Customs and Border Protection Award Fees for Enforcement Equipment Maintenance and Field Operations Support Contract
February 11, 2009

Preface

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

Our report addresses the award fees that Customs and Border Protection paid to Chenega Technology Services Corporation for enforcement equipment maintenance and field operations support. 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 those who contributed to the preparation of this report.

Richard L. Skinner
Inspector General
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Abbreviations

AFRB  Award Fee Review Board
CBP   U.S. Customs and Border Protection
Chenega Chenega Technology Services Corporation
DHS   Department of Homeland Security
FAR   Federal Acquisition Regulation
OIG   Office of Inspector General
QA    quality assurance
QASP  Quality Assurance Surveillance Plan
Executive Summary

Senator Hillary Rodham Clinton requested that we review the effectiveness of the Department of Homeland Security’s award fee process as it relates to successful acquisition outcomes. This report addresses the award fees that U.S. Customs and Border Protection paid to Chenega Technology Services Corporation for enforcement equipment maintenance and field operations support. Our objectives were to determine whether (1) the selected contract type was suitable; (2) Customs and Border Protection paid award fees based on contractor excellence; and (3) Customs and Border Protection had adequate expertise to develop a performance-based contract with expedited negotiating procedures. Through September 2007, Customs and Border Protection paid the contractor more than $8 million in award fees.

Cost-plus-award-fee is an improper contract type for fulfilling enforcement equipment maintenance and field operations support needs. The performance standards for earning awards fees were not designed to motivate excellence in acquisition outcomes, that is, to achieve or exceed cost, schedule, and technical performance objectives. Agency staff who developed, awarded, and implemented the contract had limited training and experience with expedited negotiations and performance-based contracts such as this one.

Customs and Border Protection did not receive the full benefit of using the cost-plus-award-fee contract type and missed an opportunity to meet or exceed cost, schedule, and performance objectives for enforcement equipment maintenance and field operations support. To its credit, Customs and Border Protection has redesigned some of this contract’s award criteria so that they are more likely to motivate excellence. Implementing our recommendations will improve this and future procurements.
Background

On November 26, 2007, Senator Hillary Rodham Clinton requested that we conduct a broad review to determine the effectiveness of the Department of Homeland Security’s (DHS) award fee process as it relates to federal guidelines and successful acquisition outcomes (appendix C). Senator Clinton cited a number of reports about DHS awarding fee payments to contractors regardless of their performance. She also referred to our October 2007 report on Customs and Border Protection (CBP) contract award and oversight issues with the enforcement equipment maintenance and field operations support contract.1 As a follow-on to our October 2007 report, this report presents the results of our audit of award fees CBP paid to Chenega Technology Services Corporation (Chenega) under the enforcement equipment maintenance and field operations support contract. Appendix A provides the purpose, scope, and methodology for our audit.

On September 11, 2003, CBP awarded Chenega a sole-source contract to maintain enforcement technology equipment. This equipment includes metal detectors, x ray machines, and explosive trace detectors throughout land border crossings, commercial airports, and seaports. CBP sought a prime integration contractor to replace the roughly 20 small business contractors that had been providing this service. Through this contract, CBP outsourced most of its enforcement equipment maintenance, repair, logistics management, property management, and field operations support needs. The contract also included staffing and operating a 24-hours-per-day, 7-days-per-week operations center and training customs officers to operate the enforcement equipment. The contract was for a 1-year base period and 9 option years, with an estimated value of $475 million if CBP exercised all options. CBP negotiated this contract using alpha contracting practices, a framework for expediting the acquisition process in which the government develops the contract statement of objectives collaboratively with the selected vendor.

This contract has a cost-plus-award-fee structure, which federal regulations define as follows:

A cost-reimbursement contract that provides for a fee consisting of (1) a base amount fixed at inception

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1 DHS OIG, Customs and Border Protection Award and Oversight of Alaska Native Corporation Contract for Enforcement Equipment Maintenance and Field Operations Support, OIG-08-10, October 2007.

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of the contract and (2) an award amount that the contractor [might] earn in whole or in part during performance and that is sufficient to provide motivation for excellence in such areas as quality, timeliness, technical ingenuity, and cost-effective management.2

The base amount, also known as fixed fee, is a guaranteed 3% of estimated contract costs. The award amount, also referred to as the award fee pool, is worth up to 6% of estimated contract costs.

CBP’s Quality Assurance Surveillance Plan (QASP) is the basis for CBP to determine what percentage of the award fee pool the contractor will earn. The QASP defines what the contractor must do to satisfy the contract’s statement of objectives and how often CBP will monitor and document performance. The QASP enables CBP’s quality assurance manager and its contracted performance evaluation team to evaluate the contractor systematically. Appendix D depicts CBP’s performance monitoring and award fee determination process for this contract.

According to the QASP, for each performance period, which lasts about 6 months, CBP evaluates the contractor on about 20 performance requirements, which CBP adjusts occasionally. Each requirement has an associated weight that determines the percentage of the award fee pool available for the requirement. Some weights change during the life of the contract, depending on agency circumstances and priorities.

For each performance period, CBP’s Award Fee Review Board (board) develops a fee recommendation based on the performance monitoring results and consideration of subjective factors that might have influenced the contractor’s performance. The board scores the contractor between 0% and 100% for each requirement and presents the recommendation to CBP’s Enforcement Technology Program director, the fee-determining official for this contract. Appendix E is a schematic of the award fee process, which includes the following example.

For the seventh performance period (October 2006 through March 2007), the award fee pool was more than $1.7 million. The performance requirement training customs officers had a weight of 10% in this period. CBP scored the contractor’s training customs

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2 Federal Acquisition Regulation (FAR), § 16.405-2(a) Cost-Plus Award-Fee Contracts.

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officers performance at 100%. Consequently, CBP paid the contractor $176,750 as an award fee for training customs officers in the 7th performance period, as calculated below.

<table>
<thead>
<tr>
<th>7th Period</th>
<th>Award Fee Pool</th>
<th>Performance Requirement Weight</th>
<th>Rating</th>
<th>Award Fee Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.7 million</td>
<td>X</td>
<td>10%</td>
<td>100%</td>
<td>$176,750</td>
</tr>
</tbody>
</table>

Through September 29, 2007, CBP paid the contractor almost $8.1 million (88%) of the $9.2 million available in award fees (table 1). Appendix G lists the cumulative award dollars paid by performance requirement through September 2007. CBP paid between 79% and 94% of the maximum available award fee for each of the 8 performance periods. Appendix F lists percentages the contractor earned for each requirement in each period.

Table 1: Award Fees Paid By Performance Period, 2003 to 2007

<table>
<thead>
<tr>
<th>Performance Period</th>
<th>Award Fees Paid</th>
<th>Maximum Available</th>
<th>Paid as Percentage of Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; Sept. 11, 2003 to Mar. 11, 2004</td>
<td>$764,724</td>
<td>$811,378</td>
<td>94</td>
</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt; Mar. 12, 2004 to Sept. 10, 2004</td>
<td>$658,028</td>
<td>$811,378</td>
<td>81</td>
</tr>
<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt; Sept. 11, 2004 to Mar. 11, 2005</td>
<td>$749,808</td>
<td>$839,607</td>
<td>89</td>
</tr>
<tr>
<td>4&lt;sup&gt;th&lt;/sup&gt; Mar. 12, 2005 to Sept. 11, 2005</td>
<td>$660,701</td>
<td>$839,607</td>
<td>79</td>
</tr>
<tr>
<td>5&lt;sup&gt;th&lt;/sup&gt; Sept. 12, 2005 to Mar. 11, 2006</td>
<td>$946,388</td>
<td>$1,028,236</td>
<td>92</td>
</tr>
<tr>
<td>6&lt;sup&gt;th&lt;/sup&gt; Mar. 12, 2006 to Sept. 30, 2006</td>
<td>$1,155,630</td>
<td>$1,347,697</td>
<td>86</td>
</tr>
<tr>
<td>7&lt;sup&gt;th&lt;/sup&gt; Oct. 1, 2006 to Mar. 31, 2007</td>
<td>$1,646,829</td>
<td>$1,767,503</td>
<td>93</td>
</tr>
<tr>
<td>8&lt;sup&gt;th&lt;/sup&gt; Apr. 1, 2007 to Sept. 29, 2007</td>
<td>$1,504,244</td>
<td>$1,767,503</td>
<td>85</td>
</tr>
<tr>
<td>TOTAL Award Fees Paid</td>
<td>$8,086,352</td>
<td>$9,212,909</td>
<td>88</td>
</tr>
</tbody>
</table>

Source: OIG analysis of agency data.

Results of Audit

Cost-plus-award-fee was an improper contract type for fulfilling CBP’s enforcement equipment maintenance and field operations support requirements. CBP did not conduct the cost-benefit analysis required before selecting this contract type.

Also, the performance standards for earning awards fees on the enforcement equipment maintenance and field operations support contract were not designed to motivate excellence in acquisition

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outcomes, that is, to achieve or exceed cost, schedule, and technical performance objectives. About 20% of awards CBP paid did not relate to cost, schedule, and technical performance outcomes. Most of the other 80% of awards related to compliance-based standards, rather than a level of quality. In addition, the standards did not give an incentive for the contractor to improve and innovate over time. Supporting documentation for some awards was incomplete, missing, or insufficient to justify the performance score.

Agency staff who developed, awarded, and implemented the contract had limited training and experience with expedited negotiations and performance-based contracts such as this one.

CBP did not benefit from using the award fee contract type and missed an opportunity to meet or exceed cost, schedule, and performance objectives for enforcement equipment maintenance and field operations.

Cost-Plus Contract Type

A cost-plus-award-fee was a prohibited contract type for fulfilling CBP’s enforcement equipment maintenance and field operations support requirements. In addition, CBP did not conduct the required cost-benefit analysis before selecting the contract type. We do not know CBP’s rationale for selecting this contract type because the agency could not provide required documentation related to its pre-award decisions, and the individuals who made the decision are no longer with CBP’s contracting office.

Federal regulations provide that agencies shall use firm-fixed-price contracts when requirements are well defined; goods and services are commercial in nature; and the procurement creates minimal cost, schedule, and performance risk to the government. Use of any other contract type is not permitted in such circumstances. Moreover, federal regulations provide in part that a cost-plus-award-fee contract is suitable when “it is neither feasible nor effective to devise predetermined objective incentive targets applicable to cost, technical performance, or schedule.”

A firm-fixed-price contract, rather than a cost-plus contract, is well suited to CBP’s enforcement equipment maintenance and field

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3 FAR, §§12.207, Contract type (2003); 16.301-3, Limitations; and 2.101, Definitions.
5 FAR, §16.405-2(b)(1)(i), Cost-Plus-Award-Fee Contracts.

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operations support needs. The goods and services CBP procured in this contract are generally commercial, including maintenance, repair, and training. Moreover, CBP used this contract to combine the efforts of several previous contractors. Consequently, before contract award, CBP had historical data on the costs, schedules, and risks associated with procuring these goods and services. CBP could have used this information to devise objective cost, schedule, and performance incentive targets and, as a result, successfully use a firm-fixed-price contract type.

According to federal regulations, an agency should conduct a cost-benefit analysis to ensure that the benefits of a cost-plus-award-fee contract offset the additional oversight and management burden. As appendix D demonstrates, performance monitoring and award fee determination can be administratively complex and detailed. One federal agency, in its report on cost-plus-award-fee contracts best practices, notes that the value added to a program by using an award fee-type contract must be greater than the costs to administer it. A recent Office of Management and Budget memorandum reinforced this requirement by directing contracting officers to conduct risk and cost-benefit analyses when determining whether to use award fee contracts. Contracting officers should prepare the analyses in writing and obtain higher level approval before awarding such a contract.

CBP could not provide documentation related to its pre-award decisions. Federal regulations require that contract files include documentation on why the agency selected the particular contract type. However, the only documentation CBP had available—June 17, 2004, meeting notes—indicates that the vendor (Chenega) suggested that the cost-plus-award-fee contract was the “right fit.” These notes also state that it “took time for CBP to understand and adopt the cost-plus-award-fee contract type,” without elaboration.

**Award Fees**

The performance standards for earning awards fees were not designed to motivate excellence in acquisition outcomes. About 20% of award fees CBP paid did not relate to cost, schedule, or

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7 FAR, §16.405-2(b)(1)(iii) and (c)(2), Cost-Plus-Award-Fee Contracts.
10 FAR, §16.103(d), *Negotiating Contract Type*. 

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technical performance outcomes. In addition, the performance standards for most of the other 80% of awards were compliance based, rather than based on a level of quality. The standards did not give an incentive for the contractor to improve and innovate over time. In addition, supporting documentation for some awards was incomplete, missing, or insufficient to justify the performance score.

**Cost, Schedule, and Technical Performance**

About $1.6 million (20%) of the award fees CBP paid did not relate to measures of acquisition outcomes, shown as “Other” in Table 2. For example, the contractor earned award fees for responding to government requests for ad hoc reports, which CBP scored for completeness, timeliness, and accuracy. About $6.4 million (80%) of the $8.1 million in award fees related to cost, schedule, and technical performance outcomes, including $3.9 million (48.3%) for requirements related to technical performance. Almost $2.0 million (about 25%) of award fees CBP paid related to schedule outcomes, and $516,521 (about 6.4%) related to cost.

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Award Fees Paid</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Performance</td>
<td>3,905,998</td>
<td>48.3</td>
</tr>
<tr>
<td>Schedule</td>
<td>1,985,835</td>
<td>24.6</td>
</tr>
<tr>
<td>Cost</td>
<td>516,521</td>
<td>6.4</td>
</tr>
<tr>
<td>Technical Performance and Schedule</td>
<td>79,109</td>
<td>1.0</td>
</tr>
<tr>
<td>Other</td>
<td>1,598,946</td>
<td>19.8</td>
</tr>
<tr>
<td><strong>CBP Rounding Error</strong></td>
<td><em>(58)</em></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>8,086,351</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: OIG analysis of agency data.

**Compliance-Based Standards**

The bases for most awards—the performance standards—measured compliance, rather than a level of excellence. That is, the contractor either complied or did not comply with a performance standard. Linking award fees to a level of quality would meet more closely the regulatory intent that award fees should motivate excellence. The evaluations CBP conducted...
according to the QASP were insufficient to assess excellence (appendix G).

For example, CBP paid the contractor $687,535 in award fees (8.5% of award fees paid through September 2007) for providing monthly contract performance ($351,953) and logistics performance ($335,582) reports. Specifically, the contractor reported monthly to CBP on the average cost for providing training and preventative and corrective maintenance applicable to specified types of equipment. The contractor also compared the current month’s performance to that of previous months in the performance period. If CBP determined that the reports were timely and 99% error free, the contractor earned a high score and most or all of this requirement’s award fee.

For another performance requirement, inspecting newly procured hand-held enforcement technology equipment, CBP paid the contractor $375,089 in award fees (4.6% of award fees paid through September 2007). To earn high scores, the contractor documented its inspection of 100% of the previous month’s new handheld enforcement equipment.

Other examples of the compliance orientation of the performance standards include CBP’s paying the contractor $568,107 in award fees (7.0% of award fees paid through September 2007) for responding to government requests for ad hoc reports. CBP also paid the contractor $470,840 (5.8% of award fees paid through September 2007) for reporting on discussions of day-to-day management functions and the status of accomplishing contract requirements.

The one partial exception to the compliance orientation was the performance standard for customer wait time improvement, a component of the customer wait time performance requirement. This standard requires the contractor to demonstrate a qualitative improvement in order to earn an award fee. CBP paid $236,101 (2.9% of award fees paid through September 2007) to the contractor for reducing wait times 5% in each performance period.

The award fees generally did not give the contractor an incentive to improve and innovate over time. Some performance standards did not challenge the contractor, and the contractor consistently received the highest possible scores for compliance. According to the best practices report, the government may unilaterally revise its contractor evaluation plan as priorities change and may adjust

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evaluation weights to redirect contractor emphasis to areas needing improvement.\textsuperscript{11}

For this contract, CBP gave the contractor an outstanding score (between 95\% and 100\%) on approximately one-fourth of the performance requirements in almost all rating periods (appendix F). On 3 of 22 performance requirements (\textit{inspection of newly procured hand-held enforcement technology, inspection of repaired hand-held enforcement technology, and customer wait time improvement}), the contractor achieved outstanding scores in all periods rated. For another two performance requirements, the contractor received the highest scores in 5 of 7 periods for training instructor evaluations, and 6 of 7 periods for ISO\textsuperscript{12} implementation. In the most recent 4 performance periods, the contractor scored less than 50\% on 1 out of 75 scores.

As of December 1, 2007, CBP began implementing a significantly revised QASP. The first performance period under the new QASP concluded on March 30, 2008. As of May 2008, CBP had not completed the award fee determination for this performance period. The new QASP includes performance standards and evaluation criteria for 7 of 19 requirements that CBP believes will measure whether the contractor exceeded compliance-level performance. CBP removed from the new version some of the examples cited above that were not designed to motivate excellence. However, the new QASP retains some compliance-based standards. CBP should continue improving the QASP until all standards are designed to motivate excellence in acquisition outcomes.

\textbf{Award Fee Justification and Documentation}

CBP did not justify paying some award fees to its contractor. Some documentation did not demonstrate that the contractor met the performance standard; other documentation was incomplete or missing.

In each performance period, CBP took an award action for each of the performance requirements, leading to 154 award actions for the first 8 performance periods. Our sample for detailed review consisted of the 12 actions worth more than $100,000 each.\textsuperscript{13}

\textsuperscript{11} National Aeronautics and Space Administration, \textit{Award Fee Contracting Guide}, June 27, 2001.
\textsuperscript{12} International Standards Organization standards for good business practices.
\textsuperscript{13} After we completed our fieldwork, CBP awarded the contractor an additional four actions worth more than $100,000 each. We did not include these in our sample.

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These sample actions, about 8% of all award actions, total almost $1.6 million and represent about 19% of the award fees CBP paid the contractor through September 2007.

CBP’s internal audit documentation was complete for 9 of the 12 actions in our sample (Table 3). Documentation consisted of CBP’s audit evaluation forms and the supporting documentation for each month of the rating period. This documentation adequately justified seven actions based on the standards in place at the time.

Table 3: Justification for Sample Award Actions

<table>
<thead>
<tr>
<th>Documentation</th>
<th>Number</th>
<th>Dollars</th>
<th>Percentage of Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete and Justifies Award</td>
<td>7</td>
<td>929,126</td>
<td>60.0</td>
</tr>
<tr>
<td>Complete but Does Not Justify Award</td>
<td>2</td>
<td>281,033</td>
<td>18.0</td>
</tr>
<tr>
<td>Incomplete</td>
<td>1</td>
<td>111,589</td>
<td>7.0</td>
</tr>
<tr>
<td>Not Available</td>
<td>2</td>
<td>237,328</td>
<td>15.0</td>
</tr>
<tr>
<td>TOTAL Sample</td>
<td>12</td>
<td>1,559,076</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: OIG analysis of agency data.

The documentation for two actions does not justify CBP’s awards. First, the *customer wait time* rating was inflated. Evaluators credited the contractor for timely responses on some equipment maintenance requests but did not reduce the contractor’s performance rating for untimely responses on similar requests. Second, CBP paid 89% of the fees available for the *managerial functions* requirement, although the performance monitors reported that the contractor provided the required reports either late or not at all. CBP’s board did not document any additional details to indicate that the contractor performed satisfactorily on this requirement.

We could not determine whether 3 of the 12 actions in our sample worth more than $348,000 (22%) were justified. Documentation for 3 months of activity was missing for the relocated equipment action. The oldest two actions in our sample had no supporting documentation. Because CBP could not provide us with supporting documentation, we do not know whether the award fees paid were justified.
Performance-based and Alpha Contracting Training and Experience

Staff who developed the contract had limited training and experience with alpha contracting and performance-based contracts, some CBP officials told us. Consequently, the effort had higher acquisition risk than necessary, and the acquisition was less likely to meet or exceed cost, schedule, and performance objectives and provide the best value to the government.

CBP used alpha contracting practices to award the cost-plus-award-fee contract. These practices emphasize concurrent processing and a close relationship between the government and the vendor. The contractor benefits significantly from reduced proposal preparation costs. Because alpha contracting is a negotiation, the government needs experienced staff to protect the public interest during the process.

CBP’s lack of experience in this area raises concerns as to whether the agency had adequate control of the alpha contracting proceedings. Meeting notes from June 17, 2004, indicate that the vendor (Chenega) suggested the alpha contracting. According to one CBP official involved in this contract award process, none of the government negotiators had specialized alpha contracting training or experience before this procurement. This official did not know whether CBP documented the alpha contracting sessions.

Instead of using a detailed statement of work or performance work statement, CBP awarded this contract with a statement of objectives: “. . . the [contractor] shall be responsible for [1] enforcement technology that is mission capable and available to the CBP officers, and [2] training competent, confident, and effective equipment operators throughout the lifetime of the enforcement equipment.” This lack of detail might have contributed to the QASP deficiencies we identified in providing the basis for award fees that motivate excellent contractor performance. CBP’s July 30, 2004, risk analysis of the contract noted that the lack of a statement of work “casts an appearance of a significant lack of accountability for [Chenega] expenditures.”

Performance-based contracting is more complex than traditional procurement approaches. Successful performance-based contracting requires more effort and smarter processes to administer and oversee. “Developing an approach to measuring and managing performance is a complex process . . . as important

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as developing the Statement of Work or the Statement of Objectives,” according to federal interagency guidance.¹⁴

The CBP official responsible for developing performance standards for this contract took one general performance-based contracting course and received no training specific to managing cost-plus-award-fee contracts. She told us that she gained much of her experience through on-the-job training and that lack of time was the main reason she had no additional training. This official was the only individual in the program office who had received performance-based contracting training.

According to the Office of Management and Budget, “Effective training is crucial to the successful implementation of [performance-based contracting] . . . Agency acquisition workforce policy should include these [performance-based contracting] training requirements at the appropriate level for all members of the acquisition workforce.”¹⁵ In addition, according to interagency guidance, performance-based contracting teams “Are not a ‘training ground.’ They’re a field of operation for . . . people who are among the best in their fields and have a grounding in, or have been trained[,] in acquisition.”¹⁶

Performance evaluators for this contract told us that they needed more training, in part to eliminate the contractor personnel’s perception that the evaluators were not familiar enough with the equipment subject to evaluation. One performance evaluator told us, “It is usually expected that new evaluators have already had training regarding quality assurance; however, this is usually not the case.”

Choosing a performance-based contract negotiated through alpha contracting significantly increased CBP’s acquisition risk compared to a traditional contract structure and award process. CBP should develop policies and procedures that specify circumstances that warrant alpha contracting. If CBP wants to use alpha contracting again, it should increase the level of specialized training for its staff. As noted above, performance-based contracting also requires training.

¹⁵ Office of Management and Budget, Memorandum from Paul Dennett, Administrator, Office of Federal Procurement Policy, to Chief Acquisition Officers and Senior Procurement Executives, May 22, 2007.
Conclusions

Fixed-priced contracts generally provide the lowest cost risk to the government. Because CBP, with untrained and inexperienced staff, chose to negotiate a cost-plus-award-fee contract with alpha contracting, it increased the level of risk and reduced the likelihood that the procurement would provide the best value. Moreover, basing award fees on standards with a compliance, rather than quality, orientation meant that CBP did not receive the full benefit of using a cost-plus-award-fee contract. CBP implementation of our recommendations will increase the likelihood that it will improve the cost-effectiveness of this and future procurements.

Recommendations

We recommend that the Commissioner:

**Recommendation #1:** Determine whether exercising option years on the current cost-plus-award-fee contract will provide the best value for enforcement equipment maintenance and field operations support, and if not, develop and implement a new acquisition strategy to procure these services.

**Recommendation #2:** Revise the QASP for this contract to ensure that award fees are designed to motivate excellence in acquisition outcomes.

**Recommendation #3:** Establish and implement policies and procedures that specify the appropriate circumstances for

a) Cost-plus-award-fee contracts and ensure that performance requirements motivate excellence and successful acquisition outcomes.

b) Alpha contracting and ensure that staff adequately document related discussions, negotiations, and outcomes.

**Recommendation #4:** Develop internal controls to ensure that official contract files contain adequate documentation by performance requirement to justify award fees paid.

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**Recommendation #5:** Provide additional training to employees responsible for conducting quality assurance activities on the enforcement equipment maintenance and field operations support contract.

**Management Comments and OIG Analysis**

The CBP Director, Office of Policy and Planning, provided written comments on our draft report. In general, CBP concurred with four of the recommendations and partially concurred with recommendation #3. In addition, CBP provided technical comments on some areas in the report. We reviewed the technical comments and incorporated the changes into the final report, as appropriate.

CBP concurred with recommendation #1, to determine whether exercising option years on the current contract will provide the best value. CBP completed a best-value analysis, dated July 15, 2008, which showed that Chenega was providing the best value for enforcement equipment maintenance and field operations support. CBP made its final determination to continue with the current contractor on August 19, 2008, based on this analysis. CBP’s July 2008 analysis did not include an evaluation of the contract type: cost-plus-award-fee versus other contract types. CBP disagreed that the cost-plus-award fee was an improper contract type. CBP provided an explanation where a fixed price contract would not address CBP responsibilities. However, this explanation does not justify CBP’s use of a prohibited contract type. We believe CBP should perform a complete analysis, including a legal review, to determine the proper contract type. We consider this recommendation to be unresolved and request CBP provide additional information.

CBP concurred with recommendation #2, to revise the QASP to make sure that award fees are designed to motivate excellence in acquisition outcomes. CBP commented that it has worked to improve the metrics and surveillance measures in the QASP and is revising the plan to include performance-based metrics, designed to continuously improve performance throughout the life of the contract. CBP’s target date for completion of the revised plan is March 31, 2009. We consider this recommendation resolved, but it will remain open until CBP provides us documentation on the revised QASP.
CBP partially concurred with recommendation #3, to establish and implement policies and procedures that specify the appropriate circumstances for using cost-plus-award-fee contracts and alpha contracting. In its response to recommendation #3a, CBP refers to its continuing reliance on current laws and procedure, specifically, Federal Acquisition Regulation Part 16.405-2, *Cost-Plus-Award Fee Contracts*, and Homeland Acquisition Manual 3016.4, *Types of Contracts*, as its justification for not establishing internal policies. While we agree that any organization within DHS should rely on these documents to support contract decisions, our recommendation was designed to go beyond the current prescribed regulatory requirements to more specific local guidance.

CBP concurred with recommendation #3b, stating that it would establish standard operating procedures to address using alpha contracting and formally documenting related discussions, negotiations, and outcomes. CBP’s target date for completing the standards is March 31, 2009. This recommendation will remain open until CBP provides us with standard operating procedures that specify the appropriate circumstances for using cost-plus contracts, performance requirements, and alpha contracting.

CBP concurred with recommendation #4, to develop internal controls to make sure official contract files contain adequate documentation to support the award fees paid for each performance requirement. CBP stated that its Enforcement Technology Office added an additional review of the Award Fee Review Board decisions and quality assurance documentation to justify and support award fees it paid. CBP stated that it would incorporate these changes into its standing operating procedures by December 31, 2008. We consider this recommendation resolved but open until CBP provides us with documentation that supports the implementation of these additional internal controls.

CBP concurred with recommendation #5, to provide additional training to its employees responsible for conducting quality assurance activities on the enforcement equipment maintenance and field operations support contract. CBP noted that many of the Office of Information Technology managers, including four current managers, are now project management certified. CBP provided documentation that showed enforcement technology personnel had completed a course on managing performance-based
service awards. Additional classes in quality assurance and performance metrics will be scheduled for employees, and CBP is researching the availability of technical training on equipment inventory management for its quality assurance personnel. We believe these steps satisfy the intent of the recommendation, which we consider resolved and closed.
Appendix A
Purpose, Scope, and Methodology

Our objectives were to determine whether (1) the selected contract type was suitable; (2) Customs and Border Protection paid award fees based on contractor excellence; and (3) Customs and Border Protection had adequate expertise to develop a performance-based contract with expedited negotiating procedures.

This audit was limited in scope to address Senator Clinton’s concerns specific to CBP’s contract with Chenega. We conducted audit fieldwork at CBP’s Procurement Directorate in Washington, DC, and the office of the contracting officer’s technical representative in Lorton, VA.

To determine whether CBP implemented effective processes and mechanisms to administer these award fees, we reviewed applicable laws, regulations, policies, and procedures. We interviewed personnel at CBP’s Enforcement Technology Program center in Lorton, VA. Interviewees included those responsible for the administration of this contract and those who conduct field audits to evaluate the contractor’s performance. We reviewed CBP’s policies and procedures regarding the award fee determination process.

In addition, we reviewed the Inspector General’s prior audit report on CBP’s award and oversight of the enforcement equipment maintenance and field operations support contract, and other reports related to award fees.

We used the following criteria:
• Public Law 110-28, Section 3502, May 25, 2007
• Federal Acquisition Regulation Definitions of Words and Terms (Part 2); Special Requirements for the Acquisition of Commercial Items (Part 12); and Types of Contracts (Part 16)
• Office of Management and Budget Memorandum: Appropriate Use of Incentive Contracts, December 4, 2007
• Contract TC-03-036 / HSBP1004C00193
• Homeland Security Acquisition Regulations and Manual
• Other federal best practices, including those of the National Aeronautics and Space Administration and the U.S. Air Force.

To determine whether CBP conducted effective oversight of the contractor’s performance, we analyzed 12 of the 154 transactions linked to performance requirements individually valued at more than $100,000. The fees awarded in these 12 transactions represent more than 19% of the total award fees paid for

CBP Award Fees for Enforcement Equipment Maintenance and Field Operations Support Contract
Appendix A
Purpose, Scope, and Methodology

performance through September 2007. We did not review the four transactions valued at more than $100,000 for contractor performance between April and September 2007, because CBP did not finalize the award fee determination for this performance period until after we completed our audit fieldwork.

We conducted this performance audit between January and February 2008 under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
MEMORANDUM FOR RICHARD L. SKINNER
INSPECTOR GENERAL
DEPARTMENT OF HOMELAND SECURITY

FROM: Director   
Office of Policy and Planning

SUBJECT: Response to the Office of Inspector General’s Draft Report
Entitled, “Customs and Border Protection Award Fees for Enforcement Equipment Maintenance and Field Operations Support Contract”

Thank you for providing us with a copy of your draft report entitled, “Customs and Border Protection Award Fees for Enforcement Equipment Maintenance and Field Operations Support Contract” and the opportunity to discuss the issues in this report. This report addresses the award fees that U.S. Customs and Border Protection (CBP) paid to Chena Technology Services Corporation (CTSC) for enforcement equipment maintenance and field operations support. The report identifies measures that CBP can take that will result in more effective, efficient, and economical operations.

In the report the Office of the Inspector General (OIG) makes five recommendations that are directed to CBP. CBP concurs with four of the recommendations and partially concurs with recommendation three in the attached plan.

The OIG recommended that CBP determine whether exercising option years on the current cost-plus-award-fee contract will provide the best value for enforcement equipment maintenance and field operations support, and if not, develop and implement a new acquisition strategy to procure these services. CBP concurs with the OIG’s recommendation and can report to the OIG that a Cost Benefit Analysis has been completed. This Cost Benefit Analysis was used as one of the factors to determine if this contract should be re-competed. Final determination was made on August 19, 2008, that the best value to the government will be to continue with the current contractor.

With regard to award fees, the OIG stated that the performance standards for earning award fees were not designed to motivate excellence in acquisition outcomes, that is, achieving or exceeding cost, schedule, and technical performance objectives. CBP plans to revise the Quality Assurance Surveillance Plan (QASP) for this contract to ensure that award fees are designed to motivate excellence in acquisition outcomes. CBP has strived to improve the QASP by adding additional performance measures to improve CTSC performance in different areas and increase the required performance of others. We believe CTSC has improved over the last four years as a direct result of
the incentives they received and did not receive. As part of our commitment toward improving our process, CBP has added an additional review by the Award Fee Review Board (AFRB). This process is given high visibility by CTSC senior management and scores are discussed in great detail with CBP senior management to understand how to best improve the process. The AFRB has downgraded scores due to performance and this contract methodology has allowed us a way to focus CTSC senior management on areas where there is a need for improvement. CBP has continually worked to improve the metrics and surveillance measures in the QASP and is currently revising the QASP to establish metrics that are performance based. The QASP will be continuously improved in an ongoing manner, throughout the life of the contract.

Finally, the OIG noted that the cost-plus-award fee was an improper contract type for fulfilling enforcement equipment maintenance and field operations support needs. CBP disagrees that the wrong type of contract was selected. The CBP Office of Finance and the Small Business Advocate strongly endorsed CTSC as the Prime and the type of contract that was eventually awarded. CBP concurs that a fixed price contract is a viable instrument to acquire supplies and services for preventive maintenance activities which are typically scheduled to be performed at set intervals. However, fixed price would not address CBP responsibilities such as corrective maintenance, surge requirements, unplanned re-deployments, and accident restoration. We disagree with the OIG position that a fixed price contract was appropriate at award of the Prime Integration Contract (PIC). Failures and corresponding repair occur randomly and are influenced by operational environment, frequency of operation, and age. There are indeed significant costs and performance risks inherent in large scale logistics programs. Inherent in the PIC is the concept of scalability. CBP has realized expansive growth in inventory, acquisition of additional complex equipment from new vendors, emergency relocation of equipment and assimilation of equipment from other organizations within DHS. A fixed price contract does not provide the flexibility to provide timely support of emergent and undefined requirements, such as those of the Office of Border Patrol and the Department of Agriculture. We have also expanded our maintenance support internationally with the emergence of the Container Security Initiative and Secure Freight Initiative.

Attached are comments specific to all five of the recommendations and any required supporting documentation. A line-by-line, general-technical-sensitivity review of the OIG draft report was conducted by CBP. CBP did not identify any sensitive information that would require a “For Official Use Only” designation.

If you have any questions, regarding this response, please contact me or have a member of your staff contact Ms. Patty Quintana, CBP Audit Liaison, Office of Policy and Planning, at (202) 344-1038.

Attachments
CBP Response to OIG Draft Report: CBP Award Fees for Enforcement Equipment
Maintenance and Field Operations Support Contract

Corrective Action Plans

Recommendation 1: Determine whether exercising option years on the current cost-plus-award-fee contract will provide the best value for enforcement equipment maintenance and field operations support, and if not, develop and implement a new acquisition strategy to procure these services.

Response: CBP concurs and has completed a Cost Benefit Analysis to determine if the current contract is providing the best value for the government. This Cost Benefit analysis was used as one of the factors to determine if this contract should be re-competed. Final determination was made on August 19, 2008 that the best value to the government will be to continue with the current contractor. (Supporting Documentation Attached)

Due Date: CBP recommends that Recommendation 1 be closed.

Recommendation 2: Revise the Quality Assurance Surveillance Plan for this contract to ensure that award fees are designed to motivate excellence in acquisition outcomes.

Response: CBP Concurs. From the inception of this contract CBP has continually worked to improve the metrics and surveillance measures in the Quality Assurance Surveillance Plan (QASP). Currently, CBP is revising the QASP to establish metrics that are performance based. The QASP will be continuously improved in an ongoing manner, throughout the life of the contract.

Due Date: March 31, 2009

Recommendation 3: Establish and implement policies and procedures that specify the appropriate circumstances for:

(a) Cost-plus-award-fee contracts and ensure that performance requirements motivate excellence and successful acquisition outcomes.

(b) Alpha contracting and ensure that staff adequately document related discussions, negotiations, and outcomes.

Response: CBP Partially Concurs.

(a) CBP will continue to rely upon current law and procedure, specifically Federal Acquisition Regulation Part 16.405-2, Cost-Plus-Award-Fee Contracts and Homeland Security Acquisition Manual 3016.4, Types of Contracts.
(b) CBP will establish a Standard Operating Procedure (SOP) to address the use of alpha contracting and the documentation of related discussions, negotiations, and outcomes.

Due Date: March 31, 2009

Recommendation 4: Develop internal controls to ensure that official contract files contain adequate documentation by performance requirement to justify award fee paid.

Response: CBP Concur. CBP is committed to improving its process and procedures regarding documentation of award fees. The Enforcement Technology Program Office (ETP) has added an additional review of the Award Fee Review Board (AFRB) and Quality Assurance (QA) documentation to ensure completeness. ETP will incorporate these internal control practices into a standard operating procedure.

Due Date: December 31, 2008

Recommendation 5: Provide additional training to employees responsible for conducting quality assurance activities on the enforcement equipment maintenance and field operations support contract.

Response: CBP Concur. The OIG makes a valid point that lack of training existed at the inception of this contract. It should be noted that many of the Office of Information Technology managers are now Project Management certified to include four of the current ETP managers. ETP personnel are scheduled to attend a course on Managing Performance-Based Service Awards. Additional classes in quality assurance and performance metrics will be scheduled for employees. CBP is also researching getting our Quality Assurance Team members more technical training on the inventory of equipment. This would be in addition to the technical training that they already receive in performance of their duties. (Supporting Documentation Attached)

Due Date: CBP recommends that Recommendation 5 be closed.
Mr. Richard L. Skinner  
Inspector General  
United States Department of Homeland Security  
Washington, D.C. 20528  

Dear Mr. Skinner:

I write regarding a disturbing report you issued last month that raises serious questions about contracting practices at the Department of Homeland Security (DHS). The report — Customs and Border Protection Award and Oversight of Alaska Native Corporation Contract for Enforcement Equipment Maintenance and Field Operations Support (OIG-08-10) — details how DHS improperly awarded a $475 million, no-bid contract to Chenega Technology Services Corporation to maintain X-ray, radiation and other screening machines at U.S. border checkpoints. Your report concludes the contract "likely did not provide the government the best value" and that DHS "did not comply with federal regulations."

Additionally, your staff informs me that award fees were given to Chenega as a part of its contract with DHS. Given that your report did not focus on award fees to Chenega, the details of these fees are unclear. However, taken together with your conclusion that the Department improperly awarded the underlying contract to Chenega, it is disturbing to hear that DHS has provided an award fee to this corporation.

This disconnect between performance and award fees appears to be part of a troubling pattern. The Federal Acquisition Regulations (FAR) state clearly that cost-based award fee contracts are intended to motivate excellent contractor performance in areas such as quality, timeliness, technical ingenuity, and cost-effective management. Despite this guidance, during the course of the past several years there have been a number of reports documenting how award fees are being doled out by DHS to contractors regardless of performance:

- Evaluation of TSA’s contract for the installation and maintenance of explosive detection equipment at United States Airports (DHS Inspector General, September 2004) — TSA awarded a contract to Boeing for the installation and maintenance of explosive detection equipment at airports. TSA paid more than $44 million to Boeing without any evaluation of Boeing’s performance.

- Transportation Security Administration Review of the TSA Passenger and Baggage Screening Pilot Program (DHS Inspector General, September 2004) — TSA awarded four pilot program contracts to determine whether private companies could provide and maintain passenger screening performance at levels equal to or greater than the TSA screener force. The Inspector General found the award fee determinations lacked
performance criteria, were highly subjective and based primarily on contractor self-
assessments and input from TSA officials.

- Observations on the Department of Homeland Security’s Acquisition Organization and
  on the Coast Guard’s Deepwater Program (GAO-07-453T) (February 8, 2007) – GAO
  found that despite documented problems in schedule, performance, cost control, and
  contract administration throughout the first year of the Deepwater contract, the contractor
  had received a rating of 87 percent, which fell in the “very good” range and resulted in an
  award fee of $4 million.

  In too many cases, DHS appears to be awarding bonuses despite poor performance, or
  worse, without even evaluating work. Failing contractors should be rooted out, not rewarded.
  Given your report of what appears to be noncompliant federal contracting practices on the part of
  the DHS and a pattern of providing award fees to contractors without justification, I request that
  you expand your investigation into the practice of award fees by the Department, especially
  when it comes to no-bid contracts. Specifically, I would ask that your investigation review the
  following questions:

  - Section 3501 of the U.S. Troop Readiness, Veterans’ Care, Katrina Recovery, and Iraq
    Accountability Appropriations Act, 2007 (P.L. 110-28) states, “The Secretary of
    Homeland Security shall require that all contracts of the Department of Homeland
    Security that provide award fees link such fees to successful acquisition outcomes (which
    outcomes shall be specified in terms of cost, schedule, and performance).” DHS has
    engaged in a number of contracts in Fiscal Year 2007. How many of these contracts
    included award fees and were these award fees based on successful acquisition
    outcomes? What was the total amount of these award fees?

  - Did the Department of Homeland Security violate P.L. 110-28 in providing award fees to
    contractors Fiscal Year 2007?

  - Were award fees given to Chenaq Technology Services Corporation justified and based
    on successful acquisition outcomes?

  - What mechanisms are currently in place at DHS to ensure that award fees are awarded in
    a proper manner? Are these mechanisms enforced in providing award fees for DHS
    contracts? What can the Department of Homeland Security do to ensure that award fees
    are justified and based on successful acquisition outcomes?

  Thank you for your attention to this matter.

  Sincerely,

  Hillary Rodham Clinton

CBP Award Fees for Enforcement Equipment
Maintenance and Field Operations Support Contract

Page 24
Quality assurance (QA) manager and performance monitors perform monthly audits using Quality Assurance Surveillance Plan.

QA manager analyzes inputs from audits.

QA manager computes semiannual numeric rating and provides numeric rating to performance coordinator.

Performance coordinator uses the rating table to determine the award fee percentage.

Each Award Fee Review Board (AFRB) voting member reviews the numeric rating and either concurs or nonconcurs with the recommended award fee percentage.

AFRB chairperson reviews recommendation and arrives at a resolution.

AFRB chairperson prepares cover letter for award fee recommendation to award fee determining official.

Award fee determining official makes final fee determination and notifies contracting officer.

Contracting officer prepares award fee determining official's letter to contractor and modifies contract.

Source: U.S. Customs and Border Protection
Appendix E
Schematic of Award Fee Process

Source: OIG analysis

[Diagram showing the award fee process with details on performance periods, requirement weights, ratings, and award fees.]
## Appendix F
### Award Fee Percentage Paid, by Performance Requirement and Period

<table>
<thead>
<tr>
<th>±</th>
<th>Performance Requirement</th>
<th>Percentage by Performance Period</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Preventative Maintenance</td>
<td>75.0 50.0 50.0 50.0 75.0 100.0 100.0</td>
<td>$324,471</td>
</tr>
<tr>
<td>2</td>
<td>Corrective Maintenance</td>
<td>100.0 100.0 85.0 50.0 75.0 75.0 100.0</td>
<td>$395,728</td>
</tr>
<tr>
<td>3</td>
<td>Inspection of Newly Procured Hand-Held Enforcement Technology</td>
<td>95.0 100.0 100.0 100.0 100.0 100.0 n.a.</td>
<td>$375,089</td>
</tr>
<tr>
<td>4</td>
<td>Inspection of Repaired Hand-Held Enforcement Technology</td>
<td>99.6 100.0 100.0 100.0 100.0 100.0 n.a.</td>
<td>$379,172</td>
</tr>
<tr>
<td>5a</td>
<td>Customer Wait Time</td>
<td>85.0 100.0 100.0 100.0 79.8 50.0 100.0</td>
<td>$489,076</td>
</tr>
<tr>
<td>5b</td>
<td>Customer Wait Time Improvement</td>
<td>100.0 100.0 100.0 100.0 ** 100.0 n.a.</td>
<td>$236,101</td>
</tr>
<tr>
<td>6</td>
<td>Enforcement Technology Changes and Modifications</td>
<td>n.a. n.a. n.a. n.a. n.a. 75.0 80.0</td>
<td>$ 65,757</td>
</tr>
<tr>
<td>7</td>
<td>Enforcement Technology Equipment Relocation</td>
<td>75.0 75.0 92.0 100.0 88.2 100.0 n.a.</td>
<td>$559,798</td>
</tr>
<tr>
<td>8</td>
<td>Operations Center Status Boards</td>
<td>60.0 92.3 25.0 100.0 100.0 90.3 --0--</td>
<td>$165,864</td>
</tr>
<tr>
<td>9</td>
<td>Operations Center Response</td>
<td>97.6 97.1 97.0 100.0 96.4 94.1 80.0</td>
<td>$228,642</td>
</tr>
<tr>
<td>10</td>
<td>Training Customs Officers</td>
<td>100.0 100.0 100.0 100.0 75.0 85.0 90.0</td>
<td>$791,134</td>
</tr>
<tr>
<td>11</td>
<td>Training Instructor Evaluation</td>
<td>99.2 100.0 100.0 100.0 100.0 100.0 90.0</td>
<td>$251,622</td>
</tr>
<tr>
<td>12</td>
<td>Training Student Documentation</td>
<td>100.0 100.0 100.0 100.0 --0-- n.a. 90.0</td>
<td>$141,798</td>
</tr>
<tr>
<td>13</td>
<td>Training Certificates</td>
<td>n.a. n.a. n.a. n.a. n.a. 100.0 90.0</td>
<td>$ 41,134</td>
</tr>
<tr>
<td>14</td>
<td>Management of Subcontractors</td>
<td>n.a. n.a. n.a. n.a. n.a. 85.0 75.0</td>
<td>$ 96,537</td>
</tr>
<tr>
<td>15</td>
<td>Background Investigation Paperwork</td>
<td>n.a. n.a. n.a. n.a. n.a. 92.7 --0--</td>
<td>$ 38,909</td>
</tr>
<tr>
<td>16</td>
<td>Logistics Performance Reports</td>
<td>90.0 100.0 100.0 89.0 29.9 100.0 n.a.</td>
<td>$335,582</td>
</tr>
<tr>
<td>17</td>
<td>Contract Performance Reports</td>
<td>85.0 94.0 100.0 100.0 78.6 100.0 n.a.</td>
<td>$351,953</td>
</tr>
<tr>
<td>18</td>
<td>Invoices</td>
<td>87.0 94.0 55.0 100.0 66.7 84.6 84.0</td>
<td>$435,383</td>
</tr>
</tbody>
</table>
### Appendix F

**Award Fee Percentage Paid, by Performance Requirement and Period**

<table>
<thead>
<tr>
<th>±</th>
<th>Performance Requirement</th>
<th>Award Fees Paid</th>
<th>Percentage by Performance Period *</th>
<th>Total Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>6th</td>
<td>7th</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Managerial Functions</td>
<td>n.a.</td>
<td>89.0</td>
<td>62.0</td>
</tr>
<tr>
<td>20</td>
<td>Ad Hoc and Monthly Reports</td>
<td>50.0</td>
<td>100.0</td>
<td>86.0</td>
</tr>
<tr>
<td>21</td>
<td>Quality</td>
<td>75.0</td>
<td>100.0</td>
<td>69.0</td>
</tr>
<tr>
<td>22</td>
<td>ISO Implementation</td>
<td>100.0</td>
<td>100.0</td>
<td>79.0</td>
</tr>
<tr>
<td>23</td>
<td>Response to Training Requests</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>24</td>
<td>Central Training Materials Library</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

± Audit table from quality assurance surveillance plan.


3rd Period: Sept. 11, 2004 to Mar. 11, 2005

2nd Period: Mar. 12, 2004 to Sept. 10, 2004


2nd Period: Mar. 12, 2006 to Sept. 30, 2006

CBP did not use the requirements in this table for the 1st performance period, which was a transition from the previous contractors to the current contractor.

 Combined with customer wait time.

n.a. CBP determined that this requirement would not be evaluated for this period.

Source: OIG analysis of agency data.
## Appendix G
Cumulative Award Fees Paid, by Performance Requirement, Through September 2007

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Standard</th>
<th>Measure</th>
<th>Category *</th>
<th>Award Fees Paid</th>
<th>Percentage of Total</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training Customs Officers</td>
<td>Not less than 85% of students in each class answer correctly 80% of the instructor’s questions.</td>
<td>Standardized written questions administered periodically during the training session.</td>
<td>Technical Performance</td>
<td>791,134</td>
<td>9.8</td>
<td>1</td>
</tr>
<tr>
<td>Ad Hoc and Monthly Reports</td>
<td>Ad hoc reports as requested by the government are provided timely, accurately, and completely.</td>
<td>Unscheduled reports will be provided, as required.</td>
<td>Other</td>
<td>568,107</td>
<td>7.0</td>
<td>2</td>
</tr>
<tr>
<td>Enforcement Technology Equipment Relocation</td>
<td>(a) Disassembled and ready for transport within 3 workdays of work start.</td>
<td>For standards (a) and (b), database review, as needed.</td>
<td>Schedule</td>
<td>559,798</td>
<td>6.9</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>(b) Transported anywhere within the continental United States, excluding Alaska, in not more than 15 workdays.</td>
<td>For standard (c), customer surveys and field technician report reviews.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(c) Assembled, tested, and ready for service at receiving site in not more than 3 workdays after equipment reassembly starts.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Wait Time</td>
<td>Not longer than times specified in the contract. Improvements meet or exceed expectations.</td>
<td>Hourly baseline established for each evaluation period.</td>
<td>Schedule</td>
<td>489,076</td>
<td>6.0</td>
<td>4</td>
</tr>
<tr>
<td>Managerial Functions</td>
<td>At least 95% of program cost, schedule, and performance objectives are achieved.</td>
<td>Monthly meetings are held to brief costs, schedule, quality and performance, personnel, customer satisfaction, risk management and mitigation, and issues and resolution.</td>
<td>Technical Performance</td>
<td>470,840</td>
<td>5.8</td>
<td>5</td>
</tr>
<tr>
<td>Invoices</td>
<td>Reasonable, accurate, complete, and allocable invoices are submitted twice monthly.</td>
<td>Monthly and random audits. Monthly audits of cost to repair, cost per hour for preventative maintenance, and technical training cost per hour for subcontractors involved in nonintrusive inspection equipment.</td>
<td>Cost</td>
<td>435,383</td>
<td>5.4</td>
<td>6</td>
</tr>
<tr>
<td>Corrective Maintenance</td>
<td>In accordance with equipment manufacturers’ maintenance requirements.</td>
<td>Database reviews. Customer surveys after maintenance performed.</td>
<td>Technical Performance</td>
<td>395,728</td>
<td>4.9</td>
<td>7</td>
</tr>
</tbody>
</table>
## Appendix G
Cumulative Award Fees Paid, by Performance Requirement, Through September 2007

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Standard</th>
<th>Measure</th>
<th>Category *</th>
<th>Award Fees Paid</th>
<th>Percentage of Total</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inspection of Repaired Hand-Held Enforcement Technology Equipment</td>
<td>100% inspection.</td>
<td>Monthly reports.</td>
<td>Technical Performance</td>
<td>379,172</td>
<td>4.7</td>
<td>8</td>
</tr>
<tr>
<td>Inspection of Newly Procured Hand-Held Enforcement Technology Equipment</td>
<td>100% inspection.</td>
<td>Quality assurance manager conducts periodic walk-throughs.</td>
<td>Technical Performance</td>
<td>375,089</td>
<td>4.6</td>
<td>9</td>
</tr>
<tr>
<td>Contract Performance Reports</td>
<td>Contractor establishes contract performance figures, collects and analyzes the data, and reports results comparing current month with prior months. Each report is accurately prepared and presented monthly and not less than 99% error free.</td>
<td>Monthly review of records and reports.</td>
<td>Other</td>
<td>351,953</td>
<td>4.4</td>
<td>10</td>
</tr>
<tr>
<td>Logistics Performance Reports</td>
<td>Contractor establishes logistics performance figures, analyzes the data, and reports results. Reports are not less than 99% error free.</td>
<td>Monthly reviews of job code numbers on work breakdown schedule.</td>
<td>Other</td>
<td>335,582</td>
<td>4.1</td>
<td>11</td>
</tr>
<tr>
<td>Preventative Maintenance</td>
<td>In accordance with equipment manufacturers’ maintenance requirements.</td>
<td>Database reviews. Customer surveys after maintenance performed.</td>
<td>Schedule</td>
<td>324,471</td>
<td>4.0</td>
<td>12</td>
</tr>
<tr>
<td>ISO Implementation</td>
<td>Schedule is maintained.</td>
<td>Contractor status reports.</td>
<td>Technical Performance</td>
<td>259,000</td>
<td>3.2</td>
<td>13</td>
</tr>
<tr>
<td>Training Instructor Evaluation</td>
<td>Contracting officer’s technical representative receives not more than two valid complaints concerning quality of contractor and subcontractor’s instruction, during two or more classes, during a 1-month period.</td>
<td>Audits and reviews of student evaluation sheets.</td>
<td>Technical Performance</td>
<td>251,622</td>
<td>3.1</td>
<td>14</td>
</tr>
<tr>
<td>Customer Wait Time Improvement</td>
<td>Meets or exceeds expectations.</td>
<td>More than 5% = 100%; 4–4.99% = 90%; 3–3.99% = 80%; 2–2.99% = 70%; 1–1.99% = 60%; less than 1% = 40%</td>
<td>Technical Performance</td>
<td>236,101</td>
<td>2.9</td>
<td>15</td>
</tr>
</tbody>
</table>
## Appendix G
Cumulative Award Fees Paid, by Performance Requirement, Through September 2007

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Standard</th>
<th>Measure</th>
<th>Category *</th>
<th>Award Fees Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operations Center Response</strong></td>
<td>(a) Not less than 95% of incoming telephone calls are answered by a service desk person.</td>
<td>For standards (a) and (c), monthly reviews of telephone call and service action records.</td>
<td>Technical Performance</td>
<td>228,642</td>
</tr>
<tr>
<td></td>
<td>(b) 100% of incoming voicemail messages are answered within 24 hours of receipt.</td>
<td>For standard (b), monthly reviews of telephone calls.</td>
<td></td>
<td>2.8</td>
</tr>
<tr>
<td></td>
<td>(c) 100% of service action status is called back to the customer.</td>
<td></td>
<td></td>
<td>16</td>
</tr>
<tr>
<td><strong>Quality</strong></td>
<td>Contractor works with the government quality assurance manager to ensure that quality is addressed and monitored.</td>
<td>Periodic contractor meetings with the government.</td>
<td>Technical Performance</td>
<td>225,374</td>
</tr>
<tr>
<td><strong>Operations Center Status Boards</strong></td>
<td>Equipment not “fully” operational is displayed on a status board until repaired.</td>
<td>Monthly checks of status board accuracy.</td>
<td>Schedule</td>
<td>165,864</td>
</tr>
<tr>
<td><strong>Training Student Documentation</strong></td>
<td>Student sign-in sheets are delivered to registrar not more than 10 workdays after class completion or not later than last workday of the month in which training was completed, whichever occurs first.</td>
<td>Review of student sign-in sheets records and database entries.</td>
<td>Other</td>
<td>141,798</td>
</tr>
<tr>
<td><strong>Contractor Action Plan and Transition Plan</strong></td>
<td>Detailed action plan is provided within 30 days of contract award. Contractor completes transition within 4 months after contract award. Develops a plan to improve management and maintenance of the high-technology enforcement equipment.</td>
<td>Monthly progress review with contractor management team.</td>
<td>Schedule</td>
<td>121,707</td>
</tr>
<tr>
<td><strong>Management Reviews</strong></td>
<td>Program requirements are understood and met through establishment of a program office.</td>
<td>Monthly management reviews. Monthly cost, schedule, and status reviews are initiated. Quarterly progress reviews.</td>
<td>Schedule</td>
<td>115,621</td>
</tr>
<tr>
<td><strong>Management of Subcontractors</strong></td>
<td>Subcontractors work efficiently and effectively according to contractor-established maintenance, training, and logistics standards, as appropriate.</td>
<td>Monitoring of subcontractor performance, such as customer satisfaction, contractor-provided records, phone interviews, site visits, and invoices.</td>
<td>Technical Performance</td>
<td>96,537</td>
</tr>
</tbody>
</table>

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**CBP Award Fees for Enforcement Equipment**
**Maintenance and Field Operations Support Contract**

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### Appendix G
Cumulative Award Fees Paid, by Performance Requirement, Through September 2007

<table>
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<tr>
<th>Requirement</th>
<th>Standard</th>
<th>Measure</th>
<th>Category *</th>
<th>Award Fees Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost Control</strong></td>
<td>Contractor develops a cost structure for developing and operating the prime integration contract; uses the most cost-effective means to operate the prime integration contract; and maintains cost records for verification. Actual costs do not exceed 10% of planned costs in the first contract period.</td>
<td>Verify costs by audit. Quarterly spot audits.</td>
<td>Cost</td>
<td>81,138</td>
</tr>
<tr>
<td><strong>Financial Reports</strong></td>
<td>Contractor develops a financial reporting system that complies with standard accounting principles.</td>
<td>Financial reports approved and implemented.</td>
<td>Technical Performance</td>
<td>81,138</td>
</tr>
<tr>
<td><strong>Monthly Status Review Followups (Timely Corrective and Preventative Action)</strong></td>
<td>Corrective action to overcome noted deficiencies in achieving program objectives is initiated. At least 90% of previous quarter’s corrective actions are initiated by start of following quarter.</td>
<td>Followup reviews. Assessments of other program aspects to ensure that additional problems have not been created.</td>
<td>Technical Performance</td>
<td>77,081</td>
</tr>
<tr>
<td><strong>Enforcement Technology Equipment Changes and Modifications</strong></td>
<td>All Technology Support Branch-authorized changes and modifications are incorporated as specified.</td>
<td>Monthly reviews of database.</td>
<td>Other</td>
<td>65,757</td>
</tr>
<tr>
<td><strong>Takeover of Maintenance Contracts</strong></td>
<td>Contractor completes transition and takes full responsibility for National Technical Service Center and Field Technicians Maintenance within designated months after contract award. Develops plan to improve management and maintenance of the high-technology enforcement equipment.</td>
<td>Timely takeover of all current maintenance contracts. Progress review with the contractor management team.</td>
<td>Schedule</td>
<td>64,910</td>
</tr>
<tr>
<td><strong>Monthly Training Progress</strong></td>
<td>Contractor completes transition within 4 months after contract award. Develops action plan to improve training of equipment operators.</td>
<td>Progress monitored every month. Progress review with the contractor management team.</td>
<td>Schedule</td>
<td>64,910</td>
</tr>
<tr>
<td><strong>Training Certificates</strong></td>
<td>Provided within 1 month of completion to the Customs Management Center for students who completed training courses.</td>
<td>Audits of the training database.</td>
<td>Other</td>
<td>41,134</td>
</tr>
<tr>
<td><strong>Inventory Process Progress</strong></td>
<td>Within 6 months of contract award, contractor develops an efficient way of tracking the equipment inventory.</td>
<td>Quarterly spot checks of the ongoing inventory reveal no errors.</td>
<td>Schedule</td>
<td>40,569</td>
</tr>
</tbody>
</table>
### Appendix G
Cumulative Award Fees Paid, by Performance Requirement, Through September 2007

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<tr>
<th>Requirement</th>
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<th>Category *</th>
<th>Dollars</th>
<th>Percentage of Total</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response to Training Requests ***</td>
<td>Training coordinators respond to training requests within 2 workdays.</td>
<td>Audits of training request records and contacts with ports.</td>
<td>Schedule, Technical Performance</td>
<td>40,569</td>
<td>0.5</td>
<td>30</td>
</tr>
<tr>
<td>Central Training Materials Library ***</td>
<td>Established and maintained and includes hard and soft copies of documentation, videos, and training aides.</td>
<td>Audits comparing lists of what should be available to actual.</td>
<td>Other</td>
<td>40,569</td>
<td>0.5</td>
<td>30</td>
</tr>
<tr>
<td>Contract Assumption Plan **</td>
<td>Contractor initiates discussions with equipment manufacturers to ensure uninterrupted service coverage for equipment.</td>
<td>Contractor’s Contract Assumption Plan is established and approved.</td>
<td>Other</td>
<td>40,569</td>
<td>0.5</td>
<td>30</td>
</tr>
<tr>
<td>Background Investigation Paperwork</td>
<td>Contractor submits paperwork for new employees within 10 workdays of employment. Not more than two submissions returned for corrections during a 60-day period.</td>
<td>Audits of security paperwork submissions.</td>
<td>Schedule</td>
<td>38,909</td>
<td>0.5</td>
<td>34</td>
</tr>
<tr>
<td>Contractor Follows up, Actions Complete **</td>
<td>Ongoing program activities are monitored to assess status and results of tasks in terms of desired characteristics and metrics.</td>
<td>Followup monthly reviews.</td>
<td>Schedule, Technical Performance</td>
<td>38,540</td>
<td>0.5</td>
<td>35</td>
</tr>
<tr>
<td>Service Delivery Measurement Approved **</td>
<td>Comply with the ISO 9000 requirements.</td>
<td>Service delivery quality measurement plan is approved.</td>
<td>Technical Performance</td>
<td>38,540</td>
<td>0.5</td>
<td>35</td>
</tr>
<tr>
<td>1% for Merit in Rating Period Six</td>
<td></td>
<td></td>
<td></td>
<td>13,477</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>8,086,409</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Rounding Adjustment</td>
<td></td>
<td></td>
<td></td>
<td>(57)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL Award Fees Paid Through September 2007</td>
<td></td>
<td></td>
<td></td>
<td>8,086,352</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* OIG determination.  
** Applicable to first 6 months only.  
*** Applicable during second rating period only.  

n.a. Not applicable.  

Source: OIG analysis of CBP provided data.
Appendix H
Major Contributors to This Report

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Frank Parrott, Audit Manager
Michael A. Talevi, Auditor-in-Charge
Emily Pedersen, Program Analyst
Appendix I
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