

# **DHS' Use of Reimbursable Work Agreements with GSA**





# DHS OIG HIGHLIGHTS

## *DHS' Use of Reimbursable Work Agreements with GSA*

**June 23, 2016**

### **Why We Did This Audit**

Based on GSA's eRETA system, between fiscal years 2003 and 2014, DHS and its components authorized more than 18,000 RWAs with GSA, totaling \$4.1 billion. We conducted this audit to determine whether the Department's use of RWAs was in compliance with statutory, regulatory, departmental, and component requirements.

### **What We Recommend**

We made four recommendations to DHS to improve compliance with statutory, regulatory, departmental, and component requirements for the use of RWAs, such as periodically reviewing RWAs with GSA, ensuring component written policies address significant RWA requirements, and reviewing RWAs identified in our audit that did not meet requirements and make any necessary adjustments.

#### **For Further Information:**

Contact our Office of Public Affairs at (202) 254-4100, or email us at [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

### **What We Found**

Department of Homeland Security components are not always in compliance with requirements when using reimbursable work agreements (RWA). We reviewed 20 RWAs and are questioning 10 RWAs with obligated funds of more than \$47 million that did not comply with requirements. Components did not always provide evidence that statements of work were prepared and submitted to the General Services Administration (GSA) or that detailed cost estimates for the work to be performed were on file as required. Additionally, some components were not able to reconcile RWA expenditures with GSA's records or provide evidence that unused funds were deobligated at closeout. This occurred because of limited policies, poor controls, and inconsistent oversight in DHS' RWA process.

As a result, DHS cannot ensure work performed by GSA was in accordance with expectations and plans. Components cannot determine whether the costs to complete the work are reasonable or valid, which may lead to unnecessary costs and funds that could have been put to better use.

### **Agency Response**

DHS concurred with the recommendations and has already begun implementing corrective actions.




## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

July 1, 2016

MEMORANDUM FOR: The Honorable Russell Deyo  
Under Secretary for Management  
Department of Homeland Security

FROM: John Roth   
Inspector General

SUBJECT: *DHS Should Better Evaluate the Performance of Its  
Working Capital Fund*

Attached for your action is our final management advisory, *DHS Should Better Evaluate the Performance of Its Working Capital Fund*. We incorporated the formal comments provided by your office.

The advisory contains two recommendations aimed at improving DHS' management of its working capital fund. Your office concurred with both recommendations. Based on information provided in your response to the draft advisory, we consider both recommendations open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.

Please send your response or closure request to  
[OIGAuditsFollowup@oig.dhs.gov](mailto:OIGAuditsFollowup@oig.dhs.gov).

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Mark Bell, Assistant Inspector General for Audits, at (202) 254-4100.



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### Background

A reimbursable work agreement (RWA) is a written agreement between two Federal agencies, or major organizational units within an agency, which specifies the goods to be furnished or services to be rendered by one agency (the servicing agency) in support of the other (the requesting agency). RWAs<sup>1</sup> are service agreements with the General Services Administration (GSA) to provide repairs and alterations of Government-owned and leased space.

The *Federal Property and Administrative Services Act of 1949*<sup>2</sup> gave GSA the responsibility to manage the Government's real property. GSA activities include providing for repairs and alterations of Government-owned or leased space on a reimbursable basis. GSA is responsible for preparing cost estimates and submitting them to the requesting agency for approval. GSA and the requesting agency sign an RWA, whereby the requesting agency certifies that funds are available for obligation and requests GSA procure goods and services on its behalf.

GSA uses the External RWA Entry and Tracking Application (eRETA) system to store and provide real-time RWA information and documentation to customer agencies. This system also provides GSA's customer agencies with read-only access to both project and financial information. DHS components use their own accounting systems to track RWA expenditures. Appendix C includes a flowchart of the RWA process with GSA.

In order for GSA to perform RWA work, the requesting agency provides GSA with statements of work (SOW), budgets, accounting information, points of contact, and other information necessary. GSA is responsible for executing the work within the scope of the RWA, and the requesting agency reimburses GSA for the cost of goods and services, indirect costs, and fees. The requesting agency is required to deobligate any funds that were obligated but not used for the RWA work.

Based on GSA's eRETA system between FYs 2003 and 2014, DHS and its components issued more than 18,000 RWAs — totaling nearly \$4.1 billion —

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<sup>1</sup> The acronym "RWA" refers to "Reimbursable Work Authorizations" (as denoted by GSA), as well as "Interagency Agreements" or "Intra/Interagency Reimbursable Work Agreements" (as denoted by DHS Office of Chief Financial Officer), which are types of reimbursable work agreements.

<sup>2</sup> 40 USC Title subchapter I





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with GSA. Table 1 shows the total number and total obligation<sup>3</sup> value of RWAs with GSA issued by DHS components from FYs 2003 through 2014.

**Table 1: DHS RWAs with GSA by Component for FYs 2003–2014**

| Component                                 | Total Number DHS RWAs | Total Authorized Amount of DHS RWAs* |
|---|-----------------------|--------------------------------------|
| U.S. Customs and Border Protection        | 4,267                 | \$1,262,597,925                      |
| U.S. Immigration and Customs Enforcement  | 3,496                 | \$727,704,749                        |
| U.S. Citizenship and Immigration Services | 3,372                 | \$354,242,877                        |
| United States Coast Guard                 | 1,515                 | \$277,319,839                        |
| Transportation Security Administration    | 1,365                 | \$158,898,920                        |
| Other DHS Components' RWAs                | 4,029                 | \$1,285,807,687                      |
| <b>GRAND TOTAL</b>                        | <b>18,044</b>         | <b>\$4,066,571,997</b>               |

Source: DHS Office of Inspector General (OIG) analysis of GSA's *External RWA Entry and Tracking Application* data for FYs 2003–14

\* As of (March 19, and 20, 2015). Amounts rounded to the nearest whole dollar.

An agency may submit an RWA, or an RWA amendment, for acceptance at various times for a project in federally owned or leased space. When an agency identifies a space requirement, the GSA representative will work with the customer agency throughout the project lifecycle of an RWA, or an amendment if changes occur. A signed, amended RWA is required for each substantive modification to the client agency's portion of an RWA. Funds for some RWAs can be used up to 5 years after the obligation date and funds for other RWAs can be used until expended depending on the type of funds obligated (i.e., annual or no year).

RWAs in some cases are amended for a number of reasons, such as increased funding needed to complete the work. Based on GSA's eRETA system, DHS components subsequently added funding to many RWAs (see Figure 1).

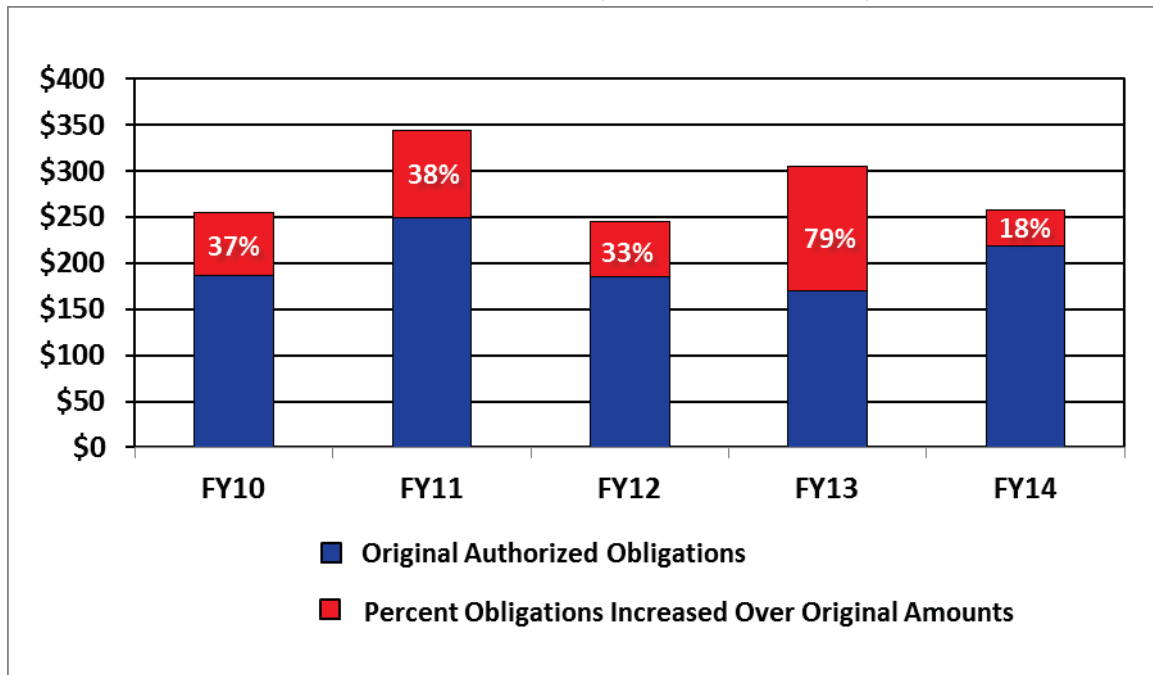
<sup>3</sup> Obligation is a commitment that creates a legal liability of the government for the payment of goods and services ordered or received.



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**Figure 1: DHS RWAs with GSA - Percent and Dollar Amount Increase Over Original Authorized Amounts (FYs 2010–2014) in millions**



Source: DHS OIG analysis of GSA eRETA data

### Results of Audit

DHS components are not always in compliance with requirements when using RWAs. We reviewed 20 RWAs and are questioning 10 RWAs with obligated funds of more than \$47 million that did not comply with requirements. Specifically, components did not always provide evidence that SOWs were prepared and submitted to GSA or that detailed cost estimates for the work to be performed were on file as required. Additionally, some components were not able to reconcile RWA expenditures with GSA's records or provide evidence that unused funds were deobligated at closeout. This occurred because of limited policies, poor controls, and inconsistent oversight in DHS' RWA process.

As a result, DHS cannot ensure work performed by GSA will be in accordance with expectations and plans. Components cannot determine whether the costs to complete the work are reasonable or valid, which may lead to unnecessary costs and funds that could have been put to better use.



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### **RWAs Missing Required Documents**

Components did not always have SOWs or cost estimates on file, and these documents were not included in the GSA eRETA system. According to the terms of the RWA, components are required to prepare and submit an SOW. In addition, GSA is required to prepare the cost estimate, but the component is required to verify and concur with GSA's cost estimate. SOWs and cost estimates assist components in determining whether the work performed will meet expectations and whether the costs to complete the RWA work are reasonable and valid.

We analyzed 20 RWAs with GSA, of which 10 were issued<sup>4</sup> and completed. We reviewed whether SOWs were prepared and submitted to GSA and whether cost estimates were on file.<sup>5</sup> We found that 6 completed RWAs worth \$11.1 million were missing both SOWs and cost estimates from our sample of 10 completed RWAs.

We selected RWAs issued and dating back to 2003 because RWAs can remain open for many years, using annual funds, multi-year funds, and no year funds. Annual funds and multi-year funds are required to be expended within 5 years of the expiration date of the RWA. RWAs issued using "no year funds" do not expire until all funds are expended. We selected a sample of older RWAs in order to quantify the actual impact of missing SOWs and cost estimates.

One example involved U.S. Customs and Border Protection (CBP) using identical RWAs and obligating more than \$818,000 in funds that could have been put to better use. CBP issued two separate RWAs with GSA – on June 6, 2007, and November 2, 2007 – with almost the same work requirements to alter space occupied by CBP in Washington, D.C. On March 26, 2008, and April 3, 2009, CBP expanded the work requirements for both RWAs even though the work requirements were identical. The total obligated costs increased to over \$1.4 million, yet CBP could not provide a cost estimate to support the second RWA. The first RWA had the required completion and close out letters, both dated March 12, 2014; however, CBP deobligated the funds by March 28, 2012, almost two years prior. The second RWA did not have the required completion or closeout letters, but CBP deobligated those funds by March 8, 2013 (see table 2).

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<sup>4</sup> RWAs that we selected were issued more than 2 years prior to the date we downloaded data from the eRETA system and as far back as 2003.

<sup>5</sup> See appendix B for details of the RWAs tested.



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**Table 2: RWA Obligation Amounts and Expenditures**

| RWAs           | Original Obligation | Amount Increased | Total Obligation   | Amount Expended  | Amount Unused    |
|----------------|---------------------|------------------|--------------------|------------------|------------------|
| N3657874       | \$451,772           | \$267,787        | \$719,559          | \$531,927        | \$187,632        |
| N0232690       | \$167,492           | \$570,000        | \$737,492          | \$106,180        | \$631,312        |
| <b>Total *</b> | <b>\$619,264</b>    | <b>\$837,787</b> | <b>\$1,457,051</b> | <b>\$638,107</b> | <b>\$818,944</b> |

Source: DHS OIG analysis of data from GSA's eRETA system and CBP's accounting system

\* Amounts rounded to the nearest whole dollar.

As another example, the Coast Guard issued an RWA with GSA on September 26, 2003, for \$1.5 million, to renovate its Headquarters offices in Washington, D.C. (see figure 2). Over the next 5 years, the Coast Guard amended the RWA 15 times. The final amendment, dated March 19, 2008, brought the RWA's obligated amount to over \$20.1 million. The Coast Guard could not provide the original cost estimate or the original SOW associated with this RWA. In March 2014, GSA informed the Coast Guard that work was complete and that the component could deobligate the remaining funds of \$43,575.

**Figure 2: The Coast Guard's Headquarters Building**



Source: Capitol Riverfront.org

More recently, components continued to issue RWAs without evidence that SOWs were prepared and submitted to GSA or that detailed cost estimates for the work to be performed were on file as required. Specifically, we noted that 4 of 10 RWAs with GSA issued in FYs 2013 and 2014 were missing the SOW, the detailed cost estimates, or both. The combined authorized amount for these 4 RWAs was approximately \$36.3 million (see table 3).





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**Table 3. Recent RWAs Missing SOWs and Detailed Cost Estimates**

| Component      | RWA #    | Date Issued | Amount              | Project Description   | Missing Document               |
|----------------|----------|-------------|---------------------|---|--------------------------------|
| CBP            | N1020403 | 7/2/14      | \$13,200,000        | Consolidation, design and construction of the National Targeting Center | SOW                            |
| TSA            | N1069736 | 6/18/14     | \$19,000,000        | Consolidate TSA Headquarters  | SOW                            |
| ICE            | A5005550 | 8/28/14     | \$1,950,227         | Improvements to Neal Smith Federal Building                             | SOW and Detailed Cost Estimate |
| Coast Guard    | N0685030 | 9/18/13     | \$2,125,000         | Modify electrical infrastructure at Coast Guard's Data Center           | Detailed Cost Estimate         |
| <b>Total *</b> |          |             | <b>\$36,275,227</b> |   |                                |

Source: DHS OIG analysis of data from GSA's eRETA system. \* Total rounded to the nearest whole dollar.

Without SOWs or cost estimates, components do not know whether the work performed by GSA will meet their expectations or that the costs to complete the RWA work are reasonable and valid. This may result in cost overruns or funds that could have been put to better use.

### RWAs Not Reconciled and Deobligated

Components did not always ensure they reconciled and deobligated RWAs with GSA. According to OMB Circular A-123, *Management's Responsibility for Internal Control*, periodic reviews, reconciliations, or comparisons of data should be included as part of the regular assigned duties of personnel. In addition, 31 USC § 1552 requires deobligation of any funds that were not used within 5 years.

GSA and DHS components use separate data systems for recording RWA expenditures. For the 10 completed RWAs issued between December 2003 and May 2013, we compared the total of all payments collected by GSA as recorded in the eRETA system with the total expenditures recorded in components'



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accounting systems.<sup>6</sup> We identified that 3 of the 10 RWA totals did not match because components were not reconciling the RWA expenditures. The first of these RWAs was to renovate the Coast Guard's Headquarters building; the second was to expand the Coast Guard's Operations Systems Center; and the third included construction at USCIS' Headquarters building. Table 4 shows the differences between documented expenditures for the three RWAs in question.

**Table 4: Comparison of Expenditures Documented by GSA and DHS Components for Various RWAs**

| Component     | RWA #    | Total Expenditures per GSA | Total Expenditures per Component | Difference between Expenditures |
|---------------|----------|----------------------------|----------------------------------|---------------------------------|
| Coast Guard   | N3288560 | \$20,100,224               | \$7,771,767                      | \$12,328,457                    |
| Coast Guard   | B0511609 | \$320,228                  | \$0*                             | \$320,228                       |
| USCIS         | N3322206 | \$694,364                  | \$739,864                        | \$45,500                        |
| <b>TOTALS</b> |          | <b>\$21,114,816</b>        | <b>\$8,511,631</b>               | <b>\$12,603,185</b>             |

Source: DHS OIG analysis of data obtained from the Coast Guard, USCIS, and GSA.

\* The Coast Guard was unable to provide any accounting reports for this RWA.

When we questioned the components about these differences, they were unable to provide explanations or resolve the discrepancies. For example:

- A USCIS official stated that their unit was not reconciling RWAs when the RWA questioned was closed out.
- A Coast Guard official stated that they are not able to reconcile RWAs because RWAs were not tracked centrally.

Additionally, we identified 2 RWAs, older than 5 years, for which the Coast Guard was unable to provide an accounting report to show the deobligation of unused funds. Specifically:

- The first RWA (B0511609) was for \$3.1 million for planning and designing the expansion to the Coast Guard Operations Systems Center. According to GSA, approximately \$2.8 million should be deobligated.
- The second RWA (N3288560), previously mentioned because of missing documentation, was for over \$20.1 million for renovation of Coast Guard

<sup>6</sup> We selected the older RWAs to test because the recent RWAs may not have been closed as of the date of fieldwork.



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Headquarters Building. According to GSA, \$43,575 should be deobligated.

A Coast Guard official stated that it does not ensure unused RWA funds are deobligated at closeout. Coast Guard was therefore unable to provide an accounting report to show that the previously mentioned RWA funds were deobligated.

RWAs are required to be deobligated at closeout but not later than 5 years after the expiration date of the RWA. As required by 31 USC § 1552:

On September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose.

Not reconciling expenditures at closeout could result in components not:

- identifying errors and irregularities in a timely manner, or
- using those funds for other needed purposes.

### **RWA Policies, Oversight, and Controls**

The previously mentioned issues are the result of incomplete written policies, lack of oversight in DHS' RWA process, and limited controls for reconciling RWA information. According to OMB Circular A-123, *Management's Responsibility for Internal Control*, control activities include having policies, procedures, and mechanisms in place to help ensure that agency objectives are met. OMB A-123 also notes that periodic reviews, reconciliations, or comparisons of data should be included as part of the regular assigned duties of personnel. Components need to recognize the importance of oversight and reconciling RWA information to ensure funds are safeguarded from waste and abuse.

While all components that we selected for review have written policies addressing RWAs, some of these policies do not address key RWA requirements, such as reviewing cost estimates from GSA for reasonableness and validity as required or reconciling expenditures to GSA's eRETA system. According to the DHS Office of the Chief Readiness Support Officer (OCRSO), the Department does not oversee all components' RWA functions. OCRSO



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manages only a handful of DHS components, such as the Science & Technology Directorate, and only within the National Capital Region. Without the appropriate oversight, the Department cannot ensure that its components have clearly defined RWA requirements, performance measures, and effective monitoring plans in place. DHS must strengthen its efforts to provide effective oversight and management of RWAs to assure resources are used efficiently and planned outcomes are realized.

### Recommendations

**Recommendation 1:** We recommend that the DHS Under Secretary for Management ensure that all component written policies address reimbursable work agreement requirements, including statements of work, cost estimates, reconciling expenditures and deobligating unused funds at closeout.

**Recommendation 2:** We recommend that the DHS Under Secretary for Management conduct a review of the following three reconciliation differences for the reimbursable work agreements, determine the reasons for the differences, and make any necessary corrections.

- Coast Guard RWA# N3288560 - \$12,328,457 expenditure difference
- Coast Guard RWA# B0511609 - \$320,228 expenditure difference
- USCIS RWA# N3322206 - \$45,500 expenditure difference

**Recommendation 3:** We recommend that the DHS Under Secretary for Management ensure that deobligation has occurred for the following two reimbursable work agreements that the component was unable to prove had been done.

- Coast Guard RWA# N3288560 - \$43,575 should be deobligated
- Coast Guard RWA# B0511609 - \$2,779,654 should be deobligated

**Recommendation 4:** We recommend that the DHS Under Secretary for Management ensure that periodic reviews of reimbursable work agreements issued throughout the Department are conducted to determine compliance with statutory, regulatory, departmental, and component requirements, including deobligating and reconciling expenditures at closeout.

### Management Comments and OIG Analysis

DHS concurred with all of our recommendations. We have included a copy of management's comments in their entirety in appendix A. DHS also provided technical comments to our report. We incorporated these technical comments in our draft report as appropriate.





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Recommendation # 1: Concur. The Office of the Chief Financial Officer, Financial Management Division (FM) is updating the Department's policy (i.e., the *Financial Management Policy Manual*, Section 3.7) to more comprehensively address reimbursable work agreement requirements, including the retention of statements of work; cost estimates; reconciliation of expenditures; and deobligation of unused funds at closeout. Upon the completion of this update, the DHS Chief Financial Officer (CFO) will direct components to align their respective policies and procedures with the Department's updated policy requirements, and then verify component completion. Estimated Completion Date (ECD): December 31, 2016.

OIG Analysis: DHS' corrective action is responsive to the recommendation. This recommendation is resolved but will remain open until DHS provides evidence that *Financial Management Policy Manual*, Section 3.7, and component policies have been updated.

Recommendation # 2: Concur. The DHS CFO has directed the United States Coast Guard and U.S. Citizenship and Immigration Service to review their respective RWAs to identify the reasons for any differences and make any needed adjustments, which FM will verify, as appropriate. ECD: September 30, 2016.

OIG Analysis: DHS' corrective action is responsive to the recommendation. This recommendation is resolved, but will remain open until DHS provides evidence that reconciliations have been performed of these three RWAs and any needed adjustments have been made.

Recommendation #3: Concur. The DHS CFO has directed the Coast Guard to review the two RWAs in question, identify any unused funds that should be deobligated, and deobligate those amounts. FM will then verify the actions are taken, as appropriate. ECD: September 30, 2016.

OIG Analysis: DHS' corrective action is responsive to the recommendation. This recommendation is resolved, but will remain open until DHS provides evidence that unused funds have been deobligated for the two RWAs in question.

Recommendation #4: Concur. Once the *Financial Management Policy Manual*, Section 3.7, has been updated (see Recommendation 1), the CFO's Risk Management and Assurance Division (RM&A) will develop a process to test compliance with these requirements. RM&A will (1) communicate the testing requirements and schedule to components, (2) monitor testing by component internal controls staff, (3) analyze provided results to ensure leadership awareness of any deficiencies identified, and (4) ensure corrective action plans



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have been developed and are being implemented, as appropriate. ECD: July 31, 2017.

OIG Analysis: DHS' corrective action is responsive to the recommendation. This recommendation is resolved, but will remain open until DHS provides evidence that component internal controls staff has performed testing and reported their results to management.

### **Objective, Scope, and Methodology**

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the Homeland Security Act of 2002 (Public Law 107-296) by amendment to the Inspector General Act of 1978.

Our objective was to determine if the Department's use of RWAs is in compliance with statutory, regulatory, departmental, and component requirements. Specifically, we determined whether required documents for RWAs with GSA were on file and complied with applicable regulatory requirements, department policies, and component policies. We also determined whether component expenditures agreed with amounts collected by GSA, and whether unused obligations were deobligated at closeout.

Between FYs 2003 and 2014, DHS issued more than 18,000 RWAs — totaling approximately \$4.1 billion — with GSA. We selected five DHS components with the greatest number of RWAs obligated with GSA from FY 2003 through FY 2014: CBP, ICE, TSA, the Coast Guard, and USCIS.

We judgmentally selected 20 RWAs totaling \$94,870,163 (four for each component) from the GSA eRETA system with an obligation date between September 2003 and September 2014. We selected RWAs that did not involve recurring services such as overtime or utilities. We did select RWAs with a primary worksite of Washington, DC; Maryland; Virginia; and West Virginia.

We selected RWAs issued and dating back to 2003 because RWAs can remain open for many years, using annual funds, multi-year funds, and no year funds. Annual funds and multi-year funds are required to be expended within 5 years of the expiration date of the RWA. RWAs issued using "no year" funds do not expire until all funds are expended. We selected a sample of older RWAs in order to quantify the actual impact of missing SOWs and cost estimates. We did not perform data reliability tests on the universe of RWAs stored on the eRETA system because the data was only used for sampling purposes. For each sample we reviewed, however, our conclusions are based on the documentation and records analyzed from the eRETA system and from each component.



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We interviewed personnel from the DHS Office of the Chief Financial Officer, Office of the Chief Procurement Officer, Office of the Chief Readiness Support Officer, U.S. Customs and Border Protection, U.S. Immigration and Customs Enforcement, U.S. Transportation Security Administration, the U.S. Coast Guard, and U.S. Citizenship and Immigration Services. We reviewed Federal regulations, departmental, and component policies and procedures. We also reviewed GSA's *Federal Customer Guide to Reimbursable Work Authorizations*.

We conducted this performance audit between March and October 2015 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.

The Office of Audits major contributors to this report are: Donald Bumgardner, Deputy Assistant Inspector General for Audits; Andrew Smith, Audit Manager; Apostolos Exarchos, Program Analyst; Lindsey Koch, Auditor; Roger Thoet, Auditor; Corneliu Buzesan, Program Analyst; Steffanie Moore, Program Analyst; Jeff Mun, Auditor; Elizabeth Argeris, Communications Analyst; Maryann Pereira and Eddie Jones, Independent Referencers.



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**Appendix A**  
**Management Comments to the Draft Report**




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

**Homeland  
Security**

May 31, 2016

MEMORANDUM FOR: Mark Bell  
Assistant Inspector General for Audits

FROM: Jim H. Crumpacker   
Director  
Departmental GAO-ONG Liaison Office

SUBJECT: Management's Response to OIG Draft Report, "DHS' Use of  
Reimbursable Work Agreements with GSA"  
(Project No. 16-027-AUD-MGMT)

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the Office of Inspector General's (OIG) work in planning and conducting its review and issuing this report.

The DHS Office of the Chief Financial Officer (OCFO) is strengthening its accounting controls, policies, and systems to provide more consistency and transparency in its oversight and management of Reimbursable Work Agreements (RWAs) at all levels of the Department. DHS is committed to procuring the goods and services needed to support its missions in an effective and efficient manner while also ensuring the appropriate stewardship of taxpayer dollars.

The draft report contained four recommendations with which the Department concurs. Please see the attached for our detailed response to each recommendation.

Again, we thank you for the opportunity to review and comment on this draft report. Technical comments were previously provided under separate cover. Please feel free to contact me if you have any questions. We look forward to working with you again in the future.





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### Attachment: DHS Management Response to Recommendations Contained in 16-027-AUD-MGMT

OIG recommended that the DHS Under Secretary for Management:

**Recommendation 1:** Ensure that all component written policies address reimbursable work agreement requirements including statements of work, cost estimates, and reconciling expenditures and deobligating unused funds at closeout.

**Response:** Concur. The OCFO Financial Management Division (FM) is updating the Department's policy (i.e., the *Financial Management Policy Manual, Section 3.7*) to more comprehensively address reimbursable work agreement requirements, including the retention of statements of work and cost estimates, and the reconciliation of expenditures and deobligation of unused funds at closeout. Upon the completion of this update, the DHS Chief Financial Officer (CFO) will direct Components to align their respective policies and procedures with the Department's updated policy requirements, and then verify Component completion. Estimated Completion Date (ECD): December 31, 2016.

**Recommendation 2:** Conduct a review of the three reconciliation differences for the reimbursable work agreements noted in the report, determine the reasons for the differences, and make any necessary corrections.

**Response:** Concur. The DHS CFO has directed the United States Coast Guard (USCG) and U.S. Citizenship and Immigration Service to review their respective RWAs to identify the reasons for any differences and make any needed adjustments, which FM will verify, as appropriate. ECD: September 30, 2016.

**Recommendation 3:** Ensure that deobligation has occurred for the two reimbursable work agreements discussed in this report that the component was unable to prove had been done.

**Response:** Concur. The DHS CFO has directed the USCG to review the two RWAs in question, identify any unused funds that should be deobligated, and deobligate those amounts. FM will then verify the actions are taken, as appropriate. ECD: September 30, 2016.

**Recommendation 4:** Ensure that periodic reviews of reimbursable work agreements issued throughout the Department are conducted to determine compliance with statutory, regulatory, departmental, and component requirements, including the reconciliation of expenditures and deobligation of unused funds at closeout.



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**Response:** Concur. Once the *Financial Management Policy Manual, Section 3.7* has been updated (see Recommendation 1), The CFO's Risk Management and Assurance Division (RM&A) will develop a process to test compliance with these requirements. RM&A will communicate the testing requirements and schedule to Components, monitor testing by Component internal controls staff, and analyze provided results to ensure leadership awareness of any deficiencies identified and that corrective action plans have been developed and are being implemented, as appropriate. ECD: July 31, 2017.



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### Appendix B Reimbursable Work Agreements Tested by DHS OIG

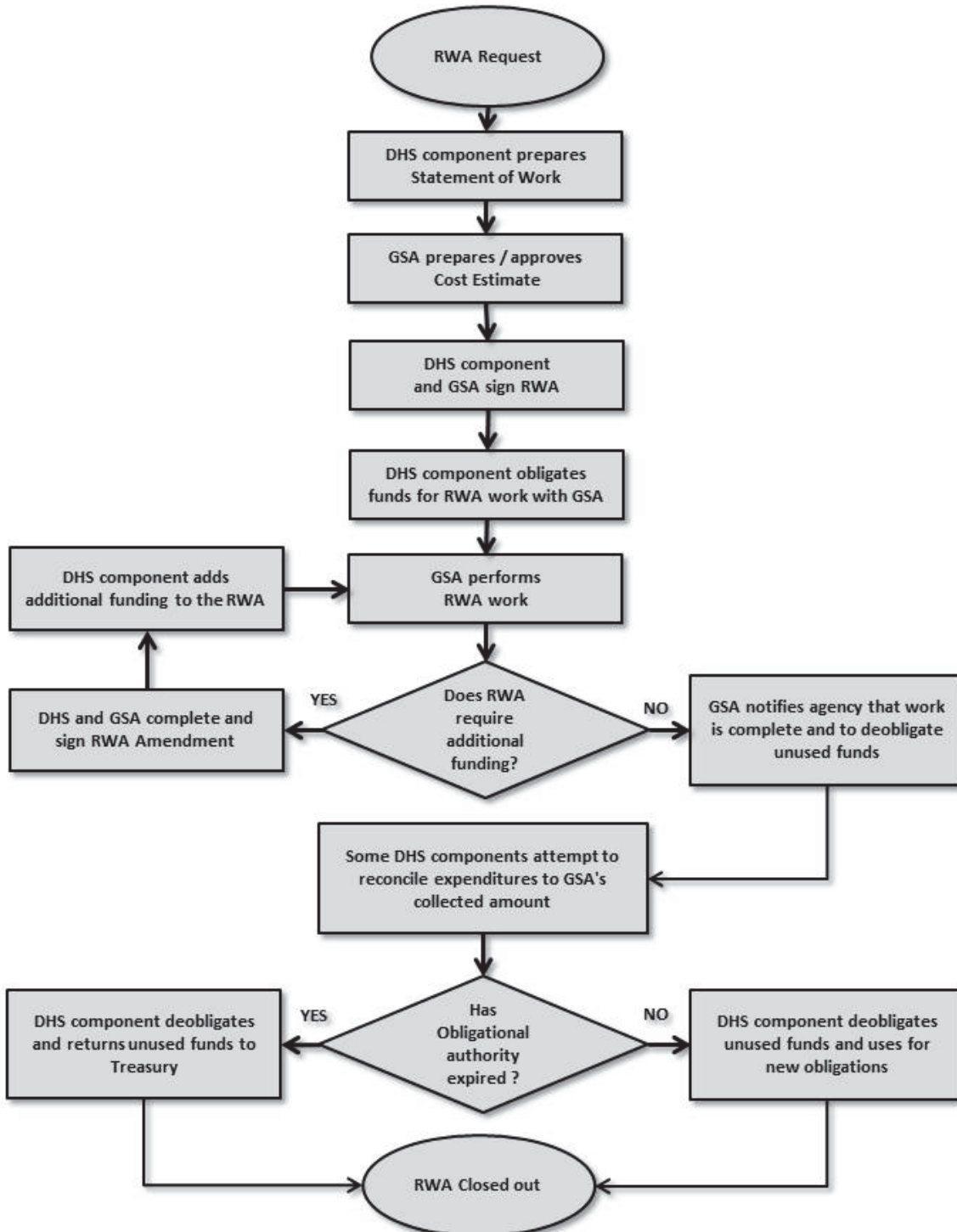
| Component    | RWA Number | Current Authorized Amount of RWA | Date of RWA |
|--------------|------------|----------------------------------|-------------|
| CBP          | N3657874   | \$ 719,559.28                    | 6/6/2007    |
| CBP          | N0232690   | \$ 737,492.00                    | 11/4/2007   |
| CBP          | N0962436   | \$ 6,656,418.00                  | 3/04/2014   |
| CBP          | N1020403   | \$ 13,200,000.00                 | 7/2/2014    |
| ICE          | N0364746   | \$ 4,289,960.00                  | 6/19/2008   |
| ICE          | N0973975   | \$ 1,000,000.00                  | 9/30/2011   |
| ICE          | A5005550   | \$ 1,950,227.41                  | 9/10/2014   |
| ICE          | N0825191   | \$ 8,000,000.00                  | 9/30/2013   |
| TSA          | N0192691   | \$ 104,148.13                    | 8/16/2011   |
| TSA          | N0692793   | \$ 261,701.41                    | 5/23/2013   |
| TSA          | N0743927   | \$ 4,509,024.60                  | 9/13/2013   |
| TSA          | N1069736   | \$ 19,000,000.00                 | 6/18/2014   |
| USCG         | B0511609   | \$ 3,100,000.00                  | 9/15/2008   |
| USCG         | N3288560   | \$ 20,143,800.00                 | 9/26/2003   |
| USCG         | N0638537   | \$ 1,558,040.00                  | 3/14/2013   |
| USCG         | N0685030   | \$ 2,125,000.00                  | 9/17/2013   |
| USCIS        | N0459305   | \$ 222,590.00                    | 9/12/2008   |
| USCIS        | N3322206   | \$ 800,000.00                    | 12/16/2003  |
| USCIS        | N1053001   | \$ 3,502,768.00                  | 9/2/2014    |
| USCIS        | N1069192   | \$ 2,989,434.00                  | 8/18/2014   |
| <b>Total</b> |            | <b>\$94,870,162.83</b>           |             |

Source: Data obtained from GSA's eRETA system



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**Appendix C**  
**Flowchart of the Reimbursable Work Agreements Process**







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### **Appendix D** **Report Distribution**

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