

# DEPARTMENT OF HOMELAND SECURITY

## Office of Inspector General

### DHS' Management of Automated Procurement Systems Needs Improvement



Office of Information Technology

OIG-06-46

July 2006



**Homeland  
Security**

July 10, 2006

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, effectiveness, and efficiency within the department.

This report assesses the effectiveness of the information technology systems being used by the DHS Office of Chief Procurement Officer to provide oversight of Hurricane Katrina-related procurements. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

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

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

Richard L. Skinner  
Inspector General

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## Abbreviations

CPO	Chief Procurement Officer
DHS	Department of Homeland Security
eMerge <sup>2</sup>	Electronically Managing Resources for Government Efficiency and Effectiveness
FAR	Federal Acquisition Regulation
FEMA	Federal Emergency Management Agency
FPDS-NG	Federal Procurement Data System – Next Generation
FY	Fiscal Year
GAO	Government Accountability Office
GSA	General Services Administration
HCIC	Hurricane Contracting Information Center
HHS	Department of Health and Human Services
HSAM	Homeland Security Acquisition Manual
HSCIS	Homeland Security Contract Information System
HSOC	Homeland Security Operations Center
IT	Information Technology
OCIO	Office of Chief Information Officer
OCPO	Office of Chief Procurement Officer
OIG	Office of Inspector General

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OMB	Office of Management and Budget
OSDBU	Office of Small and Disadvantaged Business Utilization
USG	United States Government



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*Department of Homeland Security*  
*Office of Inspector General*

## **Executive Summary**

We audited the Department of Homeland Security (DHS) Office of the Chief Procurement Officer (OCPO) to determine the effectiveness of the information technology (IT) systems used to oversee Hurricane Katrina-related procurements. We also performed a limited review of internal control processes associated with information security as well as capital planning and investment control requirements. This audit included a review of applicable DHS policies, procedures, and other appropriate documentation.

We determined that DHS does not have a comprehensive IT system that can provide reliable information on procurements related to DHS' response to Hurricane Katrina. DHS is required to collect and report procurement data, including data related to Hurricane Katrina, to the Federal Procurement Data System – Next Generation (FPDS-NG).<sup>1</sup> However, DHS has not completed its plans to provide timely and accurate procurement data to FPDS-NG. Responding to requests for real-time reporting of procurement data, the OCPO implemented a management process to capture procurement data related to DHS' response to Hurricane Katrina. This management process resulted in a series of electronic spreadsheets that the OCPO provided as weekly reports, titled *Katrina USG Direct Presidential Report*.<sup>2</sup> However, we determined that the OCPO could not assure the validity of the data in these spreadsheets. Therefore, DHS management and the public could not depend on the information in these spreadsheets for an accurate accounting of the Hurricane Katrina recovery efforts.

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<sup>1</sup> The General Services Administration (GSA) is the system steward for FPDS-NG.

<sup>2</sup> The OCPO developed spreadsheets, *Katrina United States Government (USG) Direct Presidential Report*, were provided to the Hurricane Contracting Information Center (HCIC), the public, the Under Secretary for Management, DHS-Office of Inspector General (OIG), and the Homeland Security Operations Center (HSOC). The HSOC used these spreadsheets to develop briefing documents that were provided to the DHS Secretary and the White House.

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We also identified weaknesses in internal controls related to information security as well as capital planning and investment control requirements. Specifically, DHS has not established the required interconnection security agreements for the connections between contract-writing systems and the Homeland Security Contract Information System (HSCIS).<sup>3</sup> By not establishing interconnection security agreements, the OCPO is increasing the risk to the confidentiality, integrity, and availability of agency procurement data. Additionally, the DHS OCPO is issuing guidance and strategic plans that establish a specific contract-writing system as the enterprise-wide solution without having performed the required benefit-cost analysis. Without a benefit-cost analysis, DHS risks spending money on projects that have a projected return on the investment that is not equal to or better than alternative uses of available public resources.

## Background

The Chief Procurement Officer (CPO) is responsible for the collection of accurate, timely, and complete acquisition and financial assistance data.<sup>4</sup> Additionally, DHS assigned to the CPO the responsibility for ensuring that DHS procurement data is reported timely and accurately to FPDS-NG. The CPO also has the shared responsibility and accountability for designing optimum Department-wide integrated systems to continuously improve mission support. Further, the CPO is responsible for developing an integrated procurement system based on human resources, enhanced business processes, and automation across the Department.

Hurricane Katrina struck the Gulf Coast in late August 2005 as an extraordinarily powerful and deadly hurricane that carved a wide swath of catastrophic damage and inflicted a large loss of life. Hurricane Katrina was the costliest, and one of the five deadliest, hurricanes to ever strike the United States. Since September 2005, the OCPO has collected and reported on contracts awarded to assist with the Hurricane Katrina recovery efforts. DHS senior staff and other stakeholders requested data on contracts that had been awarded to expedite the Hurricane Katrina recovery efforts. The OCPO collected procurement data and produced weekly reports to satisfy these requests. We reviewed these weekly reports on

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<sup>3</sup> The Department of Health and Human Services (HHS) operates the HSCIS.

<sup>4</sup> Delegation Number 0700, *Delegation To The Chief Procurement Officer For Acquisition And Financial Assistance Management*

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Hurricane Katrina-related contracts to assess the accuracy of the data in DHS' procurement systems.

## Results of Audit

### DHS Needs an Effective IT System to Monitor Procurements Department-wide

DHS senior staff need accurate and timely procurement data in order to provide oversight of the billions of dollars spent on the Hurricane Katrina recovery efforts. However, DHS does not have a comprehensive IT system that provides reliable real-time reporting of Hurricane Katrina-related procurements. In response to requests from DHS senior staff, the OCPO developed *ad hoc* electronic spreadsheets to provide the most current information on procurements related to the Hurricane Katrina recovery efforts. However, we identified errors in these spreadsheets that suggest that the procurement data reported was not reliable. As a result, the OCPO could not ensure the validity of Katrina-related procurement data in its report to DHS senior staff and the public.

#### FPDS-NG Participation Efforts

DHS does not have a comprehensive IT system for procurement because it has not completed its FPDS-NG participation efforts. These participation efforts are to include (1) the direct connection of DHS contract writing systems to FPDS-NG and (2) the enabling of real-time information gathering and access by FPDS-NG. However, not all DHS components have a direct connection to FPDS-NG and the OCPO has not taken sufficient steps to ensure that data is entered accurately and timely into FPDS-NG. Therefore, FPDS-NG could not be used for real-time reporting of DHS procurement actions.

Government agencies are required to have contract-writing systems that are capable of electronic transfer of procurement data directly to FPDS-NG. However, only two DHS procurement offices had contract-writing systems that were transferring data directly to FPDS-NG.<sup>5</sup> Other DHS contract-writing systems were not directly connected to FPDS-NG because DHS had mandated the use of HSCIS as a feeder system to FPDS-NG.<sup>6</sup> Further, the

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<sup>5</sup> The United States Coast Guard and the Federal Air Marshal Service

<sup>6</sup> In August 2003, the DHS CPO mandated the use of HSCIS as a transitional step towards standardized reporting procedures and in preparation for directly reporting procurement information to FPDS-NG beginning in Fiscal Year (FY) 2005.

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Federal Law Enforcement Training Center, the Transportation Security Administration, and Customs and Border Protection have not directly connected their contract-writing systems to either HSCIS or FPDS-NG. Contracting staff for these three components are required to manually enter contract information into HSCIS. This additional step may cause delays in reporting of procurement data to FPDS-NG.

The DHS plan to transfer data directly to FPDS-NG included the implementation of a single, agency-wide contract-writing system that would be directly connected to FPDS-NG. The implementation of an agency-wide contract-writing system was a part of the DHS Electronically Managing Resources for Government Efficiency and Effectiveness (eMerge<sup>2</sup>) project. eMerge<sup>2</sup> is DHS' effort to integrate over 100 systems used to support a variety of administrative activities such as accounting, acquisition, budgeting, and procurement. However, the efforts of the eMerge<sup>2</sup> prime contractor were canceled in January 2006 and an enterprise-wide contract writing system has not yet been implemented.

Additionally, the CPO had not taken all available actions to ensure that DHS data was entered into FPDS-NG in a timely fashion. For example, the CPO had not established performance measures to ensure that procurement actions are entered into FPDS-NG in a timely fashion.<sup>7</sup> Further, the OCPO also has not updated the Homeland Security Acquisition Manual (HSAM) to require that (1) contracts to be entered into the collection system within 3 days of contract award and (2) contract-writing systems to be connected directly to FPDS-NG.<sup>8</sup>

### **Reporting of Hurricane Katrina Related Procurements**

The OCPO developed *ad hoc* spreadsheets on Katrina-related contracts in response to DHS management requests, and because the FPDS-NG could not be relied upon for up-to-date information on DHS procurements. These spreadsheets were based on procurement information that DHS components provided on a weekly basis from their separate paper-based and contract-writing systems. The OCPO instituted a process to consolidate this procurement data into a series of spreadsheets that they forwarded to various stakeholders in a weekly email titled *Katrina USG*

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<sup>7</sup> Management Directive 0003, *Acquisition Line of Business Integration and Management*, provides the CPO with the authority to establish performance metrics in the acquisition area.

<sup>8</sup> *FPDS-NG Reporting Manual*, Version 1, 2005, Section 1.1.1 requires procurement data to be entered into FPDS-NG within 3 days of contract award.



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*Direct Presidential Report.* For example, the spreadsheets for the week of January 23, 2006 showed a total of \$9.294 billion in Hurricane Katrina-related contracts that had been awarded by the Federal government since August 2005. DHS awarded \$4.919 billion (53%) of these Hurricane Katrina-related contracts.

We reviewed the OCPO's efforts to consolidate the procurement data from the components into the weekly spreadsheets. Based upon our review, we identified errors in these weekly spreadsheets, including the inconsistent reporting of data and the double counting of some procurement transactions. As a result, the OCPO could not ensure the validity of Katrina-related procurement data in its report to DHS and the public.

#### Reporting of Data in the Spreadsheets Needs to be Consistent

The OCPO did not consistently report all Katrina-related procurements in spreadsheets provided to DHS and the public. Specifically, the OCPO did not report all Hurricane Katrina-related contracts identified as purchase card transactions. For example, in the January 23, 2006 weekly spreadsheet, the OCPO included a total of \$6,863,019 in purchase card transactions.<sup>9</sup> However, in the same weekly report, the OCPO excluded a total of \$25,872,504 in purchase card transactions.<sup>10</sup> The OCPO did not report all purchase card transactions because those developing the spreadsheets lacked adequate guidance for reporting transactions, thus leading to inconsistent interpretations.

A reason that the weekly spreadsheets were not consistent is due to the lack of standard definitions for the data in these documents. For example, identification of small business contractors was not always consistent. Specifically we identified approximately \$521 million in contracts that were listed as being awarded to a small business starting in September 2005. However, this contractor was reclassified as 'other than small business' in January 2006. We also identified numerous examples in the weekly spreadsheets where the same contractor had varying names or addresses.

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<sup>9</sup> This \$6,863,019 was the total of \$6,578,344 and \$284,675 in purchase card transactions from Customs and Border Protection and Immigration and Customs Enforcement, respectively.

<sup>10</sup> This \$25,872,504 was the total of \$20,614,502 and \$5,258,002 in purchase card transactions from the Federal Emergency Management Agency (FEMA) and the United States Coast Guard, respectively.

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## Double Counting of Procurements in the Spreadsheets

We identified 241 contracts, totaling \$242 million, which were counted twice in the January 23, 2006 weekly spreadsheets. Specifically, the OCPO double counted contracts awarded by the General Services Administration (GSA), acting as Federal Emergency Management Agency's (FEMA) contracting officer. These contracts had been separately reported to both FEMA and FPDS-NG.

OCPO staff are aware of the types of problems we identified with the spreadsheets and have implemented a quality assurance process to remediate the errors in the spreadsheets. According to OCPO officials, this remediation process identified additional duplicate entries in the weekly reports. For example:

- FEMA had reduced the dollar amount of its Katrina-related contracts in the weekly reports from \$4.048 billion for the week of October 28, 2005 to \$3.124 billion for the week of November 4, 2005. This reduction included the elimination of \$777 million in duplicate transactions.
- In November 2005, the United States Coast Guard also had identified duplicates and reduced the dollar amount of its procurements from \$85 million to \$55 million.
- From January to March 2006, the OCPO has been engaged in discussions with GSA to identify and remove data on contracts that were counted twice.

### **Recommendations**

We recommend that the DHS CPO establish a process to:

1. Ensure that procurement information is entered accurately into FPDS-NG within three days of contract award so that the OCPO can discontinue the use of the *ad hoc* spreadsheets.
2. Discontinue the use of HSCIS as a feeder system to FPDS-NG.
3. Update the HSAM to be consistent with government-wide procurement policy guidance.

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

DHS concurs with recommendation 1 that information should be entered into the FPDS-NG accurately and within a timely manner. However, according to DHS, the HSAM 3004.601 requirement for data to be entered within 30 days is compatible with the Federal Acquisition Regulation (FAR). In their response, DHS cites

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FAR 4.601(d), stating that this section of the FAR requires that data be transmitted to FPDS in accordance with agency policy. While FAR.4.601(d) does not address this topic, FAR 4.601(f) requires that “Agencies must transmit this information to the Federal Procurement Data System in accordance with its procedures,” that is, procedures of the FPDS-NG. We disagree with DHS’ interpretation that the term “its procedures” refers to the agencies’ procedures. Accordingly, we continue to believe that procurement information should be entered into FPDS-NG within 3 days of contract award.

DHS concurs with recommendation 2. The OCPO intends to discontinue the use of HSCIS in Fiscal Year (FY) 2007. According to the OCPO, HSCIS as a system has never been an impediment to efficient, timely reporting of DHS procurement actions. Further, the OCPO states that HSCIS has provided DHS with reliable data extraction and report tools for numerous management reports and external information requests when this critical, basic functionality was missing in FPDS-NG. OCPO stated that recent enhancements to FPDS-NG are now providing this capability and OCPO’s intent is to discontinue using HSCIS effective October 1, 2006.

DHS did not agree with recommendation 3. While the OCPO stated that the HSAM 3004.601 is compatible with the FAR 4.601(d), this section of the FAR does not address this topic. Additionally, DHS noted that our report cites a draft version of the FPDS-NG Reporting Manual (Version 1, 2005) as the source for the 3-day data entry requirement. However, the OCPO also stated that the HSAM would be updated to reflect a 3-day entry requirement when the draft FPDS-NG Manual is officially updated.

Subsequent to our receipt of DHS’ management comments on this report, the OCPO acknowledged that the FPDS-NG Reporting Manual has been officially issued with the requirement that procurement actions be entered into FPDS-NG within 3 days of contract award. Accordingly, we expect that DHS will take the necessary steps to ensure that FPDS-NG can and will be used for real-time reporting of DHS procurement actions.

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## **Weaknesses In Internal Control Processes For Procurement Related Information Technology Systems**

We identified weaknesses in internal controls related to information security as well as capital planning and investment control requirements that impact procurement oversight. Specifically, the OCPO did not complete the required interconnection security agreements for system interconnections between contract-writing systems and HSCIS. The OCPO also did not conduct a benefit-cost analysis when selecting an agency-wide contract-writing system.

### **Lack of Interconnection Security Agreements**

OCPO did not establish interconnection security agreements prior to connecting DHS procurement computer systems to HSCIS. Specifically, interconnection security agreements did not exist for the connection between HSCIS and contract-writing systems operated by the OCPO and FEMA. The interconnection security agreements were not established because (1) the OCPO was unaware of this security requirement and (2) HSCIS was not in the Office of the Chief Information Officer's (OCIO) system inventory because it is a Department of Health and Human Services (HHS) system.

An OCIO official told us that the OCPO contract-writing system is undergoing the certification and accreditation process, and the interconnection security agreements will be established as part of that process. Similarly, HHS officials told us that HSCIS was also undergoing certification and accreditation, and that the required interconnection security agreements would be established.

Office of Management and Budget (OMB) Circular A-130, *Management of Federal Information Resources*, states that agencies are to obtain written management authorization before connecting their IT systems to other systems. Furthermore, DHS Sensitive Systems Policy Publication 4300A, *Information Technology Security Program*, and the National Institute of Standards and Technology Special Publication 800-47, *Security Guide for Interconnecting Information Technology Systems*, state that the interconnection with other networks is to be documented with an interconnection security agreement. The written authorization should define the rules of behavior and controls that must be sustained for the information system interconnection.

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By not establishing interconnection security agreements, the OCPO is increasing the risk to the confidentiality, integrity, and availability of agency procurement data. For example, if the interconnection is not properly designed, security failures could compromise the connected systems and the data that they store, process, or transmit. Similarly, if one of the connected information systems is compromised, the interconnection could be used as a conduit to compromise the other system and its data. The potential for compromise is underscored by the fact that, in most cases, the participating organizations have little or no control over the operation and management of the other party's system. Thus, if information system security oversight roles and responsibilities are not clearly defined, there is an increased risk to the confidentiality, integrity, and availability of DHS procurement data.

### **Benefit-Cost Analysis Was Not Performed Prior to Selection of a Procurement-Related System**

The OCPO selected an enterprise-wide contract-writing system without performing a benefit-cost analysis prior to making the selection.<sup>11</sup> By not completing a benefit-cost analysis, the OCPO cannot ensure that it has selected the most cost-effective solution for its procurement system requirements.

OCPO officials told us that a benefit-cost analysis was not required because several DHS components had independently selected the same contract-writing system. However, OMB Circular A-130 requires a benefit-cost analysis to be commensurate with the size of the procurement. Therefore, a benefit-cost analysis for a component level system would not be sufficient for an enterprise-wide system such as that proposed for DHS. OCPO officials also told us that the contract-writing system was a part of the eMerge<sup>2</sup> contract. However, on January 11, 2006 DHS cancelled the eMerge<sup>2</sup> contract before the implementation of a contract-writing system. Additionally, OCIO officials told us that while the eMerge<sup>2</sup> contractor had recommended the contract-writing system for eMerge<sup>2</sup>, the proposed solution was not selected, and a benefit-cost analysis was not performed.

OMB Circular A-130 requires that agencies establish and maintain a capital planning and investment control process that links mission needs, information, and information technology in an effective and efficient manner. The Department's processes are

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<sup>11</sup> We have previously reported on other capital planning and investment control deficiencies at DHS in *Management of the DHS Wide Area Network Needs Improvement* (Report Number OIG-06-20, December 2005), page 11.

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detailed in the *DHS Guide to Information Technology Capital Planning and Investment Control*, dated May 2003. Both OMB Circular A-130 and the DHS guide require a benefit-cost analysis to be performed prior to selection of a solution.

### **Recommendations**

We recommend that the DHS CPO, in coordination with the Chief Information Officer:

4. Develop the required interconnection security agreements for DHS' contract-writing systems and have them signed by the appropriate Designated Approving Authorities.
5. Develop an appropriate benefit-cost analysis prior to the selection of an enterprise-wide contract-writing system.

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

OCPO concurred with recommendation 4 and has referred this recommendation to the Office of the Chief Information Officer for joint consideration. OCPO has also concurred with recommendation 5 and stated that the eMerge<sup>2</sup> OMB 300 and corresponding business case includes PRISM, and will fully address the benefit-cost analysis.

## Purpose, Scope, and Methodology

Following discussions with the Secretary of DHS, we updated our annual performance plan to include a review of information technology procurement systems.<sup>12</sup> Following the Hurricane Katrina disaster, the objective of this planned audit was modified to focus on the procurement related IT systems involved in the Katrina recovery effort.

The objective of this audit was to evaluate the effectiveness of the IT systems being used by the OCPO to provide oversight of Hurricane Katrina-related procurements. Specifically, we focused our efforts on determining whether the OCPO is effectively and efficiently: (1) compiling its inventory of Hurricane Katrina-related procurements; (2) tracking these procurements; and (3) reporting the status of these procurements.

During our audit fieldwork, the OCPO was compiling spreadsheets to report on Katrina-related procurements. We analyzed these spreadsheets to determine if they were accurate and complete. We also performed fieldwork to determine why DHS could not rely on FPDS-NG for these reports. In addition, we reviewed the status of the OCPO's plans to fully participate in FPDS-NG.

During our audit work we also identified weaknesses in two areas of internal controls associated with the operation and development of IT procurement systems. We expanded our fieldwork in order to confirm and document our initial observations. This expanded fieldwork included contacts with the OCIO, HHS and GSA. We also identified a DHS contract specialist that reported having a problem since December 2004 with a contract-writing system. We contacted the OCIO, reported the problem, and confirmed that the identified resolution was successfully implemented.

We reviewed DHS policies, procedures, documentation, and prior audit reports. We analyzed various procurement reports and spreadsheets. We interviewed key government and contractor personnel, and reviewed Government-wide rules and regulations that were relevant to this audit. Fieldwork was performed at DHS facilities in the Washington, DC area.

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<sup>12</sup> *Department of Homeland Security Office of Inspector General Fiscal Year 2005 Annual Performance Plan (Revised May 2005)*, Chapter 6, Special Performance Initiatives: DHS Procurement Systems

We provided the OCPO and FEMA with briefings concerning the results of fieldwork, including the identified deficiencies in internal controls, as well as the other information summarized in this report. We conducted this audit between November 2005 and March 2006.

We performed our work according to generally accepted government auditing standards and pursuant to the Inspector General Act of 1978, as amended.

We appreciate the efforts by DHS management and staff to provide the information and access necessary to accomplish this audit. The Office of Inspector General (OIG) points of contact for this report are Frank Deffer, Assistant Inspector General for Information Technology (202) 254-4100 and Roger Dressler, Director for Information Systems and Architectures (202) 254-5441. Major OIG contributors to the audit are identified in Appendix D.



Appendix B  
Management's Response to Draft Report

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



**Homeland  
Security**

JUN 22 2006

MEMORANDUM FOR: Frank Deffer  
Assistant Inspector General for Information Technology

FROM:   
Elaine C. Duke  
Chief Procurement Officer

SUBJECT: Response to the Assessment of DHS' Management of  
Automated Procurement Systems (Draft Report A-IT-05-  
012)

I am responding to your memorandum of May 1, 2006, concerning your Draft Report *DHS' Management of Automated Procurement Systems Needs Improvement*.

My assessment of your draft report is attached to this memorandum.  
Thank you for the opportunity to review and comment on the draft report. I look forward to continuing to work with you to build a 21<sup>st</sup> century acquisition program for the Department.

Please contact Pat Wallis at 202-205-0559 should you have questions or require additional information.

Attachment

cc: Under Secretary for Management

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

**OCPO Response to DHS OIG Draft Report A-IT-05-012**

BACKGROUND

Shortly after Hurricane Katrina struck the Gulf Coast, Greg Rothwell, DHS Chief Procurement Officer (CPO) received a request from Janet Hale, Under Secretary for Management (USM) for a White House report. The information initially requested was a list of contracts in excess of \$1 million issued in support of the Katrina efforts. The report contained: contractor name; description of commodity or service purchased; dollar amount; type of contract; and whether the contract was competitive or non-competitive. As each Hurricane Katrina status brief was provided to the Secretary, additional guidance was provided for the information requested. The original purpose of the information was to monitor contracting activity to small and local businesses as well as to provide transparency to the public on Hurricane Katrina contracting recovery efforts. DHS management required real-time reporting of the procurement data to the White House; due to the devastation in the region, this ad-hoc reporting process was established. The official accounting records reside in FPDS-NG.

**DHS Lacks an Effective IT System to Monitor Procurements  
Department-wide**

**Management Comments**

**Recommendation**

**(1) Ensure that procurement information is entered accurately into FPDS-NG within three days of contract award so that the OCPO can discontinue the use of *ad hoc* spreadsheets.**

**Response:** DHS concurs that information should be entered into the FPDS-NG accurately and within a timely manner. However, the HSAM 3004.601 currently prescribes that the data will be entered within 30 days. This is compatible with FAR 4.601(d) which requires that data be transmitted to FPDS in accordance with agency policy.

**(2) Discontinue the use of HSCIS as a feeder system to FPDS-NG.**

**Response:** Concur. OCPO intends to discontinue the use of HSCIS in FY2007. HSCIS as a system has never been an impediment to efficient, timely reporting of DHS procurement actions. It has provided DHS OCPO with reliable data extraction and report tools for numerous

management reports and external information requests. This critical, basic functionality was missing in FPDS-NG. However, recent enhancements to FPDS-NG are now providing this capability. OCPO's intent is to discontinue using HSCIS effective October 1, 2006.

**(3) Update the HSAM to be consistent with government-wide procurement policy guidance.**

**Response:** Non-concur. The HSAM 3004.601 currently prescribes that the data will be entered within 30 days. This is compatible with FAR 4.601(d) which requires that data be transmitted to FPDS in accordance with agency policy. The IG report cites the draft FPDS-NG Reporting Manual, Version 1, 2005 as the source for the 3-day entry requirement. The HSAM will be updated to reflect a 3-day entry requirement when the draft FPDS-NG Manual is officially updated.

**Weaknesses in Internal Control Processes for Procurement Related Information Technology Systems**

**Management Comments**

**Recommendation**

Now recommendation #4:

**(1) Develop required interconnection security agreements for DHS' contract-writing systems and have them signed by the appropriate Designated Approving Authorities.**

**Response:** This recommendation has been referred to the Office of the Chief Information Officer for joint consideration.

Now recommendation #5:

**(2) Develop an appropriate benefit-cost analysis prior to the selection of an enterprise-wide contract-writing system.**

**Response:** The eMerge<sup>2</sup> OMB 300 and corresponding business case includes PRISM, and will fully address the cost-benefit analysis.

*The Federal Acquisition Regulation*, Volume 1, Section 4.602 states that FPDS-NG will be used as the basis for recurring and special reports to the President, the Congress, the Government Accountability Office (GAO), Federal executive agencies and the general public. FPDS-NG became operational October 1, 2003.

OCPO, through Acquisition Alert 03/02A, required all DHS components to connect their contract-writing systems to HSCIS, which also became available October 1, 2003.<sup>13</sup> Acquisition Alert 03/02A further stated that the deployment of HSCIS was a transitional step to prepare DHS components for direct reporting of procurement information to FPDS-NG beginning in FY 2005. While Acquisition Alert 03/02A was only effective until September 30, 2004, the requirement to use HSCIS as a feeder system to FPDS-NG is still included in HSAM Section 3004.602.

In December 2003, GAO expressed concerns about the accuracy of procurement data in FPDS-NG.<sup>14</sup> This report also stated that:

“Reliable information is critical to informed decision making and to oversight of the procurement system. FPDS has been the federal government’s central database of information on federal procurement actions since 1978. Congress and executive branch agencies rely on FPDS to assess the impact that governmentwide acquisition policies and processes are having on the system generally, as well as with respect to specific geographical areas, markets, and socio-economic goals.”

In August 2004, OMB requested that Government agencies (1) designate a person responsible for ensuring full participation in FPDS-NG and (2) develop plans and schedules to ensure the timely and accurate reporting of procurement data to FPDS-NG.<sup>15</sup> In response, DHS designated the CPO to be responsible for full participation in FPDS-NG. DHS also provided a plan that included the implementation of a single, agency-wide, contract-writing system capable of electronic transfer of all procurement information in real-time to FPDS-NG by the end of FY 2005.

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<sup>13</sup> Acquisition Alert – Number 03/02A: *Homeland Security Contract Information System (HSCIS) and Federal Procurement Data System-Next Generation (FPDS-NG)*, states that DHS components are to report contract/procurement actions, with the exception of purchase card transactions, via HSCIS until such time as DHS makes a determination for the agency and any of its organizational elements to report to FPDS-NG directly.

<sup>14</sup> GAO-04-295R, *Reliability of Federal Procurement Data*, December 30, 2003

<sup>15</sup> OMB Memorandum: *Timely and Accurate Procurement Data*, August 25, 2004

However, HSCIS and FPDS-NG collection systems were not able to provide timely information on procurements. Therefore the OCPO requested that DHS components provide weekly spreadsheets that documented their Katrina-related procurements. The Office of Small and Disadvantaged Business Utilization (OSDBU) also provided a chart that shows sub-contracting information related to only four large contractors.<sup>16</sup>

The procurement data provided by the DHS components is then consolidated by the OCPO and FEMA into a weekly report that contains (1) a spreadsheet with detailed information about FEMA contracts awarded, (2) a spreadsheet summarizing all DHS awards (including FEMA), and (3) the sub-contracting information provided by OSDBU. The DHS spreadsheets and the OSDBU chart are then forwarded to the Hurricane Contracting Information Center (HCIC). In addition, the OCPO publishes the FEMA spreadsheet on a publicly accessible website.<sup>17</sup>

The HCIC adds the DHS information into a spreadsheet summarizing the Government-wide Katrina-related procurements. This new spreadsheet is then provided to the DHS OCPO. The OCPO then provides the Government-wide, DHS-wide, and the FEMA spreadsheets, along with the OSDBU chart, as the weekly *Katrina USG Direct Presidential Report* to the Under Secretary for Management, DHS OIG auditors, and the Homeland Security Operations Center (HSOC). The HSOC includes this weekly report in briefing documents that are provided to the Secretary of DHS and the President.

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<sup>16</sup> Bechtel, CH2M Hill, Fluor Enterprises, and Shaw Group

<sup>17</sup> <http://www.dhs.gov/interweb/assetlibrary/CPO-KatrinaContracts.pdf>.

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