

June 2006

# HOMELAND SECURITY

## Contract Management and Oversight for Visitor and Immigrant Status Program Need to Be Strengthened





Highlights of [GAO-06-404](#), a report to congressional requesters

## HOMELAND SECURITY

# Contract Management and Oversight for Visitor and Immigrant Status Program Need to Be Strengthened

### Why GAO Did This Study

The Department of Homeland Security (DHS) has established a multibillion-dollar program—U.S. Visitor and Immigrant Status Indicator Technology (US-VISIT)—to control and monitor the pre-entry, entry, visa status, and exit of foreign visitors. To deliver system and other program capabilities, the program relies extensively on contractors, some of whom are managed directly by US-VISIT and some by other agencies (including both DHS agencies, such as Customs and Border Protection, and non-DHS agencies, such as the General Services Administration). Because of US-VISIT's heavy reliance on contractors to deliver program capabilities, GAO was asked to determine whether DHS has established and implemented effective controls for managing and overseeing US-VISIT-related contracts.

### What GAO Recommends

GAO is making recommendations to the Secretary of Homeland Security to ensure that effective contract management and financial controls are established and implemented both for contracts managed by the US-VISIT program office and for those managed by other agencies. In written comments on a draft of this report, DHS concurred with the recommendations. In oral comments, officials from other agencies provided comments aimed at clarifying selected GAO statements.

[www.gao.gov/cgi-bin/getrpt?GAO-06-404](http://www.gao.gov/cgi-bin/getrpt?GAO-06-404).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Randolph C. Hite at (202) 512-3439 or McCoy Williams at (202) 512-9095.

### What GAO Found

US-VISIT-related contracts have not been effectively managed and overseen. The US-VISIT program office established and implemented certain nonfinancial controls for those contracts that it managed directly, such as verifying that contractor deliverables satisfied established requirements. However, it did not implement effective controls for overseeing its contracts managed by other DHS agencies and by non-DHS agencies. Moreover, effective financial controls were not in place on any contracts that GAO reviewed (see table for agencies managing these contracts).

- The program office did not know the full extent of US-VISIT-related contract actions, and it had not performed key nonfinancial practices associated with understanding contractor performance in meeting the terms of these contracts. This oversight gap was exacerbated by the fact that the other agencies had not always established and implemented effective controls for managing their respective contracts. These other agencies directly managed more than half (56 percent) of the total US-VISIT-related contract obligations reported to GAO.
- The program office and other agencies did not implement effective financial controls. Without these controls, some agencies were unable to reliably report US-VISIT contracting expenditures. Further, the program office and these other agencies improperly paid and accounted for related invoices, including making duplicate payments and payments for non-US-VISIT services with funds designated for US-VISIT.

According to the US-VISIT program official responsible for contract matters, the program office has focused on contracts that it manages directly and decided to rely on the responsible agencies to manage the other contracts. Further, it has decided to use other agencies to properly manage financial matters for their respective contracts, and it also decided to rely on another agency for its own financial management services. Without effective contract management and oversight controls, the program office does not know that required program deliverables and mission results will be produced on time and within budget, and that proper payments are made.

#### Agencies Managing US-VISIT-Related Contracts

Managing organization	Purpose of contract actions managed
US-VISIT Acquisition and Program Management Office	Support for all aspects of US-VISIT
Architect Engineering Resource Center (Army Corps of Engineers)	On-site program management at ports of entry and economic impact assessment of US-VISIT implementation on northern and southern borders
General Services Administration	Facilities services related to US-VISIT work at ports of entry
Customs and Border Protection (DHS)	Systems development; hardware deployment
Immigration and Customs Enforcement (DHS)	Systems engineering; IT support services
Transportation Security Administration (DHS)	Systems development

Source: GAO analysis.

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## Abbreviations

ADIS	Arrival Departure Information System
AERC	Architect-Engineering Resource Center
APMO	Acquisition and Program Management Office
CBP	Customs and Border Protection
CMMI	Capability Maturity Model Integration
COR	contracting officer's representative
COTR	contracting officer's technical representative
DHS	Department of Homeland Security
FAR	Federal Acquisition Regulation
GSA	General Services Administration
IAA	inter- or intra-agency agreement
ICE	Immigration and Customs Enforcement
IDENT	Automated Biometric Identification System
INS	Immigration and Naturalization Service
IPAC	Intra-governmental Payment and Collection
OMB	Office of Management and Budget
SEI	Software Engineering Institute
TECS	Treasury Enforcement Communications Systems
TSA	Transportation Security Administration
US-VISIT	U.S. Visitor and Immigrant Status Indicator Technology

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United States Government Accountability Office  
Washington, DC 20548

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June 9, 2006

Congressional Requesters

The U.S. Visitor and Immigrant Status Indicator Technology (US-VISIT) program of the Department of Homeland Security (DHS) is a governmentwide program for controlling and monitoring the pre-entry, entry, visa status, and exit of foreign visitors. The department is taking an incremental approach to acquiring and implementing US-VISIT, with the initial increments focused on enhancing existing systems, modifying facilities, and augmenting program office staff. In doing so, DHS has relied heavily on contractor support, obtained through multiple existing contracts managed by several DHS and non-DHS agencies. Because of the importance of effective contractor management and oversight to this program, you asked us to determine whether the department has established and implemented effective controls for managing and overseeing US-VISIT-related contractors.

To achieve this objective, we reviewed the contracting policies and procedures of DHS and non-DHS agencies responsible for US-VISIT-related contracts.<sup>1</sup> We also reviewed a set of contracting actions (contract awards and task orders) that were performed between March 2002 and March 2005. We could not ensure that the selected contracting actions were statistically representative of all US-VISIT-related contracting actions because DHS did not have a complete inventory of such actions.

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<sup>1</sup>The DHS agencies are the US-VISIT Acquisition and Program Management Office, US-VISIT Facilities & Engineering Management, U.S. Customs and Border Protection, Immigration and Customs Enforcement, and the Transportation Security Administration. The non-DHS agencies are the General Services Administration and the U.S. Army Corps of Engineers Architect-Engineering Resource Center.

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Instead, we used a judgmental selection, focusing on service contracts from fiscal years 2002 to 2005.<sup>2</sup>

We conducted our review from March 2005 through April 2006 in accordance with generally accepted government auditing standards. Further details of our objective, scope, and methodology, including the basis for our judgmental selection, are included in appendix I.

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## Results in Brief

Although the success of the US-VISIT program depends heavily on the work performed by contractors, important US-VISIT-related contract activities have not been effectively managed and overseen. For those contracts that it directly managed, the program office established and implemented nonfinancial management controls (such as assigning contractor management responsibilities and authorities, training key contract management personnel, and verifying that contractor deliverables satisfied established requirements), but it fell short in other key areas. In particular:

- The program office did not establish and implement effective nonfinancial management controls for overseeing US-VISIT-related contract work performed on its behalf by other DHS agencies, such as Customs and Border Protection (CBP), and by two non-DHS agencies—the Army Corps of Engineers Architect-Engineering Resource Center (AERC)<sup>3</sup> and the General Services Administration (GSA). These agencies did not always establish and implement the full range of nonfinancial controls needed to effectively manage their respective contracts. For example, the program office did not know what US-VISIT-related contract actions these other agencies had under way and had completed, and the other agencies generally did not establish and implement controls for ensuring that contractor deliverables satisfied contract requirements, which is significant given that these DHS and non-DHS agencies directly managed

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<sup>2</sup>To judgmentally select our set of contracting actions, we identified the DHS and non-DHS agencies that managed US-VISIT-related contracts and, for each agency, we selected one contracting action for US-VISIT-related work awarded in each fiscal year from March 1, 2002, through March 31, 2005. Not all organizations awarded contracting actions in every fiscal year covered under our review, in which case an action was not selected for that fiscal year for that organization. Our judgmental selection did not include contracting actions from one of the responsible organizations (DHS's Immigration and Customs Enforcement) because this agency did not provide requested documentation in time for us to include it in our analysis of contracting actions.

<sup>3</sup>AERC is a component of the Department of Defense.

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more than half (56 percent) of the total obligations reported to us for US-VISIT-related contract work during the period of our review.

- The program office and other DHS and non-DHS agencies doing work on its behalf also did not implement effective US-VISIT-related financial management controls. In the absence of these controls, several agencies were unable to reliably report US-VISIT contracting expenditures. Further, the program office and the other agencies improperly paid and accounted for related invoices, including making duplicate payments and making payments for non-US-VISIT services using funds designated for US-VISIT purposes.

According to the US-VISIT program official responsible for contract matters, the program office has focused on contracts that it manages directly and decided to rely on other agencies to manage the other US-VISIT contracts. Further, it decided to rely on these other agencies to properly manage financial matters for their respective contracts, and on another agency for its own financial management support. Without effective controls over all US-VISIT-related contracts and related financial management matters, the program office does not know whether required program deliverables and associated mission results will be produced on time and within budget, and that proper payments are made and accounted for.

We are making recommendations to the Secretary of Homeland Security to ensure that effective contract management and financial controls are established and implemented both for contracts managed by the US-VISIT program office and for those managed by other agencies. For example, we are recommending that the program office develop and implement practices for overseeing contractor work managed by other agencies on the program office's behalf, including (among other things) having current, reliable, and timely information on the full scope of contract actions and activities. In addition, we are recommending that the program office strengthen financial management by (among other things) ensuring that agencies managing contracts on its behalf record amounts being billed and expended on US-VISIT-related work so that these can be tracked and reported separately from amounts not for US-VISIT purposes.

In written comments on a draft of this report, DHS stated that although it disagreed with some of our assessment, it agreed with many areas of the report and concurred with our recommendations and the need for improvements in US-VISIT contract management and oversight. In particular, DHS described as misleading our characterization of US-VISIT's

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dependency on other agencies for financial management support. DHS noted that the decision to use other agencies was based on the nature of the services that were required, which it said were outside the scope of the program office's areas of expertise. We understand the rationale for the decision to use other agencies, and the statement in question was not intended to suggest anything more than that such a decision was made. The department also provided clarifying information about invoice discrepancies and improper payments cited in the report, including reasons why they occurred. We do not question the department's reasons for the discrepancies; however, they do not change our findings about the fact that these discrepancies did indeed occur. We have modified the report, where appropriate. DHS's comments, along with our responses, are discussed in detail in the Agency Comments and Our Evaluation section of this report. The comments are also reprinted in their entirety in appendix II.

Officials from AERC and GSA provided oral comments aimed at clarifying some of our statements and findings. We have made revisions as appropriate. These comments and our responses are also discussed in the Agency Comments and Our Evaluation section of the report.

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## Background

In response to legislation,<sup>4</sup> the Immigration and Naturalization Service (INS) established in 2002 an Entry/Exit Program to strengthen management of the pre-entry, entry, visa status, and exit of foreign nationals who travel to the United States. With the creation of DHS in March 2003 and the inclusion of INS as part of the new department, this initiative was renamed US-VISIT. The goals of US-VISIT are to

- enhance the security of U.S. citizens and visitors,
- facilitate legitimate travel and trade,
- ensure the integrity of the U.S. immigration system, and
- protect the privacy of our visitors.

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<sup>4</sup>8 U.S.C. 1365a; 6 U.S.C. 251 (transferred relevant Immigration and Naturalization Service functions to DHS); 8 U.S.C. 1732(b).

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To achieve these goals, US-VISIT is to collect, maintain, and share information on certain foreign nationals who enter and exit the United States; detect fraudulent travel documents, verify traveler identity, and determine traveler admissibility through the use of biometrics; and facilitate information sharing and coordination within the border management community.

As of October 2005, about \$1.4 billion has been appropriated for the program, and according to program officials, about \$962 million has been obligated.

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## Acquisition and Implementation Approach

DHS plans to deliver US-VISIT capability in four increments: Increments 1 through 3 are interim, or temporary, solutions that were to fulfill legislative mandates to deploy an entry/exit system by specified dates; Increment 4 is to implement a long-term vision that is to incorporate improved business processes, new technology, and information sharing to create an integrated border management system for the future. For Increments 1 through 3, the program is building interfaces among existing (“legacy”) systems; enhancing the capabilities of these systems; deploying these capabilities to air, sea, and land ports of entry; and modifying ports of entry facilities. These increments are to be largely acquired and implemented through task orders placed against existing contracts.<sup>5</sup>

- Increment 1 concentrates on establishing capabilities at air and sea ports of entry and is divided into two parts—1 and 1B. Increment 1 (air and sea entry) includes the electronic capture and matching of biographic and biometric information (two digital index fingerscans and a digital photograph) for selected foreign nationals, including those from visa waiver countries.<sup>6</sup> Increment 1 was deployed on January 5, 2004, at 115 airports and 14 seaports. Increment 1B (air and sea exit) collects biometric

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<sup>5</sup>Over the last 3 years, we have issued five reports on the US-VISIT program that, among other things, identified fundamental challenges that the department faced in delivering promised program capabilities and benefits on time and within budget. For our most recent report, see GAO, *Homeland Security: Recommendations to Improve Management of Key Border Security Program Need to Be Implemented*, [GAO-06-296](#) (Washington, D.C.: Feb. 14, 2006).

<sup>6</sup>The Visa Waiver Program permits foreign nationals from designated countries to apply for admission to the United States for a maximum of 90 days as nonimmigrant visitors for business or pleasure.

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exit data for select foreign nationals; it is currently deployed at 14 airports and seaports.

- Increment 2 focuses primarily on extending US-VISIT to land ports of entry. It is divided into three parts—2A, 2B, and 2C.
  - Increment 2A includes the capability to biometrically compare and authenticate valid machine-readable visas and other travel and entry documents issued by the Department of State and DHS to foreign nationals at all ports of entry (air, sea, and land ports of entry). Increment 2A was deployed on October 23, 2005, according to program officials. It is also to include the deployment by October 26, 2006, of technology to read biometrically enabled passports from visa waiver countries.
  - Increment 2B redesigned the Increment 1 entry solution and expanded it to the 50 busiest U.S. land border ports of entry with certain modifications to facilities. This increment was deployed to these 50 ports of entry as of December 29, 2004.
  - Increment 2C is to provide the capability to automatically, passively, and remotely record the entry and exit of covered individuals using radio frequency technology tags at primary inspection and exit lanes.<sup>7</sup> In August 2005, the program office deployed the technology to five border crossings (at three ports of entry) to verify the feasibility of using passive radio frequency technology to record traveler entries and exits via a unique identification number embedded within government-issued travel documentation. The program office reported the evaluation results in January 2006, and according to the Increment 2C project manager, the program is planning to move forward with the second phase of this increment.
- Increment 3 extended Increment 2B entry capabilities to 104 of the remaining 105 land ports of entry as of December 19, 2005.<sup>8</sup>

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<sup>7</sup>Radio frequency technology relies on proximity cards and card readers. Radio frequency devices read the information contained on the card when the card is passed near the device and can also be used to verify the identity of the cardholder.

<sup>8</sup>At one port of entry, these capabilities were not fully operational until January 7, 2006, because of a telephone company strike that prevented the installation of a T-1 line.

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- Increment 4 is to define, design, build, and implement more strategic US-VISIT program capability, which program officials stated will likely consist of a further series of incremental releases or mission capability enhancements that will support business outcomes.

The first three increments of US-VISIT include the interfacing of existing systems, the modification of facilities, and the augmentation of program staff. Key existing systems include the following:

- The Arrival Departure Information System (ADIS) is a database that stores noncitizen traveler arrival and departure data received from air and sea carrier manifests and that provides query and reporting functions.
- The Treasury Enforcement Communications Systems (TECS) is a system that maintains lookout (i.e., watch list) data, interfaces with other agencies' databases, and is currently used by inspectors at ports of entry to verify traveler information and update traveler data.
- TECS includes the Advance Passenger Information System (APIS), a system that captures arrival and departure manifest information provided by air and sea carriers.
- The Automated Biometric Identification System (IDENT) is a system that collects and stores biometric data about foreign visitors.

In May 2004, DHS awarded an indefinite-delivery/indefinite-quantity<sup>9</sup> prime contract to Accenture, which has partnered with a number of other vendors.<sup>10</sup> According to the contract, the prime contractor will develop an approach to produce the strategic solution. In addition, it is to help support the integration and consolidation of processes, functionality, and data, and is to assist the program office in leveraging existing systems and contractors in deploying and implementing the interim solutions.

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## Organizational Structure and Responsibilities

In July 2003, DHS established the US-VISIT program office, which is responsible for managing the acquisition, deployment, and operation of

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<sup>9</sup>An indefinite-delivery/indefinite-quantity contract provides for an indefinite quantity, within stated limits, of supplies or services during a fixed period of time. The government schedules deliveries or performance by placing orders with the contractor.

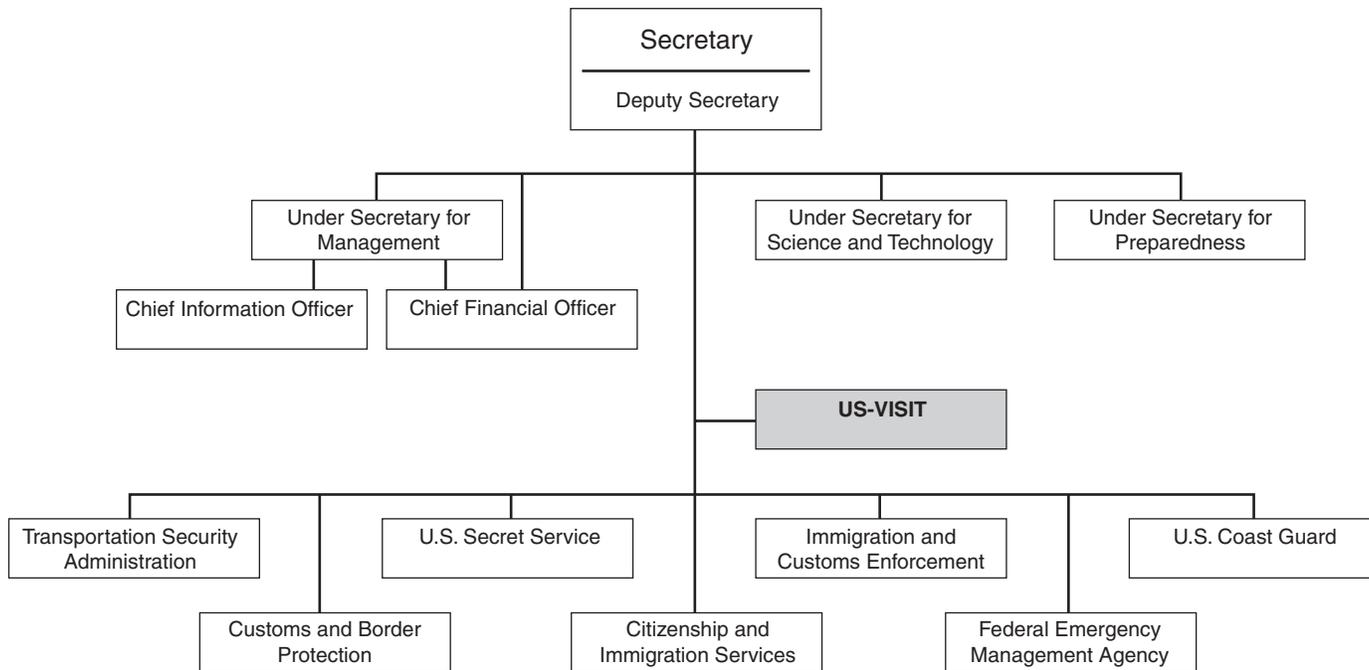
<sup>10</sup>Accenture's partners include, among others, Raytheon Company, the Titan Corporation, and SRA International, Inc.

the US-VISIT system and supporting people, processes, and facilities. Accordingly, the program office’s responsibilities include, among other things,

- delivering program and system capabilities on time and within budget and
- ensuring that program goals, mission outcomes, and program results are achieved.

Within DHS, the US-VISIT program organizationally reports directly to the Deputy Secretary for Homeland Security, as seen in figure 1.

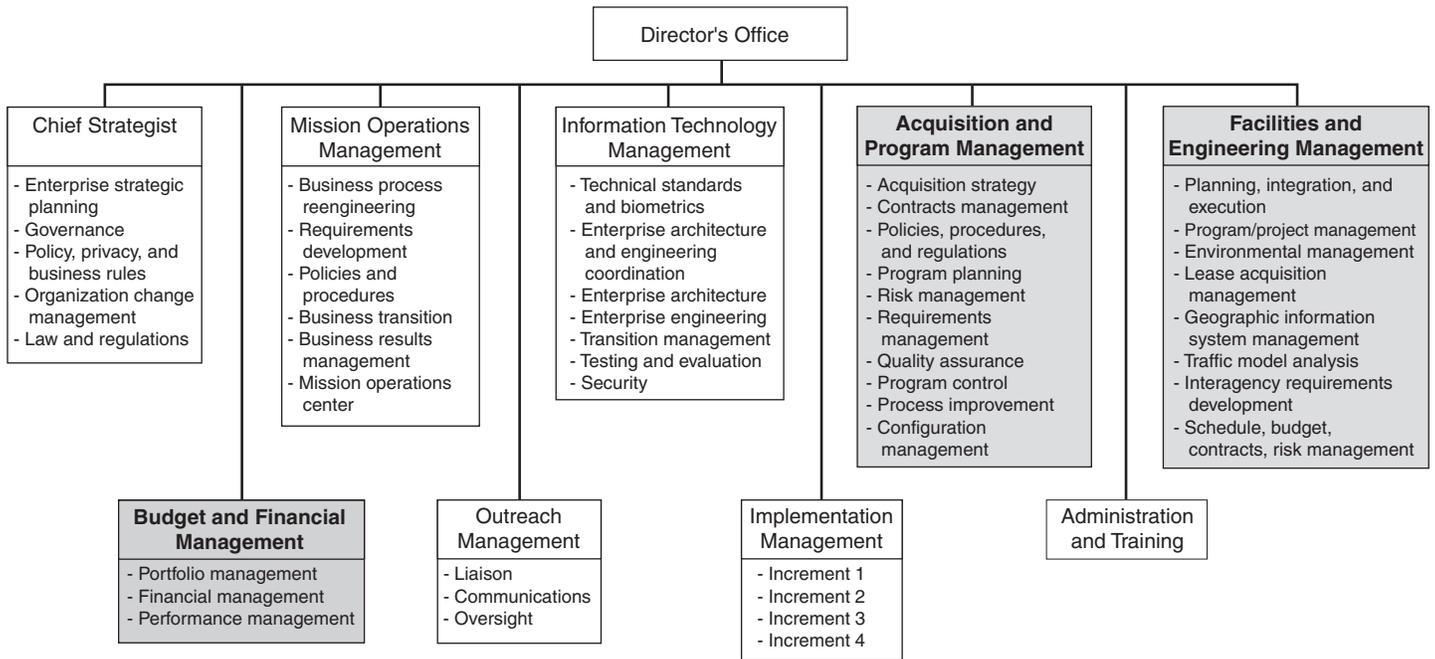
**Figure 1: Organizational Structure of DHS**



Source: GAO analysis of DHS data.

The program office is composed of a number of functional groups. Among these groups, three deal with contractor management. These are the Acquisition and Program Management Office (APMO), the Office of Facilities and Engineering Management, and the Office of Budget and Financial Management. As seen in figure 2, all three groups report directly to the US-VISIT Program Director.

**Figure 2: Organizational Structure of US-VISIT Program Office and Functional Responsibilities**



Source: US-VISIT.

APMO is to manage execution of the program’s acquisition and program management policies, plans, processes, and procedures. APMO is also charged with ensuring effective selection, management, oversight, and control of vendors providing services and solutions.

The Office of Facilities and Engineering Management is to implement the program’s physical mission environment through, for example, developing and implementing physical facility requirements and developing cooperative relationships and partnering arrangements with appropriate agencies and activities.

The Office of Budget and Finance is to develop executable budgets to contribute to cost-effective performance of the US-VISIT program and mission; ensure full accountability and control over program financial assets; and provide timely, accurate, and useful financial information for decision support.

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## US-VISIT Relationships with Other DHS and Non-DHS Agencies

Since its inception, US-VISIT has relied extensively on contractors to deliver system and other program capabilities; these contractors include both contractors managed directly by the program office and those managed by other DHS and non-DHS agencies. Within the program office, APMO manages the prime contract mentioned earlier, as well as other program management-related contracts. All other contracts were awarded and managed either by other DHS agencies or by two non-DHS agencies, GSA and AERC. For the contracts managed by other DHS agencies, the program office has entered into agreements<sup>11</sup> with these agencies. These agreements allow the program to use previously awarded contracts to further develop and enhance the existing systems that now are part of US-VISIT. By entering into agreements with the various owners of these systems, the program office has agreed to fund US-VISIT-related work performed on the systems by these agencies, which include

- CBP, which owns and manages TECS;
- Immigration and Customs Enforcement (ICE), which owned and managed IDENT (until 2004) and ADIS (until 2005), and still provides some information technology support services;<sup>12</sup> and
- the Transportation Security Administration (TSA), which in 2003 managed the development of the air/sea exit pilot program.

In addition, through its Office of Facilities and Engineering Management, the program office has established an interagency agreement with AERC and has established reimbursable work authorizations with GSA.<sup>13</sup> The agreements with GSA and AERC generally provide for management services in support of US-VISIT deployment.

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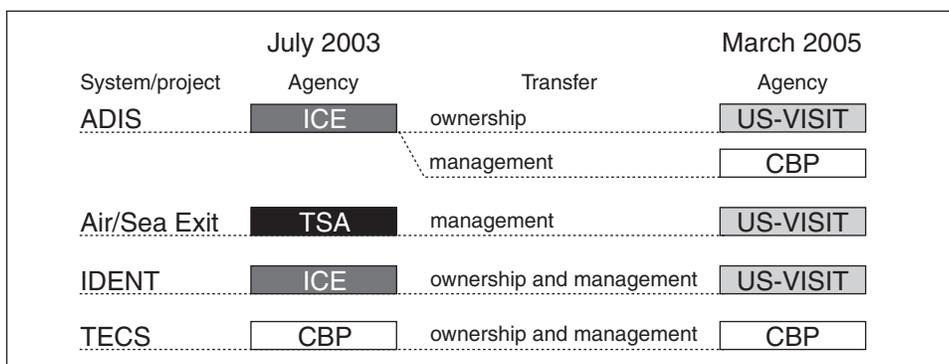
<sup>11</sup>DHS uses inter- and intra-agency agreements (IAAs) to document agreements entered into between federal agencies, or major organizational units within an agency, which specify the goods to be furnished or tasks to be accomplished by one agency (the servicing agency) in support of the other (the requesting agency).

<sup>12</sup>Ownership and management of IDENT was transferred to US-VISIT in 2004; ownership of ADIS was transferred to US-VISIT in 2005, but management was transferred to CBP.

<sup>13</sup>Reimbursable work authorizations are used by GSA to capture and bill GSA's customers for, among other things, the cost of providing services in space managed by GSA over and above the basic operations financed through rent for that space. In the case of US-VISIT, reimbursable work authorizations were used to reimburse services required in support of US-VISIT deployment efforts at the GSA-owned ports of entry.

When the US-VISIT program office was created in July 2003, the program did not own or manage any of the key systems described earlier. Rather, all systems were owned and managed by other DHS agencies (see fig. 3). As of March 2005, the program office had assumed ownership and management responsibility for IDENT, which was originally managed by ICE; assumed management responsibility for the air/sea exit project, which was originally managed by TSA; and shares responsibility for ADIS, which was initially owned and managed by ICE. US-VISIT owns ADIS, but CBP is responsible for managing the system. These relationships are shown in figure 3.

**Figure 3: Changes in US-VISIT System Ownership and Management, July 2003–March 2005**



Source: GAO analysis of DHS data.

IAAs establish a means for US-VISIT to transfer funds to other DHS and non-DHS agencies for work done on its behalf. The IAAs first give the servicing agencies (that is, the agencies performing the work for US-VISIT) obligation authority to contract for US-VISIT work. Once the work has been performed, the servicing agencies pay their vendors according to the terms of their respective contracts and then request reimbursement of the vendor payment from US-VISIT via the Intra-governmental Payment and Collection (IPAC) system.<sup>14</sup> In addition, the servicing agencies also receive IPAC payments for the services they themselves provided for US-VISIT—essentially a fee for the cost of managing contracts on the program’s behalf.

<sup>14</sup>IPAC is the primary method used by most federal entities to electronically bill and/or pay for services and supplies within the government.

Table 1 lists the various agencies currently managing US-VISIT–related contracts and summarizes their respective relationships with the program office and the purpose of the contract actions that we reviewed.

**Table 1: Relationships between Servicing Agencies Managing US-VISIT–Related Contracts and US-VISIT Program**

Managing organization	Relationship to US-VISIT	Purpose of contract actions managed
US-VISIT Acquisition and Program Management Office	N/A	Support for all aspects of US-VISIT
Architect Engineering Resource Center (Army Corps of Engineers)	Interagency agreement/Reimbursable work authorization	On-site program management at ports of entry and economic impact assessment of US-VISIT implementation on northern and southern borders
General Services Administration	Reimbursable work authorization	Facilities services related to US-VISIT work at ports of entry
Customs and Border Protection (DHS)	Intra-agency agreement	Work related to TECS and ADIS
Immigration and Customs Enforcement (DHS)	Intra-agency agreement	Work related to IDENT and ADIS; IT support services
Transportation Security Administration (DHS)	Intra-agency agreement	Work related to air/sea exit pilot (which interfaces with IDENT)

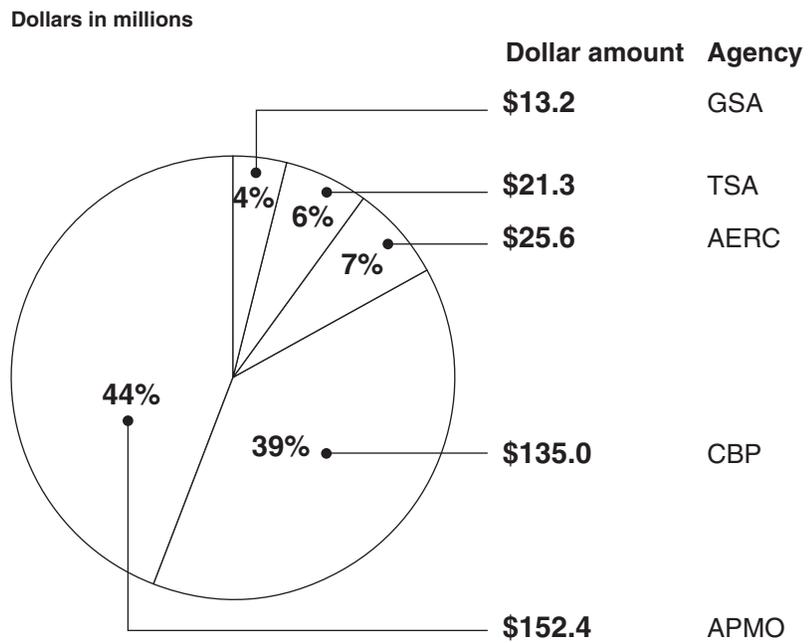
Source: GAO analysis.

## Summary of DHS Reported Obligations for US-VISIT Contracts

Documentation provided by the agencies responsible for managing US-VISIT–related contracts shows that between March 2002 and March 31, 2005, they obligated about \$347 million for US-VISIT–related contract work.<sup>15</sup> As shown in figure 4, about \$152 million, or less than half (44 percent), of the \$347 million in obligations reported to us was for contracts managed directly by the US-VISIT program office. The remaining \$195 million, or 56 percent, was managed by other DHS and non-DHS agencies. Specifically, \$156 million, or 45 percent of the \$347 million in obligations reported to us for contracts, was managed by other DHS agencies (TSA and CBP); \$39 million, 11 percent, was managed by non-DHS agencies (GSA and AERC).

<sup>15</sup>This number was derived from information provided to us by the agencies, as well as analysis of provided documentation. Additionally, and as noted in appendix I, weaknesses in DHS’s financial systems call into question the accuracy of these numbers. Further, this number does not include any obligations from ICE, as it did not report US-VISIT–related obligations to us in time for us to include in our analysis of contracting actions.

**Figure 4: Distribution of \$347 Million US-VISIT Obligated Contracting Dollars between March 2002 and March 2005**



Source: GAO analysis of DHS data.

From the inception of the US-VISIT program office through September 30, 2005, the program reports that it transferred about \$96.7 million to other agencies via the IPAC system for direct reimbursement of contract costs and for the agencies' own costs.<sup>16</sup>

## Prior Reviews Related to DHS Contractor Oversight and Management

In January 2005, we observed<sup>17</sup> the increased use of interagency contracting by the federal government and noted the factors that can make interagency contract vehicles high risk in certain circumstances. One of these factors was that the use of such contracting vehicles contributes to a much more complex environment in which accountability had not always

<sup>16</sup>On the basis of previous audit findings, we do not consider this amount reliable. DHS's independent auditors determined that its IPAC system presented a weakness in DHS's financial management environment.

<sup>17</sup>GAO, *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: January 2005).

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been clearly established, including designation of responsibility for such critical functions as describing requirements and conducting oversight. We concluded that interagency contracting should be designated a high-risk area because of the challenges associated with such contracts, problems related to their management, and the need to ensure oversight.

In March 2005, we also reported<sup>18</sup> on challenges facing DHS's efforts to integrate its acquisition functions. One significant challenge was a lack of sufficient staff in the Office of the Chief Procurement Officer to ensure compliance with the department's acquisition regulations and policies. Another challenge was that the department's Office of Procurement Operations, which was formed to support DHS agencies that lacked their own procurement support (such as US-VISIT), did not yet have sufficient staff and relied heavily on interagency contracting. Further, the office had not implemented management controls to oversee procurement activity, including ensuring that proper contractor management and oversight had been performed. We concluded that unless these challenges were addressed, the department was at risk of continuing with a fragmented acquisition organization that provided only stop-gap, ad hoc solutions.

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## Importance of Contractor Management Controls

Organizational policies and procedures are important management controls to help program and financial managers achieve results and safeguard the integrity of their programs. Agency management is responsible for establishing and implementing financial and nonfinancial controls, which serve as the first line of defense in ensuring contractor performance, safeguarding assets, and preventing and detecting errors and fraud.

Pursuant to 31 U.S.C. § 3512 (c),(d), the Comptroller General has promulgated standards that provide an overall framework for establishing and maintaining internal controls in the federal government.<sup>19</sup> Policy and guidance on internal control in executive branch agencies are provided by the Office of Management and Budget (OMB) in Circular A-123,<sup>20</sup> which

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<sup>18</sup>GAO, *Homeland Security: Successes and Challenges in DHS's Efforts to Create an Effective Acquisition Organization*, [GAO-05-179](#) (Washington, D.C.: Mar. 29, 2005).

<sup>19</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

<sup>20</sup>OMB Circular A-123, *Management's Responsibility for Internal Control* (effective beginning with fiscal year 2006) (revised Dec. 21, 2004).

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defines management's fundamental responsibility to develop and maintain effective internal controls. Specifically, management is responsible for implementing appropriate internal controls; assessing the adequacy of internal controls, including those over financial reporting; identifying needed improvements and taking corrective action; and reporting annually on internal controls.

The five general standards in our framework for internal control are summarized below.

- **Control environment.** Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management. A key factor relevant to contractor management is having clearly defined areas of authority and responsibility and appropriate lines of reporting.
- **Risk assessment.** Internal control should provide for an assessment of the risks the agency faces from both external and internal sources.
- **Control activities.** Internal control activities help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's control objectives. Key control activities associated with contract management include
  - appropriate documentation of transactions,
  - accurate and timely recording of transactions and events,
  - controls over information processing,
  - reviews by appropriate management in the organization, and
  - segregation of duties.
- **Information and communications.** Information should be recorded and communicated to management (and others who need it) in a form, and within a time frame, that enables them to carry out their internal control and other responsibilities. Key contract management activities include
  - identifying, capturing, and distributing information in a form and time frame that allows people to perform their duties efficiently; and

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- ensuring that information flows throughout the organization and to external users as needed.
  - **Monitoring.** Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.

To complement the standards, we developed a tool to help managers and evaluators determine how well an agency's internal controls are designed and functioning and what, where, and how improvements may be implemented.<sup>21</sup> This tool is intended to be used concurrently with the standards described above and with OMB Circular A-123. The tool associates each standard with a list of major factors to be considered when users review the controls for that standard, as well as points to be considered that may indicate the degree to which the controls are functioning.

Relevant acquisition regulations and IT acquisition management guidance also provide criteria for effectively managing contractor activities. The Federal Acquisition Regulation (FAR)<sup>22</sup> requires that government agencies ensure that the contractor performs the requirements of the contract, and the government receives the service intended. However, the FAR does not prescribe specific methods for doing so.

Other such methods or practices can be found in other acquisition management guidance. In particular, the Capability Maturity Model Integration model,<sup>23</sup> developed by the Software Engineering Institute (SEI) of Carnegie Mellon University, explicitly defines process management controls that are recognized hallmarks for successful organizations and that, if implemented effectively, can greatly increase the chances of successfully acquiring software and systems. These controls define a number of practices and subpractices relevant to managing and overseeing contracts. These practices are summarized below.

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<sup>21</sup>GAO, *Internal Control Management and Evaluation Tool*, [GAO-01-1008G](#) (Washington, D.C.: August 2001).

<sup>22</sup>The FAR system establishes the uniform set of policies and procedures for acquisition by all executive branch agencies. This system consists of the FAR, which is the primary document, and agency acquisition regulations that implement or supplement the FAR.

<sup>23</sup>Carnegie Mellon University Software Engineering Institute, *Capability Maturity Model Integration, Systems Engineering Integrated Product and Process Development, Continuous Representation*, version 1.1 (March 2002).

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- **Establish written policies and procedures for performing contractor management.** Policies establish the organization's expectations for performing contractor management activities. Procedures provide the "how to" or method to be followed in implementing the policies.
  - **Establish and maintain a plan for performing the contract oversight process.** The plan should include, among other things, a contractor management and oversight process description, requirements for work products, an assignment of responsibility for performing the process, and the evaluations and reviews to be conducted with the contractor.
  - **Assign responsibility and authority for performing the specific contractor management activities.** Responsibility should be assigned for performing the specific tasks of the contractor management process.
  - **Train the people performing or supporting the contractor management process.** Personnel participating in the contract oversight process should be adequately trained and certified, as appropriate, to fulfill their assigned roles.
  - **Document the contract.** This documentation should include, among other things, a list of agreed-upon deliverables, a schedule and budget, deliverable acceptance criteria, and types of reviews that will be conducted with the contractor.
  - **Verify and accept the deliverables.** Procedures for accepting deliverables should be defined; those accepting the deliverables should verify that they meet requirements; the results of acceptance reviews or tests should be documented; action plans should be developed for any products that do not pass their review or test; and action items should be identified, documented, and tracked to closure.
  - **Monitor risks involving the contractor and take corrective actions as necessary.** Risks should be identified and categorized (e.g., risk likelihood or risk consequence) and then analyzed according to these assigned categories.
  - **Conduct technical reviews with the contractor.** Reviews should ensure that technical commitments are being met in a timely manner and should verify that the contractor's interpretation and implementation of the requirements are consistent with the project's interpretation.

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- **Conduct management reviews.** Reviews should address critical dependencies, project risks involving the contractor, and the contract schedule and budget.

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## US-VISIT Established and Implemented Key Controls for Contracts That It Managed Directly, but It Did Not Have Controls for Overseeing Contracts Managed by Others or for Effective Financial Management

Given the US-VISIT program's dependence on contracting, it is extremely important for the program office to effectively manage and oversee its contracts via the establishment and implementation of key contractor management and oversight controls. To its credit, the program office established and implemented most of the key practices associated with effectively managing nonfinancial contractor activities for those contracts that it directly manages. In particular, it established policies and procedures for implementing all but one of the key practices that we reviewed, and it implemented many of these practices—including assigning responsibilities and training key personnel involved in contractor management activities, verifying that contractor deliverables satisfied established requirements, and monitoring the contractor's cost and schedule performance for the task orders that we reviewed. In doing so, the program has increased the chances that program deliverables and associated mission results will be produced on time and within budget.

However, the program office did not effectively oversee US-VISIT-related contract work performed on its behalf by other DHS and non-DHS agencies, and these agencies did not always establish and implement the full range of controls associated with effective management of their respective contractor activities. Without effective oversight, the program office cannot adequately ensure that program deliverables and associated mission results will be produced on time and within budget.

Further, the program office and other agencies did not implement effective financial controls. The program office and other agencies managing US-VISIT-related work were unable to reliably report the scope of contracting expenditures. In addition, some agencies improperly paid and accounted for related invoices, including making a duplicate payment and making payments for non-US-VISIT services from funds designated for US-VISIT. Without effective financial controls, DHS cannot reasonably ensure that payments made for work performed by contractors are a proper and efficient use of resources.

According to the US-VISIT program official responsible for contract matters, the program office has initially focused on contracts that it manages directly. For US-VISIT contracts managed by other agencies, the program office has decided to rely on those agencies to manage the

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contracts and associated financial matters. In addition, it has decided to rely on another agency for financial management support of the program office.

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### Program Office Established and Implemented Key Contractor Management Practices

The US-VISIT program office is responsible and accountable for meeting program goals and ensuring that taxpayer dollars are expended effectively, efficiently, and properly. Within the program office, APMO is responsible for establishing and maintaining disciplined acquisition and program management processes to ensure the efficient support, oversight, and control of US-VISIT program activities. Accordingly, it is important that APMO establish and implement effective contractor management controls.

As mentioned previously, federal regulations and acquisition management guidance<sup>24</sup> identify effective contractor management as a key activity and describe a number of practices associated with this activity, including (among other things) establishing policies and procedures for contractor management, defining responsibilities and authorities, providing training, verifying and accepting deliverables, and monitoring contractor performance. These general practices often consist of more detailed subpractices. Appendix III lists the practices and associated subpractices, as well as the extent to which they were performed on each of the contract actions that we reviewed.

For contracts that it directly managed, APMO established policies and procedures for all but one of the key nonfinancial practices associated with effective contractor management. For example, it established policies and procedures for performing almost all contractor management activities (practices) through its Contract Administration and Management Plan. This programwide plan, in conjunction with its Acquisition Procedures Guide Deskbook, defines the methodology and approach for performing contractor management for all contracts and task orders managed by APMO. However, it neither established policies and procedures for having a plan for overseeing individual contract actions, nor actually developed such a plan. Instead, APMO relied on its programwide policies and procedures for performing contract management activities and to define what and how it actually implemented them. However, without a plan for specific contracting actions, the program

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<sup>24</sup>*Capability Maturity Model Integration, Systems Engineering Integrated Product and Process Development, Continuous Representation, version 1.1.*

office cannot be assured that contract management activities will be implemented for each contracting action.

Table 2 shows the extent to which APMO, in its documented policies and procedures, requires that the critical contractor management practices be performed; this is shown under the heading “practice established?” Under “practice implemented?” the table also shows the extent to which APMO had actually implemented such practices for those contracting actions that we reviewed, regardless of any documented requirement.

**Table 2: APMO’s Establishment and Implementation of Key Contractor Management Practices**

Practice	Practice established?	Practice implemented?
Establish and maintain a plan for performing the contractor oversight process.	○	○
Assign responsibility and authority for performing the contractor oversight process.	●	●
Train the people performing or supporting the contractor oversight process as needed.	●	●
Document the contract.	●	●
Verify and accept the deliverables.	●	●
Monitor risks involving the contractor and take corrective actions as necessary.	●	●
Conduct technical reviews with the contractor.	●	●
Conduct management reviews with the contractor.	●	●

Legend:

● = Established/implemented

○ = Not established/implemented

Sources: SEI, GAO analysis of agency data.

Note: We determined whether the requirement for a practice was established or not established on the basis of documented policies and procedures addressing the practice and, where applicable, all, some, or none of the subpractices. We determined whether a practice was implemented or not implemented on the basis of documentation demonstrating that all, some, or none of the subpractices, where applicable, had been implemented for the task orders that we reviewed.

APMO also implemented the aforementioned policies and procedures that it established for each of the contracting actions that we reviewed. For example, APMO implemented all of the key subpractices associated with verifying and accepting contract deliverables. Specifically, APMO defined acceptance procedures, verified that deliverables satisfied their requirements, documented the results of the review, developed a plan for

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addressing deliverable deficiencies, and tracked those issues to closure. With respect to one program support task order, for example, a designated US-VISIT team reviewed a project plan delivered by the contractor and returned it with a “conditionally acceptable” letter; this letter stated that the comments included were to be incorporated into the plan and assigned a date that the revised plan was due back. The contractor resubmitted the plan by the assigned date, and the contracting officer’s technical representative (COTR) accepted it. Throughout the process, APMO tracked the status of this deliverable by means of a database designed to track and update the status of deliverables owed to US-VISIT by its contractors. The database included such information as current document status and when the revised document was due back to the program office.

APMO also implemented all critical subpractices associated with contractor technical and management review activities. For example, APMO required that the prime contractor provide monthly cost performance reports that compared actual with budgeted cost and addressed critical dependencies. For example, one report noted that schedule and costs were impacted by a change in resources. In the report, the contractor proposed a corrective action and resolution date. APMO staff analyzed these reports and, according to APMO officials, distributed the analysis results to program office management for informational purposes (the results focused on the causes of and planned corrective actions for the most noteworthy cost and schedule variances). The information contained in the monthly reports was also discussed at quarterly programwide management reviews, which included contractor personnel. In addition to management issues, these reviews addressed technical issues such as deliverable status and requirements.

The quarterly reviews were also used to evaluate the contractor’s overall performance, as well as the contractor’s performance on each task order active during that reporting period. The task orders that we examined were among those reviewed in this way. For each task order, the quarterly reviews included an assessment of schedule, cost and funding, technical performance, staffing, and risks. For example, the information presented on one task order that we reviewed reported that all of these categories were on track and were forecast to remain on track.<sup>25</sup> During these

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<sup>25</sup>An apparent exception was the schedule, which was reported as having a potential problem: deliverables were identified in the integrated master schedule as not being complete. However, US-VISIT reported that the deliverables were delivered on time.

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reviews, technical requirements for each of the task orders were discussed among stakeholders, contractor personnel, and management to ensure a common understanding of those requirements and the status of their implementation. The results of these reviews were documented, and key discussion topics and a list and status of action items were identified. The action items were assigned due dates and were assigned to US-VISIT, the contractor, or specific individuals. In some cases, an action item identified a specific task order, such as a request to restructure a staffing report on a program management task order (in order to more accurately portray the level of contractor staffing). In the case of the staffing report, it was assigned to a contractor for action. Updated status of open items was also provided.

According to APMO's acquisition policy, the office established and implemented these contractor management practices to establish a standard approach for conducting contract activities and to ensure that US-VISIT contracts continue to be managed in accordance with relevant laws, regulations, policies, and acquisition requirements. In doing so, the program has increased the chances that program deliverables and associated mission results will be produced on time and within budget.

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### The Program Office Did Not Effectively Oversee US-VISIT-Related Contracts Managed by Other Agencies

The US-VISIT program office's APMO is responsible for the program's contract-related matters. That means that APMO should, among other things, effectively oversee contracts being managed by others on the program's behalf. However, the program office did not establish and implement effective controls for overseeing US-VISIT-related contracts being managed by others. Specifically, the program office did not know the full range of US-VISIT-related contract actions that had been completed and were under way, and it had not performed key practices associated with gaining visibility into and understanding of contractor performance in meeting the terms of these contracts. This oversight gap is exacerbated by the fact that the other agencies did not always establish and implement the full range of controls associated with effective management of their contractor activities. For example, these agencies did not always implement effective controls for ensuring that contractor deliverables satisfy established requirements. Without effective oversight of all US-VISIT-related contracts, the program office is increasing the risk that program goals and outcomes will not be accomplished on time and within budget.

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US-VISIT's Oversight of Other Agencies' Contracting Activities Has Been Informal and Inconsistent

To effectively oversee program-related contracts being managed by others, it is important for a program office to, at a minimum, depending on the nature of the contract, (1) define the roles and responsibilities for both itself and the entities it relies on to manage the contracts, (2) know the full range of such contract work that has been completed and is under way, and (3) define and implement the steps it will take to obtain visibility into the degree to which contract deliverables meet program needs and requirements, which underpin the program goals and outcomes.

However, the US-VISIT program office did not effectively perform the following oversight activities for contracts that are being managed by other agencies:

**Defining roles and responsibilities.** The program office did not define and document program office roles and responsibilities for overseeing the contractor work managed by other agencies and did not define the roles and responsibilities of the agencies managing US-VISIT-related contracts. According to the APMO Director, the roles and responsibilities were defined in IAAs between these agencies and the program office. However, the IAAs generally did not define roles and responsibilities. For example, US-VISIT provided us with 12 agreements for the agencies that we reviewed,<sup>26</sup> and only one of them described roles and responsibilities for either APMO or the agency managing the contract work. Although responsibilities were identified, they were at a high level and the same for both the program office and the agency managing the contractor. Specifically, the IAA states that the US-VISIT COTR or point of contact and the servicing agency program office are responsible for technical oversight of the specified product or service identified in the statement of work. However, the IAA does not identify any specific contract oversight practices to be performed. According to the APMO Director, the program office did not define roles and responsibilities because the office is relatively new, and most efforts have been focused on developing policies and procedures for managing contracts that it directly controls.

As noted earlier, we have previously reported that the use of IAAs is a high-risk approach to contracting.<sup>27</sup> Although these contract vehicles can offer benefits of improved efficiency and timeliness, effective management

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<sup>26</sup>DHS IAAs were previously referred to as "reimbursable agreements." Five of the agreements were actually reimbursable work authorizations for which there was no IAA.

<sup>27</sup>[GAO-05-207](#).

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of IAAs is challenging. Accordingly, we concluded that the use of IAAs requires, among other things, that the issuing agency clearly define roles and responsibilities for conducting contractor management and oversight.

**Knowing the full range of contract work.** The program office was not able to provide us with a complete list of US-VISIT-related contract actions. Instead, US-VISIT told us that we needed to obtain a list of actions from each of the DHS and non-DHS agencies that managed the contract work. Once we compiled the list of contracting actions provided to us by the other agencies, the Director told us that no one in the program office could verify that the list was complete and correct. The Director further stated that APMO is not responsible for overseeing contracts managed outside the program office.

**Defining and implementing the steps to verify that deliverables meet requirements.** According to DHS's directive on IAAs,<sup>28</sup> the issuing agency (US-VISIT, in this case) is to, among other things, monitor the performance of the servicing agency and/or contractor; the directive also assigns responsibility for monitoring performance to the program office (or program point of contact) and the contracting officer. The contracting officer responsible for US-VISIT's IAAs told us that he relied on the program office's designated points of contact to conduct oversight of those IAAs. However, the program office did not define any specific performance monitoring activities. As a result, oversight activities performed have been informal and inconsistent. For example, on the AERC contracts, the Facilities and Engineering Budget Officer held weekly teleconferences with AERC to discuss project progress and contract issues, and concerns on an exception basis. However, these meetings were not documented; in other words, any follow-up on open issues and tracking to closure was handled informally. On the CBP contract actions, the US-VISIT Deputy Chief Information Officer (or one of his representatives) attended most, but not all, of the system development-milestone progress reviews related to US-VISIT work, and held ad hoc discussions with a CBP program manager to discuss funding and work status. On air/sea exit,<sup>29</sup> the US-VISIT Director of Implementation relied on weekly meetings with TSA and the contractor to keep apprised of project status. However, he relied on a representative from US-VISIT Mission

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<sup>28</sup>DHS, *Reimbursable Agreements*, Management Directive System, MD 0710.1.

<sup>29</sup>Air/sea exit, which was developed by TSA, collects biometric exit data for select foreign nationals; it is currently deployed to 14 airports and seaports.

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Agencies Managing US-VISIT–  
Related Contractors Did Not  
Establish and Implement Key  
Contractor Management  
Practices

Operations to certify that testing on air/sea exit was completed in a satisfactory manner, and neither he nor a member of his team reviewed the results themselves. According to the Director of APMO, specific activities to monitor contracts managed by other agencies have not been established because the program office’s efforts to date have focused on developing policies and procedures for contracts that the program office manages directly.

Without clearly defined roles and responsibilities, as well as defined oversight activities for ensuring successful completion of the work across all US-VISIT–related contract activities, the program office cannot be adequately assured that required tasks are being satisfactorily completed.

As mentioned previously, acquisition management guidance<sup>30</sup> identifies effective contractor management as a key activity and describes a number of practices associated with this activity, including (among other things) establishing policies and procedures for contractor management, defining responsibilities and authorities, providing training, verifying and accepting deliverables, and monitoring contractor performance. As mentioned earlier, these practices often consist of more detailed subpractices; appendix III provides further details on the practices, subpractices, and agency performance of these on each of the contract actions we reviewed.

Table 3 shows the extent to which agencies, in their documented policies or procedures, require that the critical contractor management practices be performed (see columns under “practice established?”); it also shows (under “practice implemented?”) the extent to which agencies had actually implemented such practices for the contracting actions that we reviewed, regardless of any documented requirement.

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<sup>30</sup>*Capability Maturity Model Integration, Systems Engineering Integrated Product and Process Development, Continuous Representation*, version 1.1.

**Table 3: Status of Critical Contractor Management Practices at US-VISIT Contract Management Agencies**

Practice	Practice established? <sup>a</sup>					Practice implemented? <sup>a</sup>			
	GSA	AERC	CBP	TSA	ICE <sup>b</sup>	GSA	AERC	CBP	TSA
Establish and maintain a plan for performing the contract oversight process.	○	○	◐	◐	◐	○	○	◐	◐
Assign responsibility and authority for performing the contract oversight process.	●	●	●	◐	●	●	●	●	●
Train the people performing or supporting the contract oversight process.	●	●	●	◐	●	●	●	◐	○
Document the contract.	◐	◐	◐	◐	◐	◐	◐	◐	◐
Verify and accept the deliverables.	◐	◐	◐	◐	◐	◐	◐	◐	◐
Monitor risks involving the contractor and take corrective actions as necessary.	◐	○	●	●	◐	○	○	◐	◐
Conduct technical reviews with the contractor.	○	○	●	○	◐	◐	○	◐	○
Conduct management reviews with the contractor.	○	○	◐	○	○	◐	○	◐	◐

Legend:

- = Established/implemented
- ◐ = Partially established/implemented
- = Not established/implemented

Sources: SEI, GAO analysis of agency data.

<sup>a</sup>We determined whether the requirement for a practice was established, partially established, or not established on the basis of documented policies and procedures addressing the practice and, where applicable, all, some, or none of the subpractices. We determined whether a practice was implemented, partially implemented, or not implemented on the basis of documentation demonstrating that all, some, or none of the subpractices, where applicable, had been implemented for the task orders that we reviewed.

<sup>b</sup>No results are provided for ICE regarding implementation of best practices because we were unable to obtain contract documentation in time for analysis.

As table 3 shows, agencies’ establishment and implementation of the key contractor management practices for US-VISIT–related contracts have been uneven.

- All of the agencies had established policies or procedures for performing some of the key contractor management practices. Only CBP, however, had established policies and procedures for some aspect of all the key practices, while GSA and AERC had established procedures for about half of the key practices.

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- Nevertheless, most of the agencies at least partially implemented most of the practices, even though they did not establish written procedures for doing so. For example, although three of the agencies<sup>31</sup> did not establish documented policies or procedures for conducting technical and management reviews with the contractor, two of them implemented some aspects of the practice.

### **All Agencies Established Some Policies and Procedures for Contractor Management Activities**

Contractor management policies and procedures define the organization's expectations and practices for managing contractor activities. All of the agencies (DHS and non-DHS) had established policies or procedures for governing some key contractor management practices. For example, CBP's Systems Development Life Cycle, augmented by its Office of Information Technology Project Manager's Guidebook, defines policies and procedures for assigning responsibilities and authorities for key contracting personnel and training those people responsible for implementing contractor management activities. Among other things, these documents provide descriptions of the duties of the contracting officer, the project manager, and COTR.<sup>32</sup> The documents also require all affected agencies to train the members of their groups in the objectives, procedures, and methods for performing contractor management activities. CBP guidance also addresses contractor management procedures, including verifying and accepting deliverables, monitoring contract risk and taking corrective action, and conducting various reviews with the contractor.

Other agencies, such as GSA and AERC, have established fewer procedures for contractor management. For example, GSA had not established procedures for three practices: (1) establishing and maintaining a plan for performing contractor oversight, (2) conducting

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<sup>31</sup>No results are provided for ICE regarding implementation of these practices because we were unable to obtain contract documentation in time for our analysis.

<sup>32</sup>The contracting officer is the person with authority to procure, enter into, administer, and terminate contracts and make related determinations and findings. The project manager is responsible for planning, directing, controlling, structuring, and motivating the project. The COTR reviews contractor performance regularly, ensures that contractual milestones are met and standards are being maintained, conducts regular inspections of contractor deliverables throughout the contract period, and ensures that all contract conditions and clauses are acted upon.

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technical reviews with the contractor, and (3) conducting management reviews with the contractor. According to GSA officials, they have not documented their oversight process in order to allow for as much flexibility as possible in performing the process. Further, they said they relied on the professional expertise of the contracting officer's representative (COR) and/or COTR to ensure the technical accuracy of work produced by a contractor.

Without established policies and procedures for contractor management, the organizations responsible for managing US-VISIT-related contracts cannot adequately ensure that these vital contractor management activities are performed.

### **Agencies' Implementation of Key Practices Was Uneven**

Implementation of key practices in the contracting actions that we reviewed was uneven. As table 3 shows, one practice—assigning responsibilities and authorities—was implemented by all agencies. Other key practices were only partially implemented or not implemented by all agencies. The following discussion provides selected examples.

**Most agencies implemented training of contractor management personnel.** Training the personnel performing or supporting contractor management activities helps to ensure that these individuals have the necessary skills and expertise to adequately perform their responsibilities.

Most of the agencies had trained some of the key contracting officials responsible for the contracting actions that we reviewed and were able to produce documentation of that training.<sup>33</sup> For example, CBP relied on a DHS-mandated training program to train its key contract personnel. However, that program was not established until March 2004 for contracting officers and December 2004 for COTRs, and so it did not apply to all the contracting actions that we reviewed. Before these programs were established, CBP relied on the previously existing qualifications of its contracting personnel. However, it provided training documentation for only some of the key contracting personnel for the contracting actions that we reviewed.

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<sup>33</sup>No results are provided for ICE regarding implementation of these practices because we were unable to obtain contract documentation in time for our analysis.

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With respect to non-DHS agencies, AERC and GSA records showed that contracting personnel had completed contracting-related training for the contracting actions that we reviewed.

**Most agencies did not implement all key practices for verifying and accepting contract deliverables.** Verifying that contract deliverables satisfy specified requirements provides an objective basis to support a decision to accept the product. Verification depends on the nature of the deliverable and can occur through various means, such as reviewing a document or testing software. Effectively verifying and accepting contract deliverables includes, among other things, (1) defining procedures for accepting deliverables; (2) conducting deliverable reviews or tests in order to ensure that the acquired product satisfies requirements; (3) documenting the results of the acceptance review or test; (4) establishing an action plan for any deliverables that do not pass the acceptance review or test; and (5) identifying, documenting, and tracking action items to closure.

All agencies implemented some (but not all) of the key practices associated with verifying and accepting contract deliverables. The following two examples from CBP and TSA illustrate this.

- CBP implemented most of the subpractices associated with this practice. For one contracting action reviewed (software development for Increment 2B functionality), CBP defined acceptance (testing) procedures, conducted the tests to verify that the deliverables satisfied the requirements, and documented the results. However, it did not develop an action plan to identify, document, and track unresolved action items to closure. Further, CBP accepted the deliverable before verifying that it had satisfied the requirements. Specifically, test results were presented at a production readiness review (one of the progress reviews called for in CBP's system development life cycle) on November 4, 2004. The review meeting included a US-VISIT stakeholder representative who signed off on the test results, indicating that US-VISIT accepted the deliverable and concurred that it was ready to operate in a production environment. However, the test analysis report highlighted several issues that called this conclusion into question. For example, the report stated that testing continued after the review (through November 8, 2004), and the report identified 67 issues at severity level 2, which CBP defines as a function that does not work and whose failure severely impacts or degrades the system. The report further stated that some test cases were delayed and subject to further testing. CBP could not provide any documentation that these open issues were resolved or that the test cases were executed.

Further, the COTR told us that CBP did not define specific acceptance standards, such as the number and severity of defects permissible for acceptance. Instead, acceptance of the deliverable was subjectively based on the COTR’s assessment of whether the software could provide critical functionality.

For another contract action (Increment 1 hardware and software installation at ports of entry), CBP did not verify that the equipment was installed according to contract requirements. We were told by both the CBP Director of Passenger Systems (who was involved with much of the US-VISIT work) and the contract task monitor that the formal process for verifying and accepting contract deliverables consisted of a site-specific deployment checklist that recorded acceptance of deployment at each port. Acceptance required a signature from a government employee, a date, and an indication of deployment status (the two options for this status were (1) that the equipment was installed and operational or (2) that it was not installed, along with a description of reasons why it was not). However, as shown in table 4, not all checklists that we reviewed were signed or indicated that the equipment was installed and operational, and CBP could not provide documentation on how the identified issues were resolved. Further, although the deliverable was deployed to 119 sites, CBP provided checklists for 102 sites and was unable to provide them for the other 17 sites.

**Table 4: Acceptance Reports for One Contract Deliverable**

Reports	Signed?	Status verified		No status provided
		Operational	Not installed	
47	Yes	X	—	—
37	Yes	—	X	—
3	Yes	—	—	X
2	No	X	—	—
13	No	—	—	X
<b>Total: 102</b>				

Legend:

X = Checklist elements completed

— = Checklist elements not completed

Source: GAO analysis of CBP documentation.

- TSA implemented three of the practices associated with verifying and accepting deliverables—defining acceptance procedures, verifying that deliverables satisfy requirements, and documenting the results of the tests.

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Specifically, TSA tested the air/sea exit software and hardware, and developed a test plan that included test procedures and a traceability matrix. It also documented the test results in a test analysis report that noted that the software was ready for deployment because of the low severity of identified deficiencies. The report included, among other things, a list of system deficiencies identified during testing.<sup>34</sup> The report also included copies of documents provided to a US-VISIT technical representative: a test problem report, a summary of testing defects, and a document indicating that the contractor had approved the test analysis. However, TSA did not provide evidence that the deficiencies were managed and tracked to closure. TSA officials told us that open issues were tracked informally via twice-weekly meetings with a US-VISIT representative, TSA personnel, and contractor staff. Although these meetings were documented, the minutes did not provide any evidence of testing issues being discussed. According to program officials, this was due to the short development time frame (about 4 months) and the need to bypass traditional TSA milestone reviews in order to ensure that the product was delivered on time.

Without adequately verifying that contract deliverables satisfy requirements before acceptance, an organization cannot adequately know whether the contractor satisfied the obligations of the contract and whether the organization is getting what it has paid for.

**Most agencies performed contractor technical and management reviews.** Monitoring contractor performance is essential for understanding the contractor's progress and taking appropriate corrective actions when the contractor's performance deviates from plans. Such monitoring allows the acquiring organization to ensure that the contractor is meeting schedule, effort, cost, and technical performance requirements. Effective monitoring activities include conducting reviews in which budget, schedule, and critical dependencies are assessed and documented, and the contractor's implementation and interpretation of technical requirements are discussed and confirmed.

Three of the four agencies implemented some contractor review activities, including, among other things, addressing technical requirements progress against schedule and costs through regular meetings with the contractor.

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<sup>34</sup>All of the deficiencies were level 3, which TSA defines as a defect that negatively impacts the environment and/or the application but that can be overcome by a manual workaround, by additional training, or by addressing the fix as part of a subsequent enhancement.

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For example, TSA conducted weekly reviews with the contractor to discuss the status of contract performance; material prepared for some of these weekly meetings indicated that topics discussed were “actual dollars expended” versus “budget at project completion,” projected and actual schedule versus baseline, anticipated product delivery dates against planned due dates, and issues and risks. As another example, CBP held weekly documented meetings with its contractor to discuss open issues, the status of the project, and the current stage of the systems development life cycle. Additionally, CBP milestone reviews addressed project schedule, budget, and risk, some of which could be traced to specific contracts.

In contrast, AERC did not document the monitoring of contractor performance during the performance period of the contract. Instead, to document contractor performance, it relied solely on end-of-contract evaluations required by the FAR.

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### Program Office and Other Agencies’ Contract Management Was Impaired by Financial Management Weaknesses

Financial management weaknesses at both the program office and the other agencies impaired their ability to adequately manage and oversee US-VISIT–related contracting activities. Specifically, well-documented, severe financial management problems at DHS (and at ICE in particular) affected the reliability and effectiveness of accounting for the US-VISIT program. Accordingly, the program office and the other DHS agencies were unable to provide accurate, reliable, and timely accounts for billings and expenditures made for contracts related to US-VISIT. In addition, a number of invoice payments were improperly paid and accounted for.

### Serious DHS Financial Management Problems Affected the Quality of Financial Data for US-VISIT Contracts

DHS’s financial management problems are well-documented. When the department began operations in 2003, one of the challenges we reported<sup>35</sup> was integrating a myriad of redundant financial management systems and addressing the existing financial management weaknesses inherited by the department. Since that time, DHS has undergone three financial statement audits and has been unable to produce fully auditable financial statements

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<sup>35</sup>GAO, *Financial Management: Department of Homeland Security Faces Significant Financial Management Challenges*, [GAO-04-774](#) (Washington, D.C.: July 19, 2004).

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for any of the audits.<sup>36</sup> In its most recent audit report, auditors reported<sup>37</sup> 10 material weaknesses and 2 reportable conditions.<sup>38</sup>

Among the factors contributing to DHS's inability to obtain clean audit opinions were serious financial management challenges at ICE, which provides accounting services for several other DHS agencies, including the US-VISIT program. For fiscal years 2004 and 2005, auditors reported that financial management and oversight at ICE was a material weakness, principally because its financial systems, processes, and control activities were inadequate to provide accounting services for itself and other DHS agencies.<sup>39</sup> According to the auditors, ICE did not adequately maintain its own accounting records or the accounting records of other DHS agencies, including US-VISIT. The records that were not maintained included intradepartmental agreements and transactions, costs, and budgetary transactions. These and other accounts required extensive reconciliation and adjustment at year-end, which ICE was unable to complete. In addition, in fiscal year 2005, ICE was unable to establish adequate internal controls that reasonably ensured the integrity of financial data and that adhered to our *Standards for Internal Control in the Federal Government*;<sup>40</sup> the Chief Financial Officer of ICE also issued a statement of "no assurance" on internal control over financial reporting.

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<sup>36</sup>For the 7-month period from March 1, 2003, to September 30, 2003, DHS received a qualified opinion from its independent auditors on its consolidated balance sheet as of September 30, 2003, and the related statement of custodial activity for the 7 months ending September 30, 2003. Auditors were unable to opine on the consolidated statements of net costs and changes in net position, combined statement of budgetary resources, and consolidated statement of financing. For fiscal years 2004 and 2005, DHS's independent auditors were unable to opine on any of its financial statements.

<sup>37</sup>DHS, *Performance and Accountability Report: Fiscal Year 2005* (Nov. 15, 2005).

<sup>38</sup>Under standards issued by the American Institute of Certified Public Accountants, "reportable conditions" are matters coming to the auditors' attention relating to significant deficiencies in the design or operation of internal controls that, in the auditors' judgment, could adversely affect the department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce (to a relatively low level) the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions.

<sup>39</sup>DHS, *Performance and Accountability Report: Fiscal Year 2004* (Nov. 18, 2004), and *Performance and Accountability Report: Fiscal Year 2005* (Nov. 15, 2005).

<sup>40</sup>[GAO/AIMD-00-21.3.1](#).

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Program Office and Other DHS Agencies Did Not Adequately Track Billings and Expenditures

These systemic financial challenges impaired the US-VISIT program's contract management and oversight. As the accounting service provider for the US-VISIT program, ICE is responsible for processing and recording invoice payments both for contractors working directly for the program and for the work ICE procures on the program's behalf. However, because of its financial problems, the reliability of the financial information processed by ICE as the accounting-services provider for the program office was limited. Further, ICE was unable to produce detailed, reliable financial information regarding the contracts it managed on behalf of US-VISIT.

Of the DHS agencies we reviewed, the program office and two others managing US-VISIT-related contracts on the program's behalf did not track contract billings and expenditures in a way that was accurate, reliable, and useful for contract oversight and decision making. Specifically, the amounts reportedly billed were not always reliable, and expenditures for US-VISIT were not always separately tracked.

Our *Standards for Internal Control in the Federal Government* identifies accurate recording of transactions and events as an important control activity. In addition, the standards state that pertinent financial information should be identified, captured, and distributed in a form that permits people to perform their duties effectively. In order for people to perform their duties effectively, they need access to information that is accurate, complete, reliable, and useful for oversight and decision making. In the case of US-VISIT, expenditures and billings made for US-VISIT-related contracts should be tracked by the program office and the agencies managing the contracts on the program office's behalf, and controls should be in place to ensure that the information is reliable, complete, and accurate. Furthermore, in order for the information to be useful for oversight and decision making, billings and expenditures made for US-VISIT work should be separately tracked and readily identifiable from other billings and expenditures. Separately accounting for program funds is an important budgeting and management tool, especially when those funds are reimbursed by another agency for a program-specific purpose, as was the case for US-VISIT. Finally, according to our internal control standards and more specifically, our *Internal Control Management and Evaluation Tool*,<sup>41</sup> information should be available on a timely basis for effective monitoring of events, activities, and transactions.

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<sup>41</sup>[GAO-01-1008G](#).

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### **The Amounts Reportedly Billed on US-VISIT-Related Contracts Are Not Reliable**

Because effective internal controls were not in place, the reliability of US-VISIT-related billings by DHS agencies was questionable. First, the program office could not verify the scope of completed and ongoing contracting actions. Second, for the contracting actions that were reported, not all agencies provided billing information that was reliable.

The program office did not track all contracting activity and thus could not provide a complete list of contracting actions. In the absence of a comprehensive list, we assembled a list of contracting actions from the program office and from each of the five agencies responsible for contracting for US-VISIT work. However, the APMO Director did not know whether the list of contracting actions was valid.

In addition, to varying degrees, other DHS agencies could not reliably report to us what had been invoiced on the US-VISIT-related contracts they managed. In particular, ICE's substantial financial management challenges precluded it from providing reliable information on amounts invoiced against its contracts. Its inability to provide us with key financial documents for US-VISIT-related contracts illustrated its challenges. Over a period of 9 months, we repeatedly requested that ICE provide various financial documents, including expenditure listings, invoice documentation, and a list of all contracting actions managed on behalf of US-VISIT. However, it did not provide complete documentation in time to be included in this report. In particular, ICE was not able to provide complete and reliable expenditures to date. It did provide a list of US-VISIT-related contracting actions, but it did not include the amounts invoiced on those contracting actions, and program office staff noted several problems with ICE's list, including several contracts that were likely omitted. A comparable list provided by the DHS Office of the Chief Procurement Officer showed ICE's invoiced amounts, but the contracting actions on this list differed from those provided by ICE. Without accurate tracking of financial information related to US-VISIT contracts, the full scope of contracting and spending on the program cannot be known with reasonable certainty. This limitation introduces the increased possibility of inefficiencies in spending, improper payments, and poor management of limited financial resources.

For CBP, a list of contacting actions provided by program officials included discrepancies that raised questions about the accuracy both of the list and of the invoiced amounts. First, the task order number of a 2002

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contracting action changed during our period of review, and CBP initially reported the task order as two different contracting actions—one issued in 2002 and another issued in 2004. Second, the task order was for services performed bureauwide, not just for US-VISIT, and from the contract documentation it was not discernable which work was specific to US-VISIT. Such discrepancies suggest that the amount invoiced specifically to US-VISIT was not accurate. Finally, our summation of all the invoices, through March 31, 2005, on this contracting action totaled about \$8.8 million, which was about \$1.3 million more than the total invoiced amount that CBP had reported.<sup>42</sup> This discrepancy indicated that CBP was not adequately tracking funds spent for US-VISIT on this contracting action, which increased the risk that the program was improperly reimbursing CBP on this contract. No such discrepancy existed between reported and actual invoiced amounts on the 2003 and 2004 CBP contracting actions we reviewed.

TSA was able to provide accurate billing information on the one US-VISIT-related contracting action that it managed, but delays in invoicing on this contracting action increase the risk of future problems. As of February 2005, development on the TSA contract action was finished, and the contract had expired. However, from April 2005 through February 2006 (the latest date available), TSA reported that it continued to receive and process about \$5 million in invoices, and that the contractor can still bill TSA for prior work performed for up to 5 years after expiration of the contract. According to TSA, the contractor estimated (as of February 2006) that it would be sending TSA an additional \$2 million in invoices to pay for work already completed. TSA officials could not explain this delay in invoicing. Such a significant lag between the time in which work is completed and when it is billed can present a challenge to the proper review of invoices.

### **DHS Agencies Did Not Always Separately Track Expenditures Made to Contractors for US-VISIT Work**

ICE did not track expenditures made to contractors for US-VISIT work separately from other expenditures, and CBP experienced challenges in its efforts to do so. Reliable, separate tracking of such expenditures is an important internal control for ensuring that funds are being properly

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<sup>42</sup>The \$7.5 million reported as the invoiced amount is the addition of the invoiced amounts reported separately for the 2002 and 2004 task order numbers.

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budgeted and that the program office is reimbursing agencies only for work performed in support of the program.

In the case of ICE, its financial management system did not include unique codes or any other means to reliably track expenditures made for US-VISIT-related contracts separately from non-US-VISIT expenditures. As a result, ICE did not have reliable information on what it spent for the program, which means that it could have requested improper reimbursements from the program office. More specifically, the most detailed list ICE could provide of its US-VISIT-related payments was by querying its financial management system by contract number, which provided all payments under the contract number. However, each contract's scope of work is generally broad and includes work throughout ICE, not just for US-VISIT. Thus, this method would not give an accurate picture of what expenditures ICE had made for US-VISIT-related work.

In the case of CBP, it began using coding in its financial management system to separately track US-VISIT obligations and expenditures beginning in fiscal year 2003, when CBP first received funding for US-VISIT. At that time, CBP tracked all US-VISIT expenditures under a single project code. However, between fiscal years 2003 and 2004, CBP underwent a system conversion that interrupted its tracking of US-VISIT-related funds, which made it challenging to separately report US-VISIT-related expenditures. During this time, several changes were made to the codes used to track US-VISIT information. When we requested a listing of the US-VISIT-related expenditures by CBP, it took several weeks for CBP finance center staff to document the financial management system coding changes and produce a reasonably complete listing of the US-VISIT-related expenditures that CBP made during the system conversion. In fiscal years 2004 and 2005, CBP again began tracking all US-VISIT-related expenditures separately under a single budget code. Thus, in the future, the tracking and reporting of US-VISIT expenditures by CBP should be more timely and reliable.

Several Payments to  
Contractors for US-VISIT Work  
Were Improperly Paid and  
Accounted for

Although the program office and the agencies—both DHS and others—doing work on its behalf usually documented approval of contractor invoices before payment, a number of invoices were improperly paid and accounted for, resulting in a potential loss of funds control and, in one case, a duplicate payment on an invoice of over \$3 million. Our *Internal Control Management and Evaluation Tool* states that transactions and

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events need to be appropriately classified and that pertinent information is to be identified and captured in the right form.<sup>43</sup>

Overpayments occurred as a result of two kinds of errors: on one occasion a duplicate payment was made, and on several other occasions incorrect balances were paid.

- A duplicate payment was made on an invoice for over \$3 million. APMO had sent an authorization for payment in full on the invoice to its finance center. Then, 1 month later, APMO sent another authorization for payment in full on the same invoice. The second payment was later noticed, and the contractor refunded the amount.<sup>44</sup>
- The other set of overpayments, although small in dollar value, exemplify a significant breakdown in internal control. Invoices billed to AERC on a fiscal year 2005 contract listed the current amount billed on the invoice, as well as a cumulative balance; the cumulative balance included invoice payments that AERC had already made, but that had not been recorded by the contractor when the next invoice was generated. On several of the invoices, AERC mistakenly paid the higher cumulative balance when the current amount should have been paid. As a result, AERC overpaid the vendor by about \$26,600. Moreover, it was the contractor that first reported this overpayment in September 2005 and refunded the overpayment amount to AERC. According to DHS officials, the US-VISIT program office had independently identified the overpayment in November 2005 and requested clarification from AERC the following day.

Also at APMO, two questionable payments were made that arose from the overriding of controls created for the prime US-VISIT contract. The prime contract has been implemented through 12 task orders with multiple modifications that either increased funding or made other changes to the contract terms. To account for the obligations made on each task order, the program's Office of Budget and Finance created separate tracking codes in the financial system for each task order and sometimes for each modification of a task order. The separate tracking of each obligation is a good control for tracking and controlling spending against task order funds. However, APMO overrode this control when it instructed the finance center to pay two invoices—one for about \$742,000 and one for

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<sup>43</sup>GAO-01-1008G.

<sup>44</sup>Refund documentation did not provide evidence showing whether DHS officials or contractor staff noticed the overpayment.

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about \$101,000—out of the wrong account: that is, with funds for task orders other than those for which the invoices were billed. APMO did not provide any justification for payment with funds from the improper account. Our *Internal Control Management and Evaluation Tool* states that any intervention or overriding of internal controls should be fully documented as to the reasons and specific actions taken.<sup>45</sup>

CBP also inappropriately paid for work unrelated to US-VISIT out of funds designated for US-VISIT. For a 2003 contracting action that we reviewed, invoices included a significant amount in travel billings. However, several travel vouchers that accompanied these invoices were for work unrelated to US-VISIT. For example, terms like “Legacy ag/legacy Customs unification,” “Agriculture Notes Installation,” and “Agriculture AQI” were indicated on the vouchers. CBP confirmed that these vouchers were billed to US-VISIT in error. Additionally, other vouchers included descriptions that were vague and not clearly related to any specific program (e.g., emergency hardware replacement), and thus it was not clear that the work being billed was related to the program. Along with the travel expenses, the labor hours associated with the above vouchers were also being billed to the program. This circumstance calls into question not only whether or not the travel charges were inappropriately classified as US-VISIT work, but also whether the time that these employees were charging was inappropriately classified, and thus improperly paid.

On one CBP contracting action, some charges that were not related to US-VISIT may have been reimbursed by the program office. The contracting action in question was a 2002 action for CBP-wide disaster recovery services, and thus not all charges were directly related to the US-VISIT program. On this task order, CBP expended about \$1.28 million from program-designated funds on items that were not clearly specified as US-VISIT work on the invoices. Of that amount, about \$43,000 could be attributed to a contract modification specific to the program. However, CBP stated that one invoice for about \$490,000 included in this \$1.28 million was paid from the program’s funds to correct two payments for earlier US-VISIT invoices that were erroneously made from nonprogram funds. We also found about \$771,000 of invoice dollars that were specified as US-VISIT work, but that were not on the CBP-provided expenditure reports for program funds.

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<sup>45</sup> [GAO-01-1008G](#).

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As a result of these various discrepancies, the US-VISIT program may have reimbursed CBP for work that was not done on its behalf. Also, the program official responsible, under DHS policy,<sup>46</sup> for monitoring the CBP contracts related to US-VISIT told us that he had not been reviewing invoices on IPAC reimbursement requests from CBP, even though such reviews are required by DHS policy.

In addition, on the 2003 CBP contracting action that we reviewed, many of the travel vouchers included first-class flights taken by contract personnel, although (with few exceptions) purchase of first-class travel is not allowed for travel on cost-reimbursable type contracts. However, travel documentation indicated first-class travel on numerous instances with no explanation or justification of the first-class travel or documentation to indicate that CBP had requested any explanation. CBP officials noted that some frequent fliers are automatically upgraded when purchasing a full-fare flight. Although this is a reasonable explanation, CBP provided no documentation showing that it completed any inquiry or research at the time it was invoiced to determine if first-class travel was being purchased or if upgrades were being given, and invoice documentation did not clarify this. Further, in several instances, complete documentation was not provided for the costs of all airline travel expenses.

A final concern regarding payments to contractors is raised by the fact that several of the agencies made late payments on invoices. Under the Prompt Payment Act,<sup>47</sup> the government must pay interest on invoices it takes over 30 days to pay. Not only do these interest payments deplete funds available for US-VISIT, but excessive late invoice payments are also a signal that the contract payment oversight process is not being effectively managed. CBP and TSA experienced agencywide increases in contract prompt-payment interest. CBP reported that in fiscal year 2004, the year that it converted to a new accounting system, prompt pay interest accounted for 7.66 percent of all payments, a sharp increase from the prior year's frequency rate of 1.74 percent. In fiscal year 2005, the rate of interest payments at CBP receded to 1.80 percent of total payments.

APMO also paid substantial amounts in prompt payment interest. According to DHS's auditors, ICE, which provides US-VISIT payment services, had not established internal controls to ensure that invoices were

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<sup>46</sup>DHS, *Reimbursable Agreements*, Management Directive System, MD 0710.1.

<sup>47</sup>Codified at 31 U.S.C. §§ 3901-3904 and implemented at 5 C.F.R. pt 1315.

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paid in a timely manner.<sup>48</sup> For the invoices that we reviewed, prompt-payment interest was paid on approximately 26 percent of the prime contract invoices that we reviewed, representing over \$27,000 in payments. In addition, we could not verify that the proper amount of interest was paid because information in the ICE financial management system was incorrect. For example, in many instances, important dates used for determining prompt-pay interest were entered incorrectly, or the dates in the system could not be validated based on invoice documentation provided. A program official told us that certain program staff have recently been granted read-only access to ICE's financial management system to monitor invoice payments. If the program office effectively uses this increased oversight ability, it could reduce the number of prompt-payment violations as well as reduce other improper contract payments made by the program office.

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## Conclusions

Contractors have played, and will continue to play, a major role in delivering US-VISIT capabilities, including technology, facilities, and people. Therefore, the success of the program depends largely on how well DHS manages and oversees its US-VISIT-related contracts. Establishing and implementing effective contractor management and oversight controls, including financial management controls, can greatly increase the department's ability to manage and oversee US-VISIT-related contracts. However, the department's management and oversight of US-VISIT-related contracts are not yet at the level that they need to be to adequately ensure, for example, that contract deliverables satisfy program requirements, that cost and schedule commitments are met, that program outcomes are achieved, that funds are not overspent and improperly reimbursed, and that payments are made in a proper and timely manner.

Although the program office has generally established and implemented key contractor management controls on those contracts that it manages directly, it has not adequately overseen US-VISIT-related contracts that were managed by other DHS and non-DHS agencies. According to program office officials, this is because they have initially focused on those contracts that they manage directly. However, this narrow focus raises concerns because the agencies managing contracts on the program office's behalf have not implemented the full range of management controls

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<sup>48</sup>DHS, *Performance and Accountability Report: Fiscal Year 2005* (Nov. 15, 2005).

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needed to have a full, accurate, reliable, and useful understanding of the scope of contract activities and performance.

Moreover, none of the US-VISIT contracts that we reviewed have been subject to important financial management controls. As previous audits have shown, DHS suffers from numerous material weaknesses in financial management, some of which are directly related to ICE (the DHS component that provides financial management services to the program office). These weaknesses have contributed to the program's inability to know the full scope of contract activities and fully account for expenditures, among other things. By impairing the reliability and effectiveness of accounting for US-VISIT contracts, these weaknesses have diminished the program's ability to effectively manage and oversee work performed by contractors—work that is essential for the program to achieve its goals.

Until DHS addresses these contract management and oversight weaknesses, the US-VISIT program will remain at risk of not delivering required capabilities and promised benefits on time and within budget, and it will be vulnerable to financial mismanagement.

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## Recommendations for Executive Action

Given the US-VISIT program's mission importance, size, and heavy reliance on contractor assistance, we recommend that the Secretary of Homeland Security direct the US-VISIT Program Director to take the following five actions to strengthen contract management and oversight, including financial management:

- For each US-VISIT contract action that the program manages directly, establish and maintain a plan for performing the contractor oversight process, as appropriate.
- Develop and implement practices for overseeing contractor work managed by other agencies on the program office's behalf, including (1) clearly defining roles and responsibilities for both the program office and all agencies managing US-VISIT-related contracts; (2) having current, reliable, and timely information on the full scope of contract actions and activities; and (3) defining and implementing steps to verify that deliverables meet requirements.
- Require, through agreements, that agencies managing contract actions on the program office's behalf implement effective contract management practices consistent with acquisition guidance for all US-VISIT contract

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actions, including, at a minimum, (1) establishing and maintaining a plan for performing contract management activities; (2) assigning responsibility and authority for performing contract oversight; (3) training the people performing contract oversight; (4) documenting the contract; (5) verifying that deliverables satisfy requirements; (6) monitoring contractor-related risk; and (7) monitoring contractor performance to ensure that the contractor is meeting schedule, effort, cost, and technical performance requirements.

- Require DHS and non-DHS agencies that manage contracts on behalf of the program to (1) clearly define and delineate US-VISIT work from non-US-VISIT work as performed by contractors; (2) record, at the contract level, amounts being billed and expended on US-VISIT-related work so that these can be tracked and reported separately from amounts not for US-VISIT purposes; and (3) determine if they have received reimbursement from the program for payments not related to US-VISIT work by contractors, and if so, refund to the program any amount received in error.
- Ensure that payments to contractors are timely and in accordance with the Prompt Payment Act.

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## Agency Comments and Our Evaluation

We received written comments on a draft of this report from DHS, which were signed by the Director, Departmental GAO/IG Liaison Office, and are reprinted in appendix II. We also received comments from the Director of AERC and the Assistant Commissioner for Organizational Resources, Public Buildings Service, GSA. Both the Department of Defense audit liaison and the GSA audit liaison requested that we characterize these as oral comments.

In its written comments, DHS stated that although it disagreed with some of our assessment, it agreed with many areas of the report and concurred with our recommendations and the need for improvements in US-VISIT contract management and oversight. The department disagreed with certain statements and provided additional information about three examples of financial management weaknesses in the report. Summaries of DHS's comments and our response to each are provided below.

- The department characterized as misleading our statements that US-VISIT (1) depended on other agencies to manage financial matters for their respective contracts and (2) relied on another agency for US-VISIT's own financial management support. With respect to the former, DHS noted that the decision to use other agencies was based on the nature of the services

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that were required, which it said were outside the scope of the program office's areas of expertise. We understand the rationale for the decision to use other agencies, and the statement in question was not intended to suggest anything more than that such a decision was made. We have slightly modified the wording to avoid any misunderstanding.

With respect to its own financial management, DHS said that for us to declare that US-VISIT depended on another agency for financial management support without identifying the agency and the system, in combination with our acknowledging that we did not examine the effectiveness of this unidentified system, implies that our report's scope is broader than what our congressional clients asked us to review. We do not agree. First, our report does identify ICE as the agency that the program office relies on for financial management support. Second, although we did not identify by name the ICE financial management system, we did describe in detail the serious financial management challenges at ICE, which have been reported repeatedly by the department's financial statement auditors and which have contributed to the department's inability to obtain a clean audit opinion. Moreover, we fully attributed these statements about these serious challenges to the auditors.

- The department said that our statement regarding the purpose of the contracts managed by AERC needed to be clarified, stating that our report reflects the scope of the two contract actions reviewed and not the broader scope of services under the interagency agreement. We agree that the description of AERC services in our report is confined to the scope of the two contract actions that we reviewed. This is intentional on our part since the scope of our review did not extend to the other services. We have modified the report to clarify this.
- The department provided additional information about three examples of invoice discrepancies and improper payments cited in the report, including reasons why they occurred. Specifically, the department said that the reason that CBP reported a 2002 contracting action as also a 2004 contracting action was because of the concurrent merger of CBP within DHS and the implementation of CBP's new financial system. It further stated that the reason that US-VISIT made a duplicate payment to the prime contractor was, at least partially, due to poor communication between US-VISIT and its finance center. Regarding two other duplicate payments, DHS stated that while the cause of the duplicate payments is not completely clear from the available evidence, both are almost certainly errors resulting from processes with significant manual components, as opposed to deliberate control overrides, since adequate funds were available in the correct accounts for each case. The department also noted

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that communications may have also contributed to one of these two duplicate payments. We do not question the department's reasons or the additional information provided for the other payments, but neither changes our findings about the invoice discrepancies and improper payments.

- The department stated that although the contractor initially identified the AERC overpayment on September 13, 2005, the US-VISIT program office independently identified the billing discrepancy on November 1, 2005, and requested clarification from AERC the following day. The department further stated that because we describe the overpayment example in the report as being a small dollar value, we should have performed a materiality test in accordance with accounting principles in deciding whether the overpayment should be disclosed in a public report. We do not dispute whether the US-VISIT program independently identified the overpayment in question. Our point is that an invoice overpayment occurred because adequate controls were not in place. In addition, while we agree that materiality is relevant to determining whether to cite an example of an improper payment, another relevant consideration to significance is the frequency of the error. Our decision to disclose this particular overpayment was based on our judgment regarding the significance of the error as defined in generally accepted government auditing standards. It is our professional judgment that this overpayment is significant because of the frequency with which it occurred. Specifically, of the eight invoices that we reviewed, four were improperly paid.

In oral comments, the Director of AERC questioned the applicability of the criteria we used to evaluate AERC contract management practices and our assessment of its process for verifying and accepting deliverables. Despite these disagreements, he described planned corrective actions to respond to our findings.

- The Director stated in general that the Capability Maturity Model Integration (CMMI)<sup>®</sup> model was not applicable to the contracts issued by the Corps of Engineers, and in particular that a contract oversight plan was not applicable to the two contract actions that we reviewed. In addition, the Director commented that AERC's practices were adequate to deal appropriately with contractor performance issues had these been raised. Nonetheless, to address this issue, the Director stated that AERC would require the US-VISIT program office to submit an oversight plan describing the project's complexity, milestones, risks, and other relevant information, and it would appoint qualified CORs or COTRs to implement the plans and monitor contractor performance.

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We disagree with AERC's comments on the applicability of our criteria. Although the CMMI model was established to manage IT software and systems, the model's practices are generic and therefore applicable to the acquisition of any good or service. Specifically, the contractor management oversight practices discussed in this report are intended to ensure that the contractor performs the requirements of the contract, and the government receives the services and/or products intended within cost and schedule. We also do not agree that the contract actions in question did not warrant oversight plans. Although the content of oversight plans may vary (depending on the type, complexity, and risk of the acquisition), each acquisition should have a plan that, at a minimum, describes the oversight process, defines responsibilities, and identifies the contractor evaluations and reviews to be conducted. Since the chances of effective oversight occurring are diminished without documented plans, we support the program manager's commitment to require these plans in the future.

- Regarding an overpayment discussed in our report, the Director indicated that this problem was resolved as described in DHS's comments, and that in addition, AERC has procedures and controls to prevent the government from paying funds in excess on a firm-fixed price contract such as the one in question. Nonetheless, the Director described plans for strengthening controls over contract progress payments and invoices, including having trained analysts review all invoices and ensuring that a program/project manager has reviewed the invoices and submitted written authorization to pay them. The Director also stated that AERC has an established process for controlling and paying invoices, which provides for verifying and accepting deliverables. We do not consider that the AERC process was established because although AERC officials described it to us, it was neither documented nor consistently followed. For example, one contracting action that we reviewed had three invoices that did not have a signature or other documentation of approval, even though such approval, according to AERC, is a required part of the process.

In oral comments, the GSA Assistant Commissioner disagreed with the applicability of certain of the criteria that we used in our assessment, as well as with our assessment that these and other criteria had not been met. For example, the Assistant Commissioner stated that regulations or policies do not require GSA to establish and maintain a plan for performing the contract oversight process, that its current practices and documents (such as the contract statement of work and COR/COTR delegation letters) in effect establish and maintain such a plan, that GSA documented the oversight process and results to the extent necessary to ensure contractor performance, and that GSA had established a

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requirement to conduct contractor reviews. Although, as we state in our report, GSA policies do not include a requirement for an oversight plan, we still believe that it is appropriate to evaluate GSA against this practice (which is consistent with sound business practices and applies to any acquisition), and that GSA's processes and activities did not meet the criteria for this practice and ensure effective oversight of the contracts. We did not find that the delegation letters and contract statements of work were sufficient substitutes for such plans, because, for example, they do not consistently describe the contractor oversight process or contractor reviews. Further, the inclusion of a requirement for contractor reviews in some contracts/statements of work does not constitute agencywide policies and procedures for performing reviews on all contracts.

GSA also provided further descriptions of its financial management controls and oversight processes and activities, but these descriptions did not change our assessment of GSA's financial management controls or the extent to which the oversight processes and activities satisfy the practices that we said were not established<sup>49</sup> or not consistently implemented. Among these descriptions was information on an automated tool that GSA provided its contracting officers; however, this tool was not used during the period under review. GSA also provided certain technical comments, which we have incorporated in our report, as appropriate.

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As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to the Chairmen and Ranking Minority Members of the Senate and House Appropriations Committees, as well as to the Chairs and Ranking Minority Members of other Senate and House committees that have authorization and oversight responsibility for homeland security. We will also send copies to the Secretary of Homeland Security, the Secretary of Defense, the Administrator of GSA, and the Director of OMB. Copies of this report will also be available at no charge on our Web site at <http://www.gao.gov>.

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<sup>49</sup>That is, the agency had not documented these processes and activities and established their performance, as would be consistent with the best practice.

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Should your offices have any questions on matters discussed in this report, please contact Randolph C. Hite at (202) 512-3439 or at [hiter@gao.gov](mailto:hiter@gao.gov), or McCoy Williams at (202) 512-9095 or at [williamsm1@gao.gov](mailto:williamsm1@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix IV.



Randolph C. Hite  
Director, Information Technology Architecture  
and Systems Issues



McCoy Williams  
Director, Financial Management  
and Assurance

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*List of Requesters*

The Honorable Peter T. King  
Chairman

The Honorable Bennie G. Thompson  
Ranking Minority Member  
Committee on Homeland Security  
House of Representatives

The Honorable Bob Filner  
House of Representatives

The Honorable Raul Grijalva  
House of Representatives

The Honorable Ruben Hinojosa  
House of Representatives

The Honorable Solomon Ortiz  
House of Representatives

The Honorable Silvestre Reyes  
House of Representatives

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# Appendix I: Objective, Scope, and Methodology

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Our objective was to determine whether the Department of Homeland Security (DHS) has established and implemented effective controls for managing and overseeing contracts related to the U.S. Visitor and Immigrant Status Indicator Technology (US-VISIT) program. To address our objective, we assessed the implementation of key contractor management controls at the program office and at other DHS and non-DHS agencies responsible for managing US-VISIT-related contracts. We also evaluated the program office's oversight of US-VISIT-related contracts managed by these other organizations. Finally, we reviewed internal control processes and procedures in place over contract financial management.

Besides the US-VISIT program office, the organizations within DHS that we identified as having responsibility for managing US-VISIT-related contracts were

- Customs and Border Protection (CBP),
- the Transportation Security Agency (TSA), and
- Immigration and Customs Enforcement (ICE).

The non-DHS agencies performing work in support of US-VISIT were

- the General Services Administration (GSA) and
- the Army Corps of Engineers Architect-Engineer Resource Center (AERC).

**Contract management controls:** To assess key contract management controls and implementation of those controls at US-VISIT and other agencies responsible for managing US-VISIT-related contracts, we identified leading public and private sector practices on contract management, such as those prescribed by the Federal Acquisition Regulation (FAR)<sup>1</sup> and Carnegie Mellon University's Software Engineering Institute, which publishes the *Capability Maturity Model Integration*.<sup>2</sup> US-VISIT officials identified the contracts being managed by the program,

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<sup>1</sup>The FAR system establishes the uniform set of policies and procedures for acquisition by all executive branch agencies. This system consists of the primary FAR document and agency acquisition regulations that implement or supplement the FAR.

<sup>2</sup>*Capability Maturity Model Integration, Systems Engineering Integrated Product and Process Development, Continuous Representation*, version 1.1.

all within the Acquisition Program Management Office (APMO). To evaluate the management of the program's contracts, we assessed APMO's and other agencies' documented policies against the leading practices that we identified. We also determined the extent to which those policies were applied to specific contracting actions and determined the extent to which, if any, other formal or otherwise established practices were used to manage or oversee the specific contract actions. We also discussed any variances with agency officials to determine the reasons why those variances existed.

In determining the extent to which practices/subpractices were judged to be established/implemented, we categorized them into one of the following:

- established/implemented,
- partially established/implemented, or
- not established/implemented.

We judged whether the practice was established, partially established, or not established depending on whether the agency had documented policies and procedures addressing the practice and all, some, or none of the subpractices (where applicable). We judged whether a practice was implemented, partially implemented, or not implemented on the basis of documentation demonstrating that the practice and all, some, or none of the subpractices (where applicable) had been implemented for the contracting actions that we reviewed.

We judged that an agency had "partially established" the requirement for a practice or subpractice if the agency relied only on the FAR requirement to perform this activity, but did not establish a process (i.e., documented procedures) for how the FAR requirement was to be met.

We judged that an agency had "partially implemented" a practice or subpractice if it had implemented some, but not all, facets of the practice (including its own related requirements for that practice).

To select specific contracting actions for review, we analyzed documentation provided by the program and by the DHS and non-DHS agencies responsible for managing US-VISIT-related contracts, to identify all contracting work performed in support of the program.

Program officials were unable to validate the accuracy, reliability, and completeness of the list of contracting actions. Therefore, we did not perform a statistical sampling of the identified contracting actions. Rather, we judgmentally selected from each agency one contracting action for US-VISIT-related work awarded in each fiscal year from March 1, 2002, through March 31, 2005, focusing on service-based contracts. Thus, fiscal years 2002 through 2005 were each reviewed to some extent. Not all organizations awarded contracting actions in every fiscal year covered under our review, in which case an action was not selected for that fiscal year for that organization. The contracting actions selected from ICE were excluded in our analysis of the implementation of management and financial controls because of delays in receiving contract-specific documentation. One program management contract that was reported to us by US-VISIT was transferred to the program from ICE shortly before the end of our review period, and so we were unable to determine, because of the issues with ICE identified above, what management activities were performed on the contract.

For each selected contracting action, we reviewed contract documentation, including statements of work, project plans, deliverable reviews, and other contract artifacts, such as contractor performance evaluations. We then compared documentary evidence of contract management activity to leading practices and documented policies, plans, and practices. Finally, we determined what, if any, formal or established oversight practices were in existence at the contract level.

Table 5 shows the judgmental selection of contract actions that were reviewed for each agency, including APMO.

**Appendix I: Objective, Scope, and Methodology**

**Table 5: Contract Actions Related to US-VISIT That Were Examined in This Review**

<b>Services acquired</b>	<b>Contract manager</b>	<b>Relationship to US-VISIT</b>	<b>Fiscal year</b>	<b>Contract type</b>	<b>Description of services provided by contracting action reviewed</b>
Program level management	US-VISIT	Managed within program office	2004 <sup>a</sup>	Cost plus award fee	Providing program planning, cost and schedule estimation methodology, program control methodology, a risk management program, a configuration management plan and repository, a quality management plan, a process improvement program, a communications management plan and program support, a support collaboration tool and integrated portal solution, and additional program-level activities.
US-VISIT strategic plan development	US-VISIT	Managed within program office	2005	Firm fixed price	Providing, among other things, an as-is assessment, a business functionality vision, an information technology strategic plan, a facilities strategic plan, a strategic plan, a data management strategic plan, and a business case and implementation plan.
Pre-award and post-award acquisition services	GSA	Reimbursable work authorization	2002	Firm fixed price	Providing pre-award and post-award functions involving the acquisition of services to carry out the overall program of the Public Buildings Service including the US-VISIT program.
Planning and mobilization for feasibility studies	GSA	Reimbursable work authorization	2003	Firm fixed price	Providing, among other things, mobilization of planning efforts for several ports of entry and providing the management of feasibility studies for 51 separate ports of entry.
Program management of US-VISIT at ports of entry	GSA	Reimbursable work authorization	2004, 2005 <sup>b</sup>	Firm fixed price	Among other things, directing and managing the implementation of the US-VISIT program at ports of entry and providing a single point of interface and accountability for program implementation efforts.
On-site program management at ports of entry	AERC	Reimbursable work authorization	2003	Firm fixed price	Providing internal US-VISIT management support and coordination for US-VISIT initiatives, managing and providing direction to GSA and its contractors, coordinating project information and details with CBP, and facilitating communication between the various government groups involved in port of entry projects.
Economic impact assessment	AERC	Interagency agreement	2005 <sup>c</sup>	Firm fixed price	Analyzing and assessing the overall life cycle benefits and costs of the US-VISIT program implementation along the northern and southern borders of the United States.
Commercial recovery services	CBP	Intra-agency agreement	2002	Firm fixed price	Providing, through a subscription, an adequately equipped primary and secondary recovery facility in order to ensure data replication, disaster recovery services, extended recovery services, and disaster declaration.

**Appendix I: Objective, Scope, and Methodology**

<b>Services acquired</b>	<b>Contract manager</b>	<b>Relationship to US-VISIT</b>	<b>Fiscal year</b>	<b>Contract type</b>	<b>Description of services provided by contracting action reviewed</b>
Infrastructure upgrades at ports of entry	CBP	Intra-agency agreement	2003	Labor hour with other direct costs	Providing technical support and a comprehensive and integrated management approach for infrastructure upgrades at various airports and seaports for US-VISIT.
Systems software maintenance and development support	CBP	Intra-agency agreement	2004	Time and materials	Providing, among other things, requirements analysis, system development and enhancements, and maintenance in support of Increment 2B.
Air/sea exit	TSA	Intra-agency agreement	2003	Firm fixed price/Time and materials	Providing self-service and attended workstations to guide nonimmigrant visa holders through the presentation of their travel documents and submission of two fingerprints each.

Source: GAO analysis of agency data.

<sup>a</sup>US-VISIT did not manage any contracts before fiscal year 2004.

<sup>b</sup>In fiscal years 2004 and 2005, GSA issued two task orders under the same contract for similar types of work. Both of these task orders were selected for our review.

<sup>c</sup>AERC did not issue new US-VISIT-related work in fiscal year 2004.

**Contract oversight controls:** To assess the program’s oversight of program-related contracts, we used DHS guidance pertaining to intra- and intergovernmental contracting relationships,<sup>3</sup> as well as practices for oversight developed by us. We met with program office officials to determine the extent to which the program office oversaw the performance of US-VISIT-related contracts and identified the organizations performing work in support of the program (as listed earlier). We met with these organizations to determine the extent to which the program office interacted with them in an oversight capacity.

**Financial management controls:** To assess internal control processes and procedures in place over contract financial management, we reviewed authoritative guidance on contract management found in the following:

- the FAR;
- our *Policy and Procedures Manual for Guidance of Federal Agencies, Title 7—Fiscal Guidance*;

<sup>3</sup>DHS, *Reimbursable Agreements*, Management Directive System, MD 0710.1.

- Office of Management and Budget (OMB) Revised Circular A-123, *Management's Responsibility for Internal Control*; and
- OMB Revised Circular A-76, *Performance of Commercial Activities*.

We also reviewed DHS's performance and accountability reports for fiscal years 2003, 2004, and 2005, including the financial statements and the accompanying independent auditor's reports, and we reviewed other relevant audit reports issued by us and Inspectors General. We interviewed staff of the independent public accounting firm responsible for auditing ICE and the DHS bureaus for which ICE provides accounting services (including US-VISIT).

We obtained the congressionally approved budgets for US-VISIT work and other relevant financial information. For each of the contracting actions selected for review, listed above, at US-VISIT, AERC, GSA, CBP, and TSA, we obtained copies of available invoices and related review and approval documentation. We reviewed the invoice documentation for evidence of compliance with our *Standards for Internal Control in the Federal Government* and *Internal Control Management and Evaluation Tool*.<sup>4</sup> Specifically, we reviewed the invoices for evidence of the performance of certain control activities, including the following: review and approval before payment by a contracting officer, contracting officer's technical representative, and other cognizant officials; reasonableness of expenses billed (including travel) and their propriety in relation to US-VISIT; payment of the invoice in the proper amount and to the correct vendor; payment of the invoice from a proper funding source; and payment of the invoice within 30 days as specified by the Prompt Payment Act. We also reviewed the invoices for compliance with requirements of the specific contract provisions for which they were billed. We did not review invoice documentation for the selected contracting actions managed by ICE, because ICE did not provide us with invoice documentation for all requested contracts in time to meet fieldwork deadlines.

We also obtained copies of invoices paid through July 2005 and available payment review and approval documentation on the prime contract from the ICE finance center. We reviewed this documentation for evidence of execution of internal controls over payment approval and processing. In addition, we performed data mining procedures on the list of payments

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<sup>4</sup>[GAO/AIMD-00-21.3.1](#); [GAO-01-1008G](#).

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from APMO for unusual or unexpected transactions. Based on this analysis, we chose a judgemental selection of payments and reviewed their related invoice and payment approval documentation.

We interviewed agency officials involved with budgeting, financial management, contract oversight, and program management at the program office, ICE, CBP, TSA, AERC, and GSA. We obtained and reviewed DHS and US-VISIT policies, including

- the DHS Acquisition Manual;
- US-VISIT Contract Management and Administration Plan;
- US-VISIT Acquisition Procedures Guide (APG-14)—Procedures for Invoice Review and Approval;
- DHS Management Directive 0710.1 (Reimbursable Agreements); and
- CBP and ICE's standard operating procedures regarding financial activities.

We also interviewed representatives from the prime contractor to determine how they track certain cost information and invoice the program. In addition, we observed how requisitions and obligations are set up in the financial management system used by the program.

We observed invoice processing and payment procedures at the CBP and ICE finance centers, the two major finance centers responsible for processing payments for program-related work. From the CBP finance center, we obtained data on expenditures for US-VISIT-related work made by CBP from fiscal year 2003 through fiscal year 2005. From the ICE finance center, which processes payments for the program office, we obtained a list of payments made by US-VISIT from August 2004 through July 2005. We did not obtain this level of detail for expenditures at AERC and GSA because these agencies are external to DHS; therefore we do not report on the reliability of expenditure reporting by either agency.

From ICE's finance center, we also obtained and reviewed a list of Intra-governmental Payment and Collection system transactions paid by the US-VISIT program office to its federal trading partners through September 30, 2005. We requested a list of expenditures on program-related contracts managed by ICE; however, ICE was unable to provide a complete, reliable

list. Officials at ICE's Debt Management Center, however, did provide a list of ICE's interagency agreements related to US-VISIT.

In assessing data reliability, we determined that the available data for this engagement were not sufficiently reliable for us to conduct statistical sampling or to base our conclusions solely on the data systems used by the program and other agencies managing US-VISIT-related contracts. Specifically, the contracting actions managed by the program office and these agencies were self-reported and could not be independently validated. Further, recent audit reports found that the financial system used by the program office and ICE was unreliable, and because of the system, among other reasons, the auditors could not issue an opinion on DHS's fiscal year 2004 and 2005 financial statements. Our conclusions, therefore, are based primarily on documentary reviews of individual contracting actions and events, and our findings cannot be projected in dollar terms to the whole program.

We conducted our work at

- DHS finance centers in Dallas, Texas and Indianapolis, Indiana;
- CBP facilities in Washington, D.C., and Newington, Virginia;
- ICE facilities in Washington, D.C.;
- TSA facilities in Arlington, Virginia;
- the US-VISIT program offices in Rosslyn, Virginia; and
- GSA and AERC facilities in Ft. Worth, Texas.

Our work was conducted from March 2005 through April 2006, in accordance with generally accepted government auditing standards.

# Appendix II: Comments from the Department of Homeland Security

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



**Homeland  
Security**

May 19, 2006

Randolph C. Hite  
Director, Information Technology Architecture  
and Systems Issues  
U.S. Government Accountability Office  
Washington, D.C. 20548

Dear Mr. Hite:

Thank you for the opportunity to review the draft report, *Homeland Security: Contract Management and Oversight for Visitor and Immigrant Status Program Need to Be Strengthened* (GAO-06-404). As with prior reports that your office has issued regarding US-VISIT, there are many areas with which we agree, and the recommendations have made US-VISIT a stronger program. However, as with those past reports, the Department of Homeland Security (DHS) has certain areas of disagreement. They appear in our comments, which follow.

While we disagree with some of GAO's assessment of US-VISIT's contract management and oversight, we concur with the report's recommendations and the need for improvement. Overall, the report's findings will help US-VISIT to continue making its already highly successful and valuable contributions to the enhanced security of the United States.

\* \* \*

- On page 6 of the draft report, GAO states: "*Further, it [US-VISIT] has depended on the other agencies to properly manage financial matters for their respective contracts, and it also depended on another agency for its own financial management support.*"

This is a misleading statement. To declare that US-VISIT depended on another agency for its own financial management support without identifying that agency/system, and disclosing that the current engagement did not examine the effectiveness of that financial management system, implies that the scope of this report is broader than Congress directed. The reference to "another agency" should be deleted or the statement should clarify that financial management controls were examined and not the financial management systems themselves.

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

Furthermore, the decision to use other agencies to manage US-VISIT contracts is based on the nature of the facilities and infrastructure services required at the ports of entry. Procurement of architectural and engineering services and property management services are outside the information technology systems scope of the core US-VISIT mission. Rather than establish that capability in-house, the Director of US-VISIT decided to utilize the existing expertise at the Architect Engineering Resource Center/Army Corps of Engineers (AERC) and the General Services Administration (GSA).

When authority to manage facilities and infrastructure contracts was granted to AERC and GSA, US-VISIT also delegated to those agencies the authority to manage financial matters under those contracts. Each agency provides turnkey procurement services, including contract management and financial management. These two functions cannot be easily separated since each agency maintains systems of records for contracts issued and disbursements made under those contracts.

- In Table 1 on page 15, GAO states that the purpose of the contracts managed for AERC is *"On-site program management at ports of entry and economic impact assessment of US-VISIT implementation on northern and southern borders."*

This statement needs clarification. The AERC provides facilities services for US-VISIT reporting primarily on-site. Services encompass program and project management, planning, and environmental studies. The description in the table reflects the scope of work for the two contracts sampled and not for the broader scope of services that AERC delivers under the interagency agreement. GSA provides facilities program and project management services at ports of entry, infrastructure design and construction services, and coordination of services between GSA personnel and US-VISIT. The table should reflect this.

- On page 43, GAO states: *"For CBP, a list of contracting actions provided by program officials included discrepancies that raised questions about the accuracy both of the list and of the invoiced amounts. First, the task order number of a 2002 contracting action changed during our period of review, and CBP initially reported the task order as two different contracting actions, one issued in 2002 and another issued in 2004."*

A task order could be reported as two different contracting actions simply because of its two different numbering patterns. The different numbering patterns are due to the merging of U.S. Customs under DHS and not as an inconsistent error. Contract actions awarded prior to FY 2004 were based on the U.S. Customs contract numbering system; however, by October 1, 2003 (FY 2004), DHS required components to utilize its unique procurement instrument identifiers for all contract actions. That is the date on which SAP Release 2, CBP's new financial system, implemented its procurement module. All contract actions awarded in FY 2004 against a contract awarded prior to FY 2004 have different contract numbers than the originating contracts. The old contract numbers are referenced on the face page of applicable award documents signed after October 1, 2003.

- On page 45, in the section entitled *"Several Payments to Contractors for US-VISIT Work Were Improperly Paid and Accounted for,"* GAO states: *"A duplicate payment was made on*

*an invoice for over \$3 million. APMO had sent an authorization for payment in full on the invoice to its finance center. Then, 1 month later, APMO sent another authorization for payment in full on the same invoice. The second payment was later noticed, and the contractor refunded the amount."*

US-VISIT agrees that this invoice was submitted by the prime contractor once, transmitted by US-VISIT twice, paid twice, and collected once when the second payment was discovered. The duplicate payment was at least partially caused by a communications problem. APMO validated the invoice and sent an authorization for payment in full to its finance center. One month later, APMO checked on the status of the payment, and was told that the invoice number in question was not held in the finance center. It had apparently been logged into the Finance Center's financial management system under a slightly different control number, and was actually being processed. Assuming it to be lost, APMO sent another authorization for payment in full on the same invoice. Both invoices were paid. The second payment was later noticed and the contractor refunded the second payment.

GAO also states: *"Also at APMO, two questionable payments were made that arose from the overriding of controls created for the prime US-VISIT contract. The prime contract has been implemented through 12 task orders with multiple modifications that either increased funding or made other changes to the contract terms. To account for the obligations made on each task order, the program's Office of Budget and Finance created separate tracking codes in the financial system for each task order and sometimes for each modification of a task order. The separate tracking of each obligation is a good control for tracking and controlling spending against task order funds. However, APMO overrode this control when it instructed the finance center to pay two invoices—one for about \$742,000 and one for about \$101,000—out of the wrong account: that is, with funds for task orders other than those for which the invoices were billed."*

While the cause of the questionable payments is not completely clear from the available evidence, both transactions are almost certainly errors arising from processes with significant manual components, as opposed to deliberate control overrides, since adequate funds were available in the correct accounts for each case. In the case of the second incorrect transaction, communication could have been an issue as well. While APMO incorrectly directed that payment of the first invoice (\$742,000) was to be made from the account of another task order, file documentation indicates that the second invoice was correctly processed by APMO, and subsequently paid by the Finance Center from an incorrect account, i.e., with funds for a task order other than those billed by the invoice.

- On page 46, GAO states: *"The other set of overpayments, although small in dollar value, exemplify a significant breakdown in internal control.... As a result, AERC overpaid the vendor by about \$26,600. Moreover, it was the contractor, not AERC, that noticed the overpayment and refunded it."*

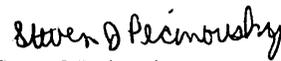
To clarify: The vendor notified the AERC Finance Center of the overpayment on September 13, 2005. The US-VISIT Office of Facilities and Engineering independently identified a billing discrepancy on November 1, 2005, and requested clarification from AERC the

following day. The billing error was detected by OFE after reviewing the AERC monthly report issued on October 19, 2005. Although the vendor reported the overpayment first, OFE did request clarification independently.

In addition, although GAO discloses that the overpayments were small in value, it should perform a materiality test in accordance with accounting principles and make a determination whether the overpayment should be disclosed in a public report.

Thank you for the opportunity to review the GAO report. We would be happy to answer any questions or address any information needs you or your staff may have.

Sincerely,



Steven J. Pecinovsky  
Director, Departmental GAO/IG Liaison Office

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# Appendix III: Detailed Agency Evaluations

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We evaluated the extent to which the agencies covered by our review (US-VISIT, APMO, GSA, AERC, CBP, TSA, and ICE<sup>1</sup>) had established and implemented effective contract management and oversight practices for the contracting actions that we reviewed.

Details are presented, by agency, in this appendix. Some practices are further divided into subpractices. The extent to which practices/subpractices were judged to be established/implemented was categorized as one of the following:

● = established/implemented

◐ = partially established/implemented

○ = not established/implemented

We judged whether the practice was established, partially established, or not established depending on whether the agency had documented policies and procedures addressing the practice and all, some, or none of the subpractices (where applicable). We judged whether a practice was implemented, partially implemented, or not implemented on the basis of documentation demonstrating that the practice and all, some, or none of the subpractices (where applicable) had been implemented for the contracting actions that we reviewed.

We judged that an agency had “partially established” the requirement for a practice or subpractice if the agency relied only on the FAR requirement to perform this activity, but did not establish a process (i.e., documented procedures) for how the FAR requirement was to be met.

We judged that an agency had “partially implemented” a practice or subpractice if it had implemented some, but not all, facets of the practice (including its own related requirements for that practice).

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<sup>1</sup>No results are provided for ICE regarding implementation of best practices, because we were unable to obtain contract documentation in time for analysis.

**Table 6: Evaluation of US-VISIT Acquisition and Program Management Office**

Practice	Practice components	Requirement established?	Practice implemented?	
			FY 2004	FY 2005
Establish and maintain a plan for performing the contract oversight process.	Include a contract oversight process description.	○	○	○
	Include standards for work products.	○	○	○
	Include requirements for work products.	○	○	○
	Include resources required to perform the process.	○	○	○
	Include evaluations and reviews to be conducted with the contractor.	○	○	○
Assign responsibility and authority for performing the contractor oversight process.	Assign responsibility and authority for performing the specific tasks of the process.	●	●	●
Train the people performing or supporting the contract oversight process as needed.	Include training requirements.	●	●	●
Document the contract.	Include a statement of work.	●	●	●
	Include a list of agreed upon deliverables.	●	●	●
	Include a schedule.	●	●	●
	Include a budget.	●	●	●
	Include who from the project is responsible and authorized to make changes to the contract.	N/A	●	●
	Include deliverable acceptance criteria.	●	●	●
	Include the type and depth of oversight of the contractor, procedures, and evaluation criteria to be used in monitoring the contractor's performance.	●	●	●
	Include the types of reviews that will be conducted with the contractor.	●	●	●
Verify and accept the deliverables.	Define acceptance procedures.	●	●	●
	Verify that acquired products satisfy their requirements.	●	●	●
	Document the results of the acceptance review or test.	●	●	●
	Agree to an action plan for work products that do not pass their review or test.	●	●	●
	Identify, document, and track action items to closure.	●	●	●
Monitor risks involving the contractor and take corrective actions as necessary.	Identify and categorize risk (for example, risk likelihood, risk consequence, and thresholds to trigger management activities).	●	●	●
	Analyze risk using the assigned categories.	●	●	●

**Appendix III: Detailed Agency Evaluations**

Practice	Practice components	Requirement established?	Practice implemented?	
			FY 2004	FY 2005
Conduct technical reviews with the contractor.	Ensure the technical commitments are being met, communicated, and resolved in a timely manner.	●	●	●
	Review the contractor's technical activities and verify that the contractor's interpretation and implementation of the requirements are consistent with the project's interpretation.	●	●	●
Conduct management reviews with the contractor.	Review critical dependencies.	●	●	●
	Review project risks involving the contractor.	●	●	●
	Review schedule and budget.	●	●	●

Legend:

- = Established/implemented
- ◐ = Partially established/implemented
- = Not established/implemented

Sources: Software Engineering Institute (SEI), GAO analysis of agency data.

Note: The following are the services provided in the contracts described, by fiscal year.

FY 2004: Program-level management

FY 2005: US-VISIT strategic plan development

**Table 7: Evaluation of General Services Administration**

Practice	Practice components	Requirement established?	Practice implemented?			
			FY 2002	FY 2003	FY 2004	FY 2005
Establish and maintain a plan for performing the contract oversight process.	Include a contract oversight process description.	<input type="radio"/>				
	Include standards for work products.	<input type="radio"/>				
	Include requirements for work products.	<input type="radio"/>				
	Include resources required to perform the process.	<input type="radio"/>				
	Include evaluations and reviews to be conducted with the contractor.	<input type="radio"/>				
Assign responsibility and authority for performing the contractor oversight process.	Assign responsibility and authority for performing the specific tasks of the process.	<input checked="" type="radio"/>				
Train the people performing or supporting the contract oversight process as needed.	Include training requirements.	<input checked="" type="radio"/>				
Document the contract.	Include a statement of work.	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Include a list of agreed upon deliverables.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Include a schedule.	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Include a budget.	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Include who from the project is responsible and authorized to make changes to the contract.	N/A	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Include deliverable acceptance criteria.	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Include the type and depth of oversight of the contractor, procedures, and evaluation criteria to be used in monitoring the contractor's performance.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
	Include the types of reviews that will be conducted with the contractor.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Verify and accept the deliverables.	Define acceptance procedures.	<input type="radio"/>				
	Verify that acquired products satisfy their requirements.	<input type="radio"/>				
	Document the results of the acceptance review or test.	<input type="radio"/>				
	Agree to an action plan for work products that do not pass their review or test.	<input type="radio"/>	N/A	N/A	N/A	N/A
	Identify, document, and track action items to closure.	<input type="radio"/>	N/A	N/A	N/A	N/A

**Appendix III: Detailed Agency Evaluations**

Practice	Practice components	Requirement established?	Practice implemented?			
			FY 2002	FY 2003	FY 2004	FY 2005
Monitor risks involving the contractor and take corrective actions as necessary.	Identify and categorize risk (for example, risk likelihood, risk consequence, and thresholds to trigger management activities).	●	○	○	○	○
	Analyze risk using the assigned categories.	●	○	○	○	○
Conduct technical reviews with the contractor.	Ensure the technical commitments are being met, communicated, and resolved in a timely manner.	○	○	●	●	○
	Review the contractor's technical activities and verify that the contractor's interpretation and implementation of the requirements are consistent with the project's interpretation.	○	○	●	●	○
Conduct management reviews with the contractor.	Review critical dependencies.	○	○	●	●	○
	Review project risks involving the contractor.	○	○	○	○	○
	Review schedule and budget.	○	○	●	●	○

Legend:

- = Established/implemented
- = Partially established/implemented
- = Not established/implemented

Sources: SEI, GAO analysis of agency data.

Note: The following are the services provided in the contracts described, by fiscal year.

FY 2002: Pre-award and post-award acquisition services

FY 2003: Planning and mobilization for feasibility studies

FY 2004: Program management of US-VISIT at ports of entry

FY 2005: Program management of US-VISIT at ports of entry

**Table 8: Evaluation of Army Corps of Engineers Architect-Engineer Resource Center**

Practice	Practice components	Requirement established?	Practice Implemented?	
			FY 2003	FY 2005
Establish and maintain a plan for performing the contract oversight process.	Include a contract oversight process description.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Include standards for work products.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Include requirements for work products.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Include resources required to perform the process.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Include evaluations and reviews to be conducted with the contractor.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Assign responsibility and authority for performing the contractor oversight process.	Assign responsibility and authority for performing the specific tasks of the process.	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Train the people performing or supporting the contract oversight process as needed.	Include training requirements.	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Document the contract.	Include a statement of work.	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Include a list of agreed upon deliverables.	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Include a schedule.	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Include a budget.	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
	Include who from the project is responsible and authorized to make changes to the contract.	N/A	<input type="radio"/>	<input checked="" type="radio"/>
	Include deliverable acceptance criteria.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
	Include the type and depth of oversight of the contractor, procedures, and evaluation criteria to be used in monitoring the contractor's performance.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Include the types of reviews that will be conducted with the contractor.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Verify and accept the deliverables.	Define acceptance procedures.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Verify that acquired products satisfy their requirements.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Document the results of the acceptance review or test.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Agree to an action plan for work products that do not pass their review or test.	<input type="radio"/>	N/A	N/A
	Identify, document, and track action items to closure.	<input type="radio"/>	N/A	N/A
Monitor risks involving the contractor and take corrective actions as necessary.	Identify and categorize risk (for example, risk likelihood, risk consequence, and thresholds to trigger management activities).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Analyze risk using the assigned categories.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Appendix III: Detailed Agency Evaluations**

<b>Practice</b>	<b>Practice components</b>	<b>Requirement established?</b>	<b>Practice Implemented?</b>	
			<b>FY 2003</b>	<b>FY 2005</b>
Conduct technical reviews with the contractor.	Ensure the technical commitments are being met, communicated, and resolved in a timely manner.	○	○	○
	Review the contractor's technical activities and verify that the contractor's interpretation and implementation of the requirements are consistent with the project's interpretation.	○	○	○
Conduct management reviews with the contractor.	Review critical dependencies.	○	○	○
	Review project risks involving the contractor.	○	○	○
	Review schedule and budget.	○	○	○

Legend:

- = Established/implemented
- ◐ = Partially established/implemented
- = Not established/implemented

Sources: SEI, GAO analysis of agency data.

Note: The following are the services provided in the contracts described, by fiscal year.

FY 2003: On-site program management at ports of entry

FY 2005: Economic impact assessment of US-VISIT along northern and southern borders

**Table 9: Evaluation of Customs and Border Protection**

Practices	Practice components	Requirement established?	Practice implemented?		
			FY 2002	FY 2003	FY 2004
Establish and maintain a plan for performing the contract oversight process.	Include a contract oversight process description.	●	○	○	◐
	Include standards for work products.	○	○	○	◐
	Include requirements for work products.	○	○	○	◐
	Include resources required to perform the process.	○	○	○	○
	Include evaluations and reviews to be conducted with the contractor.	●	○	○	◐
Assign responsibility and authority for performing the contractor oversight process.	Assign responsibility and authority for performing the specific tasks of the process.	●	●	●	●
Train the people performing or supporting the contract oversight process as needed.	Include training requirements.	●	○	○	◐
Document the contract.	Include a statement of work.	●	◐	◐	●
	Include a list of agreed upon deliverables.	○	●	●	●
	Include a schedule.	●	●	●	●
	Include a budget.	○	●	●	●
	Include who from the project is responsible and authorized to make changes to the contract.	N/A	●	●	●
	Include deliverable acceptance criteria.	●	○	○	●
	Include the type and depth of oversight of the contractor, procedures, and evaluation criteria to be used in monitoring the contractor's performance.	◐	◐	◐	◐
	Include the types of reviews that will be conducted with the contractor.	●	○	○	○
Verify and accept the deliverables.	Define acceptance procedures.	●	●	●	●
	Verify that acquired products satisfy their requirements.	●	●	◐	●
	Document the results of the acceptance review or test.	●	●	◐	●
	Agree to an action plan for work products that do not pass their review or test.	◐	○	○	○
	Identify, document, and track action items to closure.	◐	●	○	○

**Appendix III: Detailed Agency Evaluations**

Practices	Practice components	Requirement established?	Practice implemented?		
			FY 2002	FY 2003	FY 2004
Monitor risks involving the contractor and take corrective actions as necessary.	Identify and categorize risk (for example, risk likelihood, risk consequence, and thresholds to trigger management activities).	●	○	●	●
	Analyze risk using the assigned categories.	●	○	●	●
Conduct technical reviews with the contractor.	Ensure the technical commitments are being met, communicated, and resolved in a timely manner.	●	○	○	●
	Review the contractor's technical activities and verify that the contractor's interpretation and implementation of the requirements are consistent with the project's interpretation.	●	○	○	●
Conduct management reviews with the contractor.	Review critical dependencies.	◐	○	●	●
	Review project risks involving the contractor.	◐	○	●	●
	Review schedule and budget.	◐	◐	●	○

Legend:

- = Established/implemented
- ◐ = Partially established/implemented
- = Not established/implemented

Sources: SEI, GAO analysis of agency data.

Note: The following are the services provided in the contracts described, by fiscal year.

FY 2002: Commercial recovery services

FY 2003: Infrastructure upgrades at ports of entry

FY 2004: Software maintenance and development for Increment 2B

**Table 10: Evaluation of Transportation Security Administration**

Practice	Practice components	Requirement established?	Practice implemented? FY 2003
Establish and maintain a plan for performing the contract oversight process.	Include a contract oversight process description.	●	○
	Include standards for work products.	○	○
	Include requirements for work products.	○	○
	Include resources required to perform the process.	○	◐
	Include evaluations and reviews to be conducted with the contractor.	○	○
Assign responsibility and authority for performing the contractor oversight process.	Assign responsibility and authority for performing the specific tasks of the process.	◐	●
Train the people performing or supporting the contract oversight process as needed.	Include training requirements.	◐	○
Document the contract.	Include a statement of work.	○	○
	Include a list of agreed upon deliverables.	○	○
	Include a schedule.	●	○
	Include a budget.	○	●
	Include who from the project is responsible and authorized to make changes to the contract.	N/A	●
	Include deliverable acceptance criteria.	○	●
	Include the type and depth of oversight of the contractor, procedures, and evaluation criteria to be used in monitoring the contractor's performance.	○	○
	Include the types of reviews that will be conducted with the contractor.	○	○
Verify and accept the deliverables.	Define acceptance procedures.	●	●
	Verify that acquired products satisfy their requirements.	●	●
	Document the results of the acceptance review or test.	●	●
	Agree to an action plan for work products that do not pass their review or test.	○	○
	Identify, document, and track action items to closure.	○	○
Monitor risks involving the contractor and take corrective actions as necessary.	Identify and categorize risk (for example, risk likelihood, risk consequence, and thresholds to trigger management activities).	●	●
	Analyze risk using the assigned categories.	●	◐

**Appendix III: Detailed Agency Evaluations**

	<b>Practice components</b>	<b>Requirement established?</b>	<b>Practice implemented? FY 2003</b>
Conduct technical reviews with the contractor.	Ensure the technical commitments are being met, communicated, and resolved in a timely manner.	○	○
	Review the contractor's technical activities and verify that the contractor's interpretation and implementation of the requirements are consistent with the project's interpretation.	○	○
Conduct management reviews with the contractor.	Review critical dependencies.	○	○
	Review project risks involving the contractor.	○	◐
	Review schedule and budget.	○	●

Legend:

- = Established/implemented
- ◐ = Partially established/implemented
- = Not established/implemented

Sources: SEI, GAO analysis of agency data.

Note: The following are the services provided in the contract described:

FY 2003: Air/sea exit

**Table 11: Evaluation of Immigration and Customs Enforcement**

Practice	Practice components	Requirement established?
Establish and maintain a plan for performing the contract oversight process.	Include a contract oversight process description.	●
	Include standards for work products.	○
	Include requirements for work products.	○
	Include resources required to perform the process.	○
	Include evaluations and reviews to be conducted with the contractor.	◐
Assign responsibility and authority for performing the contractor oversight process.	Assign responsibility and authority for performing the specific tasks of the process.	●
Train the people performing or supporting the contract oversight process as needed.	Include training requirements.	●
Document the contract.	Include a statement of work.	●
	Include a list of agreed upon deliverables.	○
	Include a schedule.	○
	Include a budget.	○
	Include who from the project is responsible and authorized to make changes to the contract.	N/A
	Include deliverable acceptance criteria.	●
	Include the type and depth of oversight of the contractor, procedures, and evaluation criteria to be used in monitoring the contractor's performance.	●
	Include the types of reviews that will be conducted with the contractor.	○
Verify and accept the deliverables.	Define acceptance procedures.	●
	Verify that acquired products satisfy their requirements.	●
	Document the results of the acceptance review or test.	○
	Agree to an action plan for work products that do not pass their review or test.	○
	Identify, document, and track action items to closure.	○
Monitor risks involving the contractor and take corrective actions as necessary.	Identify and categorize risk (for example, risk likelihood, risk consequence, and thresholds to trigger management activities).	●
	Analyze risk using the assigned categories.	○
Conduct technical reviews with the contractor.	Ensure the technical commitments are being met, communicated, and resolved in a timely manner.	◐
	Review the contractor's technical activities and verify that the contractor's interpretation and implementation of the requirements are consistent with the project's interpretation.	○

**Appendix III: Detailed Agency Evaluations**

<b>Practice</b>	<b>Practice components</b>	<b>Requirement established?</b>
Conduct management reviews with the contractor.	Review critical dependencies.	○
	Review project risks involving the contractor.	○
	Review schedule and budget.	○

Legend:

- = Established
- ◐ = Partially established
- = Not established

Sources: SEI, GAO analysis of agency data.

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# Appendix IV: GAO Contacts and Staff Acknowledgments

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## GAO Contacts

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