbursement Billing Processes

CBP had not developed standard operating procedures for preparing mission assignment reimbursement billings and the staff assigned were not familiar with the requirements. CBP's initial

reimbursement billings provided the supporting documentation typically required when processing an interagency billing through the Intra-Governmental Payment and Collection System.⁹ Because FEMA's requirements are more extensive, we determined that CBP's initial supporting documentation packages were not adequate but it was making progress. Subsequent supporting documentation packages created by CBP to display its capability to meet FEMA's documentation expectations had not been provided to FEMA as of November 2006.

As the steward of the Disaster Relief Fund, FEMA has the authority to specify the supporting documentation requirements for all federal agencies providing support and requesting reimbursement from the Fund.¹⁰ Under the standard "Intragovernmental Business Rules,"¹¹ the ordering and performing agencies agree to the form and content of the performing agency's documented evidence of performance to be provided in support of Intra-Governmental Payment and Collection System transactions. Generally, the agreed-upon form and content includes the information necessary to identify the transaction, its associated interagency agreement, and the charges by budget subobject class. Due to the debilitating impact of disaster response activities on normal agency internal controls, FEMA augmented its supporting documentation requirements to address the increased risk of internal control weaknesses that often occur during the life-saving and life-sustaining rescue and support operations involved with disaster responses. In addition to information necessary to identify a transaction and the associated mission assignment, FEMA requires the following:

- Description of the goods received or services provided;
- Breakdown of hours incurred in support of personnel services;
- For indirect costs, the percentage applied and a description of the costs included in the cost pool;
- For contract services, the contract number, vendor name, total contract cost, and a description of its purpose;
- For property acquisitions:
 - A description of item, vendor name, and unit cost for all non-expendable or sensitive items greater than or equal to \$1,000, and
 - The return of all items described above or an agreement to waive this requirement;
- For property leased, a description of the item, vendor name, and unit cost;
- Identification of motor vehicle costs;
- Identification of costs subtasked to another agency; and

⁹ The Intra-Governmental Payment and Collection System's primary purpose is to provide a standardized interagency fund transfer mechanism for Federal Program Agencies. It facilitates the intragovernmental transfer of funds, with descriptive data from one agency to another.

¹⁰ *National Response Plan*, Financial Management Support Annex, page FIN-5

¹¹ OMB Memorandum M-03-01, "Business Rules for Intragovernmental Transactions;" *Treasury Financial Manual*, Volume I, Bulletin No. 2007-03, "Intragovernmental Business Rules;" and *Treasury Financial Manual*, Volume 1, Part 6, Chapter 4000, "Intra-Governmental Payment and Collection (IPAC) System."

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- All “Other Costs” defined.

CBP normal reimbursement billing operating procedures and internal controls are appropriate for producing the generally agreed upon form and content of Intra-Governmental Payment and Collection System transaction supporting documentation. However, with the exception of CBP’s Air and Marine Division, prior to the 2005 Gulf Coast Hurricanes, CBP had little experience with managing mission assignment funding and meeting FEMA’s reimbursement billing supporting documentation requirements.

CBP’s financial management personnel said that they were not aware of and had not developed plans for producing the additional data. As a result, CBP prepared supporting documentation for FEMA in the same manner as it would have done to get reimbursed under any other interagency agreement. CBP had created unique identifying numbers for each mission assignment and segregated its incurred cost accordingly. It was operating under the impression that this level of detail would be adequate. CBP used its financial management system’s integrated reimbursement bill generation process to extract all previously unbilled transactions as recorded in its system, consolidate them by mission assignment agreement number, and summarize them by budget object code monthly.

When FEMA notified CBP that additional supporting documentation was required, it contacted CBP’s financial department responsible for generating the monthly reimbursement bills and quarterly Intra-Governmental Payment and Collection System transactions. The finance department then distributed FEMA’s request for additional supporting documentation among the budget officers responsible for the programs under which CBP performed work for each mission assignment. Thus, several budget officers shared the responsibility for developing the added support for each mission assignment, but no one was given the lead role. Absent a designated lead, the finance department also transferred responsibility for responding to FEMA to each budget officer. With numerous individuals corresponding with FEMA independently about each mission assignment bill, there was extensive confusion and miscommunication regarding whether CBP had provided the additional supporting documentation requested and whether it was adequate. At this juncture, CBP continued not to be fully aware of FEMA’s expectations for supporting documentation. A contributing factor was that CBP had not leveraged the knowledge and experience of its Air and Marine Division, which was familiar with what documentation was necessary and had prepared such documentation for the 2005 Gulf Coast Hurricanes and previously for other events.

In our review of CBP reimbursement supporting documentation, we selected eight high-dollar value reimbursement billings representing \$14.7 million of total \$17.7 million billed through March 31, 2006. Due to mission assignment sub-division by program code, CBP had accounted for these eight selections as 16 program level bills. In response to our request for the supporting documentation reimbursement billing package provided to FEMA to assess its compliance with FEMA requirements, we were provided the report that is generated during the automated reimbursement billing process. This report contained a detailed list of the expenditures included in each mission assignment reimbursement bill by unique accounting elements including all programs associated

with each mission assignment and was subtotaled by budget object code. The format of this report did not enable the responsible budget officers to identify the associated supporting documentation. Budget officers could locate supporting documentation for only 6 of the 16 program level bills selected. We therefore determined that CBP had not materially complied with FEMA's reimbursement billing supporting documentation requirements for 10 of the selected program-level reimbursement billings totaling \$5.9 million as of March 31, 2006.

Our review of the six selections for which CBP provided any supporting documentation identified the following additional documentation required as of March 31, 2006.

- Four bills requested reimbursement of personnel overtime totaling \$1,116,063. The labor hours supporting these billed overtime amounts were not included with any of the documentation packages.
- Five bills requested reimbursement of travel and transportation expenditures totaling \$106,726. A description of these travel expenditures was not included with any of the documentation packages.
- One bill requested reimbursement of contractual services expenditures totaling \$362,743. Contract number(s), vendor name(s), and contract purpose were not included with the documentation package.
- One bill requested reimbursement of property expenditures totaling \$1,373,302. These property items had not been returned to FEMA nor were descriptions of the property included in the documentation package.
- One bill requested reimbursement of indirect costs totaling \$5,935,177. The amount billed was based on the number of flight hours incurred to complete FEMA-requested missions using billable rates calculated from indirect costs for use of aircraft during the disaster response. The billed rates were based on each aircraft's prior year maintenance costs in relation to its prior year logged flight hours and, although the calculation appeared to be appropriately documented and consistently computed, CBP had not previously submitted its basis for hourly rates, including the indirect cost component. Because FEMA required overhead rates to be submitted and approved in advance, the billing was premature.

CBP subsequently performed further research on all 16 reimbursement selections. With the exception of the property and indirect cost findings, it demonstrated the ability to compile the information that would have been necessary to meet FEMA's reimbursement billing supporting documentation requirements for all 16 selections. CBP had not submitted the revised supporting documentation packages resulting from this research as of November 2006.

RECOMMENDATIONS

We recommend that CBP:

- **Recommendation #17:** Develop and communicate standard operating procedures for reimbursement billings including specifying the extent of supporting documentation required;
- **Recommendation #18:** Train budget officers in FEMA's reimbursement billing supporting documentation procedures;
- **Recommendation #19:** Assign a single budget officer the primary responsibility for compiling applicable supporting documentation for each mission assignment and designate this officer as the point of contact with the FEMA project officer;
- **Recommendation #20:** Create reimbursement request reports that segregate transactions by management responsibility area (i.e., program code) to facilitate accessing the relevant reimbursement supporting documentation;
- **Recommendation #21:** Submit annually calculated overhead billing rates to FEMA for pre-approval; and
- **Recommendation #22:** Provide FEMA supporting documentation that meets its reimbursement billing requirements.

Management Response and OIG Analysis

CBP concurred with 21 of the 22 recommendations we offered to improve CBP's management of mission assignment funding from FEMA. Four recommendations are resolved and closed because they have been implemented. We consider seventeen recommendations resolved because steps are being taken to implement them; however, they will remain open until they have been fully implemented. CBP projects that these recommendations will be fully implemented on or before September 30, 2008. We will close each recommendation as CBP provides evidence they have been implemented. CBP did not concur with one recommendation, discussed below, which remains unresolved and open.

Recommendation 2: We recommend that CBP require that the procurement office confirm that each requisition is consistent with the purpose and performance period of the mission assignment to which the purchase is charged.

CBP Response: The basis of the auditor's recommendations assumes a one-to-one correlation between performance periods of the mission assignment to the performance period for contracts. The period of performance of the mission assignment is stated as August 31, 2005 through December 31, 2005 as extended. A contract can be let for up to five years (or longer) to support the mission.

OIG Analysis: We recognize that the performance period for a mission assignment and a contract that supports a mission assignment may not be the same. However, our recommendation was intended to address identified internal control weaknesses that contributed to the acquisition of goods and services that were inconsistent with the scope and performance period of mission assignments.

We cited two examples in our report where items procured in support of an \$8 million mission assignment were ordered after the mission assignment performance period ended. The first example was a 30-ton trailer-mounted air conditioning unit that cost \$65,951 and was ordered on January 10, 2006, or ten days after the mission assignment performance period ended. The second example involved two procurement actions to acquire rental trailers and other miscellaneous supplies totaling \$226,773 ordered on January 11, 2006, or eleven days after the mission assignment performance period ended. Because it was not clear from the documentation provided to us to what extent these procurements supported CBP officers in Louisiana performing law enforcement tasks, we questioned these costs and over \$395,000 for three other procurement actions that were inconsistent with the mission assignment statement of work.

This recommendation will remain unresolved and open until CPB provides evidence that the questioned procurement actions noted in Section B of our report are consistent with the terms of the mission assignment or actions are taken to implement the recommendation.

Appendix A Objectives, Scope, and Methodology

DHS Office of Inspector General (OIG) contracted with Regis and Associates, PC to assess the U.S. Customs and Border Protection's (CBP's) mission assignment management and financial management controls and offer recommendations for any needed improvements. This effort is part of the overall objective of the DHS OIG to ensure accountability in the management and expenditure of funds for relief and recovery efforts relative to disasters.

The scope of this review includes the 11 mission assignments issued to CBP by FEMA for disaster response assistance in the Gulf Coast region resulting from Hurricanes Katrina, Rita, and Wilma (2005 Gulf Coast Hurricanes); the management processes and financial management controls applicable to these mission assignments; and the related contracts, expenditures, and reimbursement billings for the period August 29, 2005 through March 31, 2006. Our review objectives were to assess whether the management processes and financial management controls were properly designed and implemented and to determine whether the contracts used, expenditures incurred, and reimbursements requested were authorized, valid, and appropriately supported.

These agreed-upon procedures were performed in accordance with standards established by the American Institute of Certified Public Accountants and guidance from the Office of Management and Budget and GAO.

We reviewed selected previous DHS OIG and GAO reports concerning CBP's 2005 Gulf Coast Hurricanes mission assignment management to familiarize ourselves with prior recommendations, regulations, and guidance applicable to CBP's processes and controls. The results of these reviews were incorporated into our risk assessment for this engagement and our reported results.

The management processes and financial management controls assessment included information gathering through interviews with appropriate personnel as well as evaluating the management controls and process design. These evaluations were done through review of current policies and procedures, and those that existed during the 2005 Gulf Coast Hurricanes.

The determination as to whether the contracts used, expenditures incurred, and reimbursements requested were authorized, valid, and appropriately supported included our review of supporting documentation made available by CBP in each of these areas. We obtained a list from CBP of all procurement, expenditure, and reimbursement billing transactions from its financial management system for the period August 29, 2005 through March 31, 2006. These transactions were stratified among procurement, expenditure, and reimbursement billing categories for the performance of test procedures specific to each transaction category.

For our tests of procurements, we used a high-dollar criterion to select 45 procurements representing \$18.6 million, or 70% of the \$26.5 million gross obligation total.

Appendix A Objectives, Scope, and Methodology

For our tests of expenditures, we stratified expenditure transactions by budget object code into categories with similar processes and controls. These categories are:

- Other contractual services and rent, communications, and utilities;
- Personnel compensation and benefits;
- Equipment;
- Supplies and materials; and
- Travel and transportation of persons.

We used a high-dollar criterion within each category to select a total of 163 expenditures. The following table provides an overview of expenditures incurred through March 31, 2006 and selections for each of the above categories.

Table 1 CBP 2005 Gulf Coast Hurricane Incurred Expenditures through March 31, 2006 and Selections

Expense Category	Incurred Expenditures (000s)	# of Selections	Selection Total (000s)	% Coverage
Other Contractual Services and Rent, Communications, and Utilities	\$ 8,044	17	\$ 7,328	91%
Personnel Compensation and Benefits	3,205	25	920	29%
Equipment	2,517	65	2,418	96%
Supplies and Materials	2,336	34	2,154	92%
Travel and Transportation of Persons	2,146	22	635	30%
TOTALS	\$ 18,248	163	\$ 13,455	74%

When summarized transactions were selected using the high-dollar value criterion, we made additional judgmental selections and performed detailed tests on individual personnel and travel expenditures within the summary transaction total.

For our tests of reimbursement billings, we used a high-dollar criterion to select eight billings representing \$14.7 million of the total \$17.7 million of reimbursements requested through March 31, 2006.

Our fieldwork was conducted from April 26, 2006 through November 3, 2006 and included visits to CBP headquarters in Washington, DC and its offices in Indiana.

Appendix B Recommendations

Recommendation #1: Implement its after-action report recommendations in the areas of preparedness and incident management, personnel and training, and post-incident communication.

Recommendation #2: Require that the procurement office confirm that each requisition is consistent with the purpose and performance period of the mission assignment to which the purchase is to be charged.

Recommendation #3: Process a billing adjustment for the unallowable and unsupported expenditures identified as inconsistent with the mission assignment purpose and performance periods.

Recommendation #4: Implement controls to ensure adherence to the existing policies for recording budget object codes. For capitalized equipment purchases, ensure that a sufficient number of CBP property management officers with approval authority and access to procurement systems are available to approve these types of payments timely.

Recommendation #5: Review the current relationship between the purchase card system and the general ledger to eliminate or minimize the current level of manual effort required to match paid expenditures recorded in the general ledger with applicable procurement approvals and supporting documentation.

Recommendation #6: Implement procedures to ensure that expenditures transferred from other funding sources to a mission assignment for reimbursement include the necessary supporting documentation to ensure that the costs are valid and that transfer to the applicable mission assignment is correct.

Recommendation #7: Develop and implement standard operating procedures for disaster field command location property management that address all aspects of property management, from the development of valid acquisition requirements, through receipt, tracking, and disposition. These procedures should effectively address the FEMA property management standard.

Recommendation #8: Identify individuals who will have property management responsibilities as their primary responsibilities (i.e., Accountable Property Officers) when disaster field command locations are established, as well as individuals who will be performing property management tasks as a collateral responsibility.

Recommendation #9: Train Accountable Property Officers and all support personnel with assigned disaster field command location property management responsibilities.

Recommendation #10: Establish the requirement for trained Accountable Property Officers and support personnel to be deployed and onsite during the initial set-up of both pre-deployment staging areas and disaster field sites.

Appendix B Recommendations

Recommendation #11: Conduct periodic reconciliations among procurements, receiving documentation, the disaster field command location property tracking system, and a physical inventory at all field sites to ensure that procured goods were properly received by the field command location, vendor payments are supported, and all acquired property is accurately presented in the property management system.

Recommendation #12: Forward acquired and reimbursed accountable property to FEMA, or process a billing adjustment for the identified accountable property amount of \$2,286,091.

Recommendation #13: Establish and require the use of job codes in its financial management system for each FEMA-issued mission assignment to allow employees to record time associated with each mission assignment.

Recommendation #14: Communicate new and modified job codes for use with each mission assignment to employees and supervisors deployed to field command locations during disaster responses.

Recommendation #15: Eliminate use of estimated personnel compensation from the reimbursement process; or if estimates continue to be used for billing purposes, adjust estimates for prior months to reflect actual costs.

Recommendation #16: Develop and implement standard operating procedures for the identification and transfer of expenditures to mission assignments for reimbursement that include:

- The methodology used to identify reimbursable expenditures,
- A requirement for either on-site supervisor approval of transferred amounts or a documented validation of transferred amounts using approved supporting documentation, and
- A requirement to retain the detailed transactions supporting transferred amounts.

Recommendation #17: Develop and communicate standard operating procedures for reimbursement billings including specifying the extent of supporting documentation required.

Recommendation #18: Train budget officers in FEMA's reimbursement billing supporting documentation procedures.

Recommendation #19: Assign a single budget officer the primary responsibility for compiling applicable supporting documentation for each mission assignment and designate this officer as the point of contact with the FEMA project officer.

Recommendation #20: Create reimbursement request reports that segregate transactions by management responsibility area (i.e., program code) to facilitate accessing the relevant reimbursement supporting documentation.

Appendix B Recommendations

Recommendation #21: Submit annually calculated overhead billing rates to FEMA for pre-approval.

Recommendation #22: Provide FEMA supporting documentation that meets its reimbursement billing requirements.

Appendix C
Schedule of Questioned Costs

During our review, we observed the conditions listed below, which are discussed in detail in the Results of Review section of this report. The following questioned costs were identified:

Condition ¹²	Description	Amount
B ¹³	Inconsistent with mission assignment statement of work	\$ 399,095
B ¹⁴	Incurred after performance period expiration	226,773
C ¹⁵	Accountable property not returned to FEMA	2,286,092
D	Unsupported other contractual services	917,065
D	Unsupported rent, supplies & miscellaneous	252,849
D	Unsupported Personnel Compensation	633,865
D	Unsupported travel & transportation	236,313
TOTAL QUESTIONED COSTS		\$ 4,952,052

¹² The "condition" refers to the lettered section of the report in which the questioned costs are described.

¹³ This total does not include \$400,100 for 155 desktop and 30 laptop computers, which was determined to be inconsistent with the mission assignment statement of work. This amount has been added to the total for accountable property acquired but not returned to FEMA.

¹⁴ This total does not include \$65,951 for a 30-ton, trailer-mounted air conditioning unit ordered after the mission assignment performance period had expired. This amount has been added to the total for accountable property acquired but not returned to FEMA.

¹⁵ This total for accountable property acquired includes \$400,100 for 155 desktop and 30 laptop computers which was determined to be inconsistent with the mission assignment statement of work and \$65,951 for a 30-ton, trailer-mounted air conditioning unit ordered after the mission assignment performance period had expired.

Appendix D

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U.S. Department of Homeland Security
Washington, DC 20229



U.S. Customs and
Border Protection

April 7, 2008

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

FROM: *W. M. Houston*
Director, Office of Policy and Planning
U.S. Customs and Border Protection

SUBJECT: Response to the Office of Inspector General's Draft Report Entitled,
"U.S. Customs and Border Protection's Management of 2005 Gulf
Coast Hurricanes Mission Assignment Funding"

Thank you for the opportunity to review and comment on the draft report entitled "U.S. Customs and Border Protection's Management of 2005 Gulf Coast Hurricanes Mission Assignment Funding." The objective of the review was to determine whether U.S. Customs and Border Protection (CBP) had properly designed and implemented management processes and internal controls for implementation of the Federal Emergency Management Agency (FEMA) issued mission assignments related to the 2005 Gulf Coast Hurricane disaster relief efforts.

CBP agrees that the absence of a disaster standard operating procedure resulted in the impromptu development, validation and procurement of mission essential supplies and services. However, we disagree with any assertions that CBP violated procurement rules, regulations, or public laws. The federal government as a whole was heavily chastised by the public for its role in the preparation for and response to Hurricane Katrina. In response to this criticism, CBP, along with other federal agencies, executed relief support that emphasized urgency and responsiveness.

CBP questions several comments made in this draft report as being inconsistent with the following facts:

- The Contracting Officer, who made the majority of purchases for this emergency effort, was a full-time warranted Contracting Officer.
- The Purchase Card was used, in these cases, as a payment mechanism only. All procurement regulations and processes from the Federal Acquisition Regulation were followed.
- Department of Homeland Security (DHS) Office of Procurement issued a blanket sole source authorization for Hurricane Katrina to waive normal competitive methods and sources.

Additionally, CBP agrees that a positive lifecycle property accountability process is essential to any successful disaster property management program. To that end, CBP agrees that the Purchase Card System creates effective accountable property records for equipment purchases of \$5,000 or

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greater and for any high risk or sensitive items. CBP plans to develop disaster field command property management procedures to ensure proper accounting of assets in disaster response scenarios. Further, CBP agrees that training of personnel performing disaster property management is critical to property accountability and, to that end, plans to develop a disaster property management training program. Each of these initiatives shall meet the FEMA standard.

The draft report contains 22 recommendations. CBP concurs with 21 of the 22 recommendations. Attached is a summary of CBP's corrective actions that have been taken or that are planned to address the recommendations, as well as a response to address non-concurrence with recommendation two. Also attached are technical comments that relate to statements that need to be clarified prior to finalization of this report.

With regard to the classification of the draft report, CBP has not identified any information within this report that would warrant a "For Official Use Only" classification.

If you have any questions regarding this response, please contact me or have a member of your staff contact Ms. Lynn Richardson, Program Analyst, Office of Policy and Planning, at (202) 344-2953.

Attachments

Response to OIG Draft Report
“U.S. Customs and Border Protection’s Management of
2005 Gulf Coast Hurricanes Mission Assignment Funding”

Recommendation #1: Implement its after-action report recommendations in the areas of preparedness and incident management, personnel and training, and post-incident communications.

Response: Concur. Since Katrina, CBP has enhanced the integration between the headquarters operational offices and the mission support elements through the Crisis Action Team; developed and implemented institutional strategies to ensure the coordination between CBP headquarters and operational field components; and increased and strengthened coordination between operational CBP field components and external partners. Through the implementation of policy, development of training, and better relationships with the inter-agency, CBP has made great strides since the days of Katrina.

CBP established a dedicated headquarters-level incident management task force, developed an Incident Management Coordination Directive, and identified locations to pre-stage assets and establish contracts with supply and equipment vendors in regions pre-disposed to a natural disaster.

CBP established the Incident Management Task Force (IMTF) on March 31, 2006. The IMTF was given two overarching objectives: (1) prepare for the 2006 hurricane season and develop a coordinated incident management strategy for CBP. In addition, an Incident Management Coordination Directive, dated August 31, 2006, was issued to provide guidance and standard operating procedures for all Headquarters level CBP incident management coordination. A copy of the Directive is attached.

A Crisis Action Team (CAT), consisting of subject matter experts from all CBP offices, was created to support operations in the field during an incident. The purpose of the CAT is to work as a cross-functional team, support personnel at the incident scene, and develop multiple incident action plans using the Crisis Action Team Process. The CAT is activated during incidents to make headquarters/strategic level decisions rapidly with limited knowledge and details. The success of this team has enhanced cross-office coordination and communication and has identified roles and responsibilities of each CBP office during an incident.

To address its shortfall of trained personnel, CBP, in coordination with FEMA, developed a CBP-specific Master Exercise Practitioner Course to train CBP employees in exercise design and development. The course provides in-depth knowledge and skills related to the exercise development process, including management, control, simulation, and evaluation. CBP’s Office of Intelligence and Operations Coordination also developed the Crisis Action Team Training course. This training course sets the training and knowledge standards for personnel who are expected to fill critical positions during an incident response. It teaches members of the CAT a rapid way to develop and present multiple courses of action to respond to an incident.

CBP also appointed a Lead Field Coordinator (LFC) in each of the 10 pre-established FEMA Regions. The LFCs serve as a key coordination point between headquarters and the field and allow asset allocation, incident control, and coordination to remain at the lowest possible level. The LFCs also provide for routine communication between headquarters and the FEMA Regions. They ensure consistent situational awareness by unifying all field reports and reporting requirements and minimize duplicative reporting. Appointing the LFCs and adopting the established FEMA-region boundaries for all incident management purposes will allow CBP to improve coordination efforts, provide support and

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benefits to our federal, state and local partners, and continue to align CBP's emergency preparedness and incident management efforts with FEMA.

Due Date: Complete.

Recommendation #2: Require that the procurement office confirm that each requisition is consistent with the purpose and performance period of the mission assignment to which the purchase is to be charged.

Response: Non-concur. The basis of the auditor's recommendation assumes a one-to-one correlation between performance periods of the mission assignment to the performance period for contracts. The performance period of the mission assignment is stated as August 31, 2005 through December 31, 2005 as extended. (See Page 7 and 8 of the subject Draft Report). A contract can be let for up to five years (or longer) to support the mission.

Due Date: None.

Recommendation #3: Process a billing adjustment for the unallowable and unsupported expenditures identified as inconsistent with the mission assignment purpose and performance periods.

Response: Concur. CBP has reached final agreement with FEMA through processing of downward billing adjustments, totaling \$1,248,699.01, for expenditures that were inconsistent with the mission assignment purpose and performance period. Attached are the downward billing adjustments for non-property expenditures that were inconsistent with the mission assignment purpose and performance period.

Due Date: Complete.

Recommendation #4: Implement controls to ensure adherence to the existing policies for recording budget object codes. For capitalized equipment purchases, ensure that a sufficient number of CBP property management officers with approval authority and access to procurement systems are available to approve these types of payments timely.

Response: Concur. CBP will incorporate guidance in CBP's business process to strengthen accountability and management of FEMA mission assignments. CBP will review object class code listings currently available to CBP property management officers to ensure descriptions are definitive as to whether the object class code is for Capitalized or Non-Capitalized items. CBP will ensure that the dollar threshold for Capitalization is included in the object class code title and/or description.

Due Date: July 31, 2008

Recommendation #5: Review the current relationship between the Purchase Card system and the general ledger to eliminate or minimize the current level of manual effort required to match paid expenditures recorded in the general ledger with applicable procurement approvals and supporting documentation.

Response: Concur. CBP will review the relationship between the purchase card system and the general ledger.

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Due Date: June 30, 2008

Recommendation #6: Implement procedures to ensure that expenditures transferred from other funding sources to a mission assignment for reimbursement include the necessary, supporting documentation to ensure that the costs are valid and that transfer to the applicable mission assignment is correct.

Response: Concur. Procedures, including journal voucher processing, will be included in CBP's business process. The procedures will also include guidance on FEMA supporting reimbursement documentation requirements.

Due Date: July 31, 2008

Recommendation #7: Develop and implement standard operating procedures for disaster field command location property management that address all aspects of property management, from the development of valid acquisition requirements, through receipt, tracking, and disposition. These procedures should effectively address the FEMA property management standard.

Response: Concur. CBP's Office of Asset Management will develop disaster fielded command property management procedures driven by asset lifecycle management. These procedures will be developed, coordinated with the Office of Intelligence Operations Coordination as part of the CBP disaster response program, and utilized as the foundation for a disaster fielded property training program.

Due Date: June 30, 2008

Recommendation #8: Identify individuals who will have property management responsibilities as their primary responsibilities (i.e., Accountable Property Officer) when disaster field command locations are established, as well as individuals who will be performing property management tasks as a collateral duty.

Response: Concur. CBP will develop, coordinate and maintain listings of primary property management and Local Property Officers (LPOs), which are the same as Accountable Property Officers. This will be included and implemented as part of the overall CBP disaster response program to be outlined in the response to Recommendation #1.

Due Date: June 30, 2008

Recommendation #9: Train Accountable Property Officers and all support personnel with assigned disaster field command location property management responsibilities.

Response: Concur. CBP agrees that training of personnel performing disaster property management is critical to property accountability. In conjunction with the development of disaster property management procedures, CBP will develop a disaster property management training program. This will be included and implemented as part of the overall CBP disaster response program to be outlined in the response to Recommendation #1.

Due Date: June 30, 2008

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Recommendation #10: Establish the requirement for trained Accountable Property Officers and support personnel to be deployed and onsite during the initial set-up of both pre-deployment staging areas and disaster field sites.

Response: Concur. CBP agrees that the deployment of trained LPOs and support personnel to pre-deployment staging areas and disaster field sites is necessary in order to establish positive lifecycle property accountability. Deployment requirements for trained LPOs and support personnel to pre-deployment staging areas and disaster field sites will be developed, coordinated and maintained as part of the overall CBP disaster response plan to be outlined in Recommendation #1.

Due Date: June 30, 2008

Recommendation #11: Conduct periodic reconciliations among procurements, receiving documentation, the disaster field command and location property tracking system, and a physical inventory at all field sites to ensure that procured goods were properly received by the field command location, vendor payments are supported, and all acquired property is accurately presented in the property management system.

Response: Concur. CBP will develop procedures for conducting periodic reconciliations. These procedures will ensure proper and timely reconciliations between procurement, receipts, field receipts and vendor payment requirements.

Due Date: June 30, 2008

Recommendation #12: Forward acquired and reimbursed accountable property to FEMA, or process a billing adjustment for the identified accountable property amount of \$2,286,091.

Response: Concur. CBP identified more property than identified in the audit report. Billing adjustments were made for the accountable property on October 12, 2006, and April 3, 2007, in the amounts of \$1,952,341.02 and \$401,037.19 respectively for total downward billing adjustment of \$2,353,378.21. Attached is documentation that shows that this action is complete.

Due Date: Complete.

Recommendation #13: Establish and require the use of job codes in its financial management system for each FEMA-issued mission assignment to allow employees to record time associated with each mission assignment.

Response: Concur. Guidance on the use of project codes will be incorporated into CBP's business process as part of standard operating procedures. CBP will provide the proper project codes to CBP offices that are directly providing mission assignment services, in order that employees supporting the relief effort may code their time cards directly. CBP office managers will be required to ensure that the correct project codes have been used in CBP's scheduling system for the affected pay periods.

Due Date: July 31, 2008

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Recommendation #14: Communicate new and modified job codes for use with each mission assignment to employees and supervisors deployed to field command locations during disaster responses.

Response: Concur. In conjunction with Recommendation #13, new and modified project code information will be incorporated into guidance as part of standard operating procedures. The best approach will be identified to meet the need to fully communicate project codes for mission assignments as quickly as possible to all employees and supervisors in need of this information.

Due Date: July 31, 2008

Recommendation #15: Eliminate use of estimated personnel compensation from the reimbursement process; or if estimates continue to be used for billing purposes, adjust estimates for prior months to reflect actual costs.

Response: Concur. For mission assignments from FEMA, budget officers will request journal vouchers (JV) based on actual payroll expenses to the reimbursable internal order so that CBP is charging actual costs. The Office of Finance will process the JV only if support is provided with the JV that shows actual personnel costs.

Due Date: June 30, 2008

Recommendation #16: Develop and implement standard operating procedures for the identification and transfer of expenditures to mission assignments for reimbursement that include:

- The methodology used to identify reimbursable expenditures;
- A requirement for either on-site supervisor approval of transferred amounts or a documented validation of transferred amounts using approved supporting documentation; and
- A requirement to retain the detailed transactions supporting transferred amounts.

Response: Concur. In conjunction with Recommendation #6, CBP will include guidance on journal voucher processing as part of standard operating procedures. CBP will ensure distribution to all appropriate personnel involved in the mission assignment. CBP will also emphasize the need for supervisory approval for transferred amounts and sufficient supporting documentation as required by FEMA.

Due Date: July 31, 2008

Recommendation #17: Develop and communicate standard operating procedures for reimbursement billings including specifying the extent of supporting documentation required.

Response: Concur. CBP will develop standard operating procedures for reimbursable mission assignment billings. These procedures will include FEMA requirements for supporting documentation and will be distributed to all budget officers.

Due Date: June 30, 2008

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Recommendation #18: Train budget officers in FEMA reimbursement billing supporting documentation procedures.

Response: Concur. Standard operating procedures for FEMA mission assignments will be distributed to budget officers. CBP will provide training as needed to ensure FEMA reimbursement process is consistent across CBP.

Due Date: July 31, 2008

Recommendation #19: Assign a single budget officer the primary responsibility for compiling applicable supporting documentation for each mission assignment and designate this officer as the point of contact with the FEMA project officer.

Response: Concur. CBP will appoint a designated lead to correspond with FEMA on each mission assignment, its associated bills and supporting documentation. This designated point of contact will be identified, and CBP staff and FEMA will be notified of the point of contact when CBP receives the mission assignment.

Due Date: July 31, 2008

Recommendation #20: Create reimbursement request reports that segregate transactions by management responsibility area (i.e., program code) to facilitate accessing the relevant reimbursement supporting documentation.

Response: Concur. A report will be developed to include identifying data to enable FEMA and the responsible budget officer to identify the associated transactions. CBP's financial system provides numerous standard reports in addition to the ability to create ad-hoc reports.

Due Date: September 30, 2008

Recommendation #21: Submit annually calculated overhead billing rates to FEMA for pre-approval.

Response: Concur. CBP will develop standard operating procedures for obtaining pre-approval from FEMA for overhead billing rates.

Due Date: June 30, 2008

Recommendation #22: Provide FEMA supporting documentation that meets its reimbursement billing requirements.

Response: Concur. CBP submitted supporting documentation to FEMA that meets FEMA's reimbursable billing requirements. Please see the attached email from FEMA stating that all IPACS are expended and that FEMA has no pending issues.

Due Date: Complete.

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