

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

CBP Did Not Effectively Plan and Manage Employee Housing in Ajo, Arizona



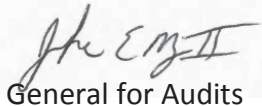


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Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

SEP 3 2014

MEMORANDUM FOR: Eugene H. Schied
Assistant Commissioner
Office of Administration
U.S. Customs and Border Protection

FROM: Anne L. Richards ^{fi} 
Assistant Inspector General for Audits

SUBJECT: *CBP Did Not Effectively Plan and Manage Employee Housing in Ajo, Arizona*

Attached for your action is our final report, *CBP Did Not Effectively Plan and Manage Employee Housing in Ajo, Arizona*. We incorporated the formal comments from U.S. Customs and Border Protection (CBP).

The report contains five recommendations aimed at improving CBP's planning and management of future housing projects. Your office concurred with all recommendations and submitted a management decision for each recommendation. Recommendations #2 and #4 are unresolved and open. As prescribed by the *Department of Homeland Security Directive 077-01, Follow-Up and Resolutions for Office of Inspector General Report Recommendations*, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation.

Based on information provided in your response to the draft report, we consider recommendations #1 and #3 resolved and closed; recommendation #5 is resolved and open. Once your office has fully implemented the recommendation, please submit a formal closeout letter to us within 30 days so that we may close the recommendation. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.

Please email a signed PDF copy of all responses and closeout requests to OIGAuditsFollowup@oig.dhs.gov.



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Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to appropriate 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 John E. McCoy II, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



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Abbreviations

CBP	U.S. Customs and Border Protection
DHS	Department of Homeland Security
FM&E	Facilities Management and Engineering Directorate
GSA	General Services Administration
OBP	Office of Border Patrol
OFO	Office of Field Operations
OIG	Office of Inspector General
OMB	Office of Management and Budget
POE	port of entry
RWA	reimbursable work authorization



Executive Summary

U.S. Customs and Border Protection (CBP) secures our Nation's borders and facilitates lawful international trade and travel while enforcing Federal laws and regulations. To accomplish its mission, CBP often stations officers and agents in remote areas of the country without adequate housing options. In 2008, CBP identified a need for employee housing along the southwest border, particularly in Arizona and Texas, given the remoteness and limited housing market. CBP began planning the construction of employee housing in Ajo, Arizona, in 2008 and completed construction in late 2012. We conducted this audit to determine whether CBP followed good business practices in planning and managing employee housing in Ajo, Arizona.

CBP did not effectively plan and manage employee housing in Ajo, Arizona, and made decisions that resulted in additional costs to the Federal Government. Specifically, CBP:

- Paid a premium price for land;
- Built 21 two- and three-bedroom family-style houses, rather than the recommended one-bedroom apartment-style housing; and
- Included nonessential items in the houses, as well as amenities, without adequate justification.

While it was constructing the 21 family-style houses, CBP funded a second housing project in Ajo by purchasing 20 mobile homes for \$2.4 million. CBP paid the General Services Administration to manage the project, but did not adequately justify using its services. CBP also increased project funding seven times without specifying the reason for the increases and how the funds would be spent. These issues occurred because CBP ignored recommendations from a study conducted to guide the project. In addition, CBP did not have procedures to prevent purchasing more land than was necessary, as well as nonessential items and amenities. CBP also bypassed key acquisition controls and procedures.

As a result, CBP spent about \$680,000 per house and about \$118,000 per mobile home for employee housing in Ajo, which was significantly more than the Ajo average home price of \$86,500. We identified about \$4.6 million CBP spent on the project that could have been put to better use. According to CBP, once funding becomes available, it plans to build more houses in Lukeville, close to Ajo.

We made five recommendations to improve CBP's planning and management of future housing projects. CBP concurred with all five recommendations and has begun implementing corrective actions to address our findings.



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Background

CBP secures our Nation's borders and facilitates lawful international trade and travel while enforcing Federal laws and regulations. To accomplish its mission, CBP often stations officers and agents in remote areas of the country. CBP operates about 329 ports of entry (POE) along nearly 7,000 miles of the U.S. border. According to CBP, the most significant challenge to increasing enforcement is a lack of available housing in remote locations.

Generally, the Federal Government relies on the private housing market to provide housing for its civilian employees. The Office of Management and Budget's (OMB) *Circular A-45, Revised*, which covers rental and construction of Government quarters, guides agencies on how to construct new housing in areas where there is an inadequate private housing market. CBP's Facilities Management and Engineering Directorate (FM&E) manages CBP's housing projects and oversees the maintenance, repair, and operation of existing housing. According to CBP, FM&E is responsible for 325 housing units, various office spaces, and facilities nationwide.

In 2008, CBP identified a need for employee housing along the southwest border. Arizona and Texas presented enforcement challenges, given the remoteness and limited housing market. In 2009, CBP proposed a master development plan for employee housing at six locations: Ajo, Arizona; Piegan, Montana; Presidio, Texas; Sierra Blanca, Texas; Sanderson, Texas; and Van Horn, Texas.

CBP prioritized developing Ajo, Arizona, because it anticipated higher border crossings at the nearby POE in Lukeville, Arizona. CBP also expected an increase in staff at the Lukeville POE and the Ajo Border Patrol Station. CBP completed the *CBP Housing Program Feasibility Study for Ajo, Arizona* (Ajo study), to evaluate the existing housing conditions, employee needs, and housing alternatives in Ajo. According to the Ajo study, the housing in the Ajo private rental market would not accommodate Office of Field Operations (OFO) and Office of Border Patrol (OBP) staff and future planned increases in staff. The Ajo study projected it would cost about \$585,000 per house to construct the planned housing in Ajo.

CBP decided to build in Ajo because of its proximity to the Ajo Border Patrol Station and relatively short distance from the Lukeville POE. Lukeville does not offer community services, and its residents rely on schools and rental properties in Ajo. CBP entered into an agreement with the General Services Administration (GSA) to plan, design, and construct facilities to support the housing project in Ajo. GSA is responsible for meeting the real estate space requirements of Federal agencies. According to CBP, GSA was best



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qualified to manage the project, given its extensive knowledge from previous experience with CBP projects.

Results of Audit

CBP did not effectively plan and manage employee housing in Ajo, Arizona, and made decisions that resulted in additional costs to the Federal Government. Specifically, CBP:

- Paid a premium price for land;
- Built 21 two- and three-bedroom family-style houses, rather than the recommended one-bedroom apartment-style housing; and
- Included nonessential items in the houses, as well as amenities, without adequate justification.

While it was constructing the 21 family-style houses, CBP purchased 20 mobile homes for \$2.4 million to satisfy the same need as the permanent housing. CBP paid GSA to manage the project, but did not adequately justify using its services. CBP also increased project funding seven times without specifying the reason for the increases and how the funds would be spent. These issues occurred because CBP personnel ignored recommendations from the Ajo study. In addition, CBP did not have procedures to prevent the purchase of more land than was necessary, as well as household items and unnecessary amenities. CBP also bypassed key acquisition controls and procedures.

As a result, CBP spent about \$680,000 per house and about \$118,000 per mobile home for employee housing in Ajo, which was significantly more than the Ajo average home price of \$86,500. We identified about \$4.6 million spent on the project that could have been put to better use. According to CBP, once funding becomes available, it plans to build more houses in Lukeville, close to Ajo.

Land, Housing, and Nonessential Items and Amenities

In December 2012, CBP completed the construction of 21 two- and three-bedroom houses. According to CBP, it designed the houses to be durable, climate appropriate, and energy efficient. The employee housing includes a centrally located recreational space with shaded picnic areas and barbecue pits. In addition, CBP purchased 20 mobile homes and placed them at a nearby mobile home park for use as employee housing. CBP has spent about \$17 million for employee housing in Ajo. Appendix C provides details on the costs.



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Throughout the housing project in Ajo, CBP made decisions about acquiring land, the size and type of houses, and household items and amenities that increased the price of the houses and the cost to the Department of Homeland Security (DHS). This occurred because CBP personnel ignored recommendations from the Ajo study. CBP also did not have procedures to prevent the purchase of more land than was necessary, as well as unnecessary household items and amenities.

CBP purchased property that added unnecessary costs to the project. CBP paid about \$975,000, or almost triple the amount it may have actually needed to pay, for 12 acres of land. According to CBP, it selected this location because the other three properties available in Ajo were undesirable, undeveloped, or not large enough to accommodate the number of houses it planned to build. CBP eliminated Lukeville as a possible location based on the recommendations of its Office of Internal Affairs, which cited the site's adjacency to the border with Mexico and the unpredictable nature of border violence in the southwest. CBP did not conduct a threat assessment to verify that the location in Lukeville, which was the least expensive option, should be eliminated.

The land CBP chose was a mobile home park containing five privately owned mobile homes with 75-year prepaid leases. To comply with Federal regulations,¹ CBP bought out the mobile home occupants' 75-year leases and paid their relocation expenses, which cost about \$575,000. According to the Ajo study, CBP did not need the portion of land with mobile homes to satisfy OFO's housing needs. A CBP official warned that using this particular property would lead to a greater cost to the government since CBP was required to purchase the leases and pay relocation expenses.

In addition to the extra cost associated with the leases, CBP paid \$64,350 (19 percent) more than the appraised value of the land. A real estate appraisal determined the land's value was \$335,650. The seller proposed a price of \$518,000. To expedite the process and avoid a lengthy Federal land seizure, a memorandum to the former Executive Director recommended approval of a counter offer of \$400,000.

CBP offered to purchase the land before evaluating the cultural, social, and environmental impact of housing construction as required by Federal law. In doing so, CBP took a risk that, depending on the outcome of the evaluation, it

¹ The *Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970* mandates that Federal agencies pay relocation benefits to tenants and owners displaced by federally funded projects.



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might not be able to build on the land and would possibly have to sell or donate it.

During the award of the construction contract, CBP did not have the total amount of funding necessary to build on the entire property. Although the 12 acres could have accommodated 46 houses, CBP only had funding to build 21 houses. Even though, at the time of the Ajo study, CBP was aware it had limited funding for the size of the land and the planned number of houses, it decided to develop the site first and adjust the funding and construction schedule accordingly. As a result, more than half the land (6.63 acres) worth \$183,459 remains vacant. CBP plans to build at a different location in Lukeville and has no plans to build additional houses on this vacant property. See figure 1.



Figure 1: Land and CBP-built Housing in Ajo, Arizona

Source: CBP photo, with markings added by Office of Inspector General (OIG) to show the unused land

CBP designed and built housing that exceeded employee needs. In 2009, CBP conducted the Ajo study to determine the number of houses, family size, and type of dwelling needed for OFO and OBP at the Lukeville POE and the Ajo Border Patrol Station. The study concluded that OFO and OBP staff needed one-bedroom apartment-style housing for use during the workweek. According to the information CBP collected during the Ajo study, 80 percent of the OFO officers were single and 89 percent of the officers owned a permanent residence in another location. CBP did not collect the information for border patrol agents working at the Ajo Border Patrol Station. Instead, CBP calculated OBP's Ajo



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housing needs based on information collected from another similarly sized border patrol station.

Rather than build the recommended one-bedroom apartment-style housing, CBP built 21 two- and three-bedroom family-style houses, ranging in size from 1,276 to 1,570 square feet. In building the family-style houses, CBP ignored the recommendations made in the Ajo study to build workweek housing for single OFO officers. According to the Ajo study, "Since CBP housing is elective, CBP must be careful about the quality, quantity and types of housing it develops. The result of not doing so is that the housing units may be constructed but not occupied, which has occurred before." The study also noted, "Many of the single officers are at the lowest rung of the pay scale and do not want to pay for additional bedrooms that they will not use."

CBP designed the houses to include nonessential or upgraded items, which added unnecessary costs. For example, the houses have quartz countertops and stainless steel appliances in the kitchens, free-standing additional freezers, wireless ceiling fans, plantation shutters, and walk-in pantries. According to a CBP official, higher quality items were used because CBP believed if "they spent more up front, they would save money in the end." CBP said it selected higher priced wireless fans to avoid having to replace the pull strings on standard ceiling fans. CBP was unable to provide cost comparisons or support how its decisions resulted in cost savings. Figure 2 shows some of the houses built in Ajo.



Figure 2: Exterior view of the CBP-built houses in Ajo

Source: DHS OIG



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CBP built attached garages measuring about 748 square feet with 27-foot ceilings. According to our research, a garage of this size could accommodate at least three cars. CBP said it built the garages for storage and because of the Arizona climate. CBP decided the large garages would ensure employees had enough space to accommodate two large personal vehicles, as well as storage space for work gear. According to a CBP official, most agents and officers assigned to the Lukeville POE and Ajo station have two cars. However, CBP could not provide supporting documentation for this statement. Additionally, the study concluded that although a carport or canopy to shade vehicles was a desired feature, garages were unnecessary. Figure 3 shows a garage attached to a CBP-built house.



Figure 3: Interior of attached garage in Ajo

Source: CBP official

CBP spent additional funds to build an outdoor community area with picnic tables and grills. According to CBP, it wanted to build a sense of community among OFO and OBP employees. However, according to the Ajo study, Ajo offers sufficient community amenities, such as a library, recreation center, swimming pool, bowling alley, golf course, and extensive picnic areas. Figures 4 and 5 show the community area and amenities adjacent to the employee housing.



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Figures 4 and 5: Community area adjacent to CBP-built houses in Ajo, Arizona

Source: DHS OIG

In including these items and amenities in the housing project, CBP disregarded its study recommendations and spent funds unnecessarily. CBP did not have procedures to prevent purchasing these upgraded items for the houses and adding amenities, such as the oversized garages and the outdoor community area. For example, CBP's policies do not require cost comparison or additional levels of approval for these types of decisions. CBP was unable to show how much the upgraded items and amenities increased overall project costs.

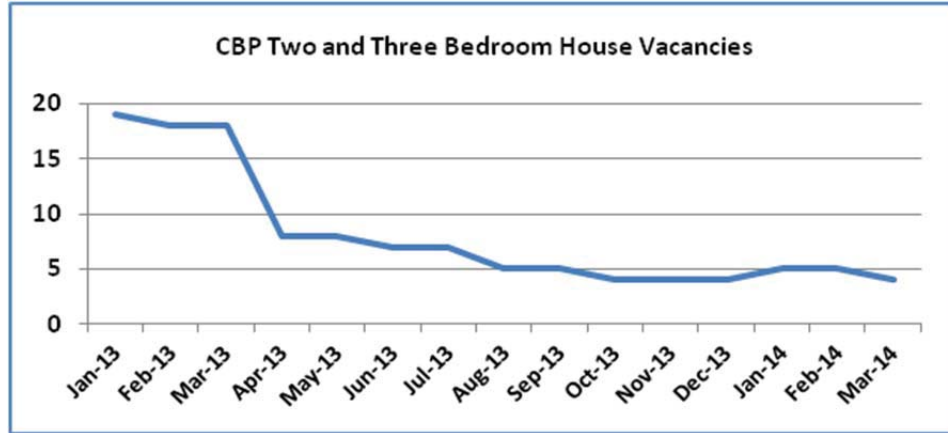
Since the completion of the Ajo project, the houses have not been fully occupied, which may be partially caused by the rental rates. As of March 2014, 4 of 21 houses in Ajo were vacant. During our site visits, some officers and agents attributed the vacancies to the rental prices. At the time we completed fieldwork, the price to rent the two- and three- bedroom houses ranged from about \$1,075 to \$1,314 for a single tenant. Although CBP's rental prices are based on local market rates, the final rent includes the base rate plus additional costs associated with the house's condition, size, and amenities. Had CBP built less expensive workweek housing as recommended by the Ajo study, the additional costs and thus, the rental rates, might have been lower. According to several CBP officials, to lower the rental price, some employees were sharing houses.

Figure 6 shows the number of two- and three-bedroom houses that have been vacant from the time they were ready for occupancy in January 2013 to March 2014.



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Figure 6: Number of Vacant CBP-built Houses in Ajo, Arizona, January 2013–March 2014



Source: DHS OIG analysis of FM&E Ajo CBP-built housing vacancy information

Mobile Homes

At the same time it was developing the two- and three-bedroom employee houses, CBP approved a second housing project of 20 mobile homes costing \$2.4 million. In 2010, CBP purchased 20 double-wide mobile homes and entered into a 5-year lease at a mobile home park. To fund the purchase and lease, CBP modified a reimbursable work authorization (RWA) it was using to transfer funds to GSA for the family-style houses. According to the justification, CBP purchased the mobile homes to provide “emergency” housing for OFO officers assigned to the Lukeville POE. However, the July 2009 request from the Lukeville Port Director did not specify an emergency. The request cited an expected increase in POE staff, which occurred, as well as expanded lanes, and more hours of operation at the POE. Although the request for mobile homes originated from the OFO Port Director, it is not clear which CBP office funded the purchase and lease.

CBP did not follow policies and procedures and lacked controls to prevent funding two separate housing projects designed to meet the same housing need. According to the *CBP Housing Management Handbook*, mobile homes should not be used as new or replacement housing, unless there is no reasonable or economical alternative. CBP paid approximately \$118,000 for each custom-made mobile home. CBP could not provide justification for nonessential items in the mobile homes, including solar-powered address lights, plantation shutters, stainless steel kitchen appliances, vaulted ceilings, and carports. Figures 7 and 8 show the exterior and interior of a mobile home.



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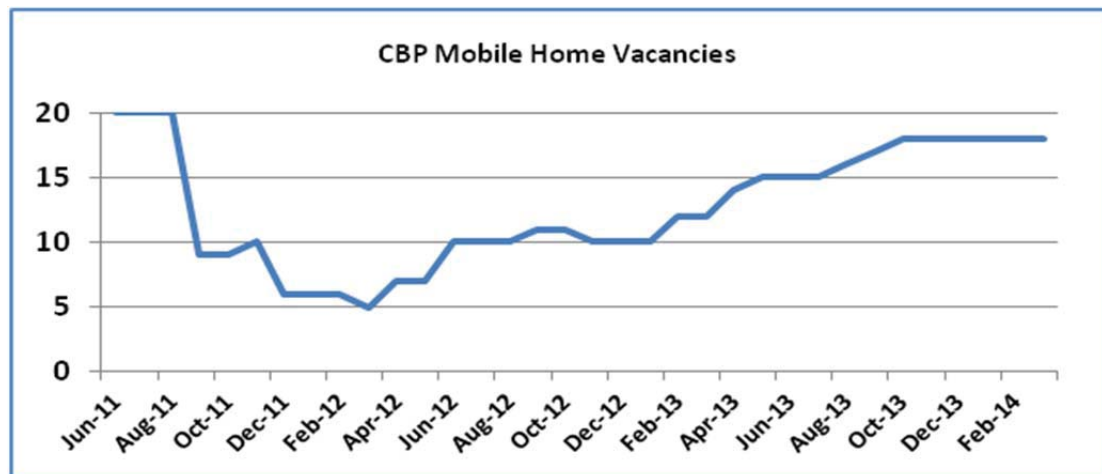


Figures 7 and 8: Exterior and interior of a mobile home

Source: DHS OIG

For the majority of the time the mobile homes have been available for occupancy, half have been vacant. Between October 2013 and March 2014, 18 of 20 mobile homes were vacant. CBP attributed the vacancies to a 2010 Federal housing rate adjustment. The rate adjustment increased Federal rental rates, which are based on local market rates, from \$265 to \$765 a month in Ajo. Figure 9 shows the number of vacant mobile homes between June 2011 and February 2014.

Figure 9: Number of Vacant CBP mobile homes in Ajo, June 2011–February 2014



Source: DHS OIG analysis of FM&E Ajo Federal housing vacancy information



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Project Funding

CBP increased the Ajo housing project funds without adequate justification. CBP also incurred additional costs by using GSA for contracting and project management services, and it did not adequately justify using GSA's services.

In 2008, CBP entered into an agreement with GSA to plan, design, and construct facilities to support CBP's employee housing in Ajo, Arizona. In the same year, CBP transferred \$5.5 million to GSA to design and construct 12 housing units in Ajo. The statement of work included a cost estimate that, according to FM&E, was "simply a guess" of how much the project would cost. At the time of transfer, CBP did not know the number of houses needed.

CBP incrementally added funds to the original \$5.5 million for the Ajo project by transferring funds to GSA seven times, for a total project cost of approximately \$20 million.² CBP did not identify the work to be performed in Ajo or provide cost estimates for the additional funds. CBP increased project funds with vague justifications such as "supplemental funding for the housing along the southwest border."

All the RWAs that FM&E used to transfer funds to GSA violated Federal law. Agencies requesting another agency to conduct an acquisition on its behalf must make a determination, including an analysis of procurement approaches, that the use of an interagency acquisition with that agency is the best procurement approach.³ Although it is unclear whether the interagency acquisitions that FM&E entered into should have been supported by a contracting officer-approved Determination & Finding, DHS policy does require a contracting officer to sign interagency agreements for assisted acquisitions.⁴

FM&E did not create a determination for the Ajo housing project. It also did not have contracting officials sign the interagency agreements, but had unauthorized officials sign them. Therefore, FM&E bypassed proper oversight by CBP's Office of Contracting and Procurement contracting officers who have the authority to obligate and transfer funds. Without these controls, CBP cannot ensure that funds were spent properly or in the best interest of the Government. Appendix D

² Our review of RWAs showed that about \$17 million has been spent on the Ajo housing project and also that about \$3 million has been transferred to GSA, but not yet spent.

³ Title 48 of the Code of Federal Regulations § 17.502-1(a).

⁴ See DHS Directive Number: 125-02, "Interagency Agreements," Section VI. D & J (August 15, 2008).



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provides details on the RWAs, including two RWAs totaling about \$3 million that CBP has transferred to GSA, but not yet spent.

CBP is working to correct the improper use of RWAs, an issue that we identified in our February 2014 report, *U.S. Customs and Border Protection's Advanced Training Center Acquisition* (OIG-14-47).

CBP did not adequately justify the decision to use GSA contracting and project management services and incurred additional costs. Rather than use its own Contracting and Procurement Office, which provides the same contract administration and oversight services as GSA, CBP paid GSA's fees and overhead expenses. According to the *Federal Acquisition Regulation*, agencies must ensure using an interagency acquisition is in the best interest of the Government and that the same services are not available within the requesting agency. Although CBP documented its preference to use GSA, it did not conduct a cost comparison or provide sufficient justification for not using its own Contracting and Procurement Office. CBP agreed to reimburse GSA a maximum of about \$1.4 million for its services. Additionally, CBP relied on GSA to track all Ajo housing project costs. Neither CBP nor GSA could provide the actual cost of the Ajo feasibility study or the GSA overhead and fees.

Conclusion

CBP spent about \$680,000 per house and about \$118,000 per mobile home for employee housing in Ajo. In total, CBP spent about \$17 million on employee housing in Ajo, Arizona, where the average home price was about \$86,500. CBP did not follow good business practices and made decisions that resulted in additional costs to the Government. We identified about \$4.6 million in funds that could have been put to better use. Table 1 shows a breakdown of these funds.

Table 1: Ajo Housing Project Funds that Could Have Been Put to Better Use

Cost Description	Amount
Use of GSA Services	\$1,366,069
Purchase of Land	\$ 822,896
Mobile Homes	\$2,369,097
Type of Housing	Could not quantify*
Unnecessary Items and Amenities	Could not quantify*
TOTAL	\$4,558,062

Source: OIG analysis

*CBP could not provide the information necessary to quantify cost savings.



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CBP did not satisfy the initial housing needs in Ajo and plans to build dormitory-style housing in Lukeville once more funding becomes available. Neither the 21 family-style houses nor the 20 mobile homes have been fully occupied since the project was completed. CBP has an undetermined amount of unspent project funds remaining from the Ajo project. According to CBP, the money has been set aside to conduct another feasibility study for dormitory-style housing in Lukeville. CBP transferred the funding in 2010 and 2011 and, therefore, has already bypassed Office of Contracting and Procurement internal controls. CBP needs to improve its planning and management of housing projects before conducting any future work in this area.

Recommendations

We recommend that the Assistant Commissioner of U.S. Customs and Border Protection's Office of Administration:

Recommendation #1:

Establish quality control procedures for approval of housing projects and appoint an approving official reviewer for all construction projects costing \$5 million or more.

Recommendation #2:

Establish procedures to determine and justify the necessity of all housing amenities and upgrades.

Recommendation #3:

Ensure contracting and project management services rely on the Office of Contracting and Procurement at U.S. Customs and Border Protection to exercise the proper oversight, as well as the obligation and transfer of funds.

Recommendation #4:

Identify the amount of unspent funds from the Ajo and Lukeville housing projects, including the approximately \$3 million transferred to the General Services Administration, and require the return of funds immediately.



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Recommendation #5:

Postpone all activities for current and future housing projects until implementing the recommendations in this report to ensure efficient use of funds.

Management Comments and OIG Analysis

CBP concurred with all five of our recommendations and provided comments to the draft report. A summary of CBP's responses and our analysis follows. We have included a copy of the management comments in their entirety in appendix B. CBP also provided technical comments to our report. We made minor changes to incorporate these comments, as appropriate.

Response to Recommendation #1: FM&E concurred with this recommendation. In January 2013, FM&E implemented a new process for reviewing and vetting all capital facilities projects with estimated costs of \$1 million or more. This review process requires a full description and justification for each proposed project, lifecycle cost estimates, and an analysis of alternatives. To obtain funding, the CBP Commissioner, Deputy Commissioner, and Facilities Management Council must review and approve all projects. Based on this information, CBP requested that OIG close the recommendation.

OIG Analysis: CBP's response to this recommendation addresses the intent of the recommendation. This recommendation is resolved and closed. CBP has provided evidence it has quality control procedures for review boards to prioritize and formally approve and invest in capital facilities projects. These review boards will provide additional oversight of FM&E projects and will help ensure future CBP facilities are planned, built, and managed cost effectively.

Response to Recommendation #2: FM&E concurred with this recommendation. CBP states it has developed and implemented procedures and supporting standards. The Ajo housing project was constructed according to the approved CBP Housing Prototype Design, and any incorporated amenities and upgrades aligned with the requirements and allowances of OMB's *Circular A-45, Revised*. CBP will continue to review and refine the Housing Prototype Design to ensure that the resulting housing projects meet the needs of CBP's tenants and that the housing designs represent sound investments for the Government. CBP requested that OIG close this recommendation.

OIG Analysis: FM&E's response does not fully meet the intent of this recommendation. The recommendation is unresolved and open. We will



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consider this recommendation resolved when FM&E completes a review of the CBP Housing Prototype Design to ensure procedures are in place to determine and justify the necessity of all housing amenities and upgrades to meet mission needs. Once CBP provides evidence that it changed the Housing Prototype Design, as necessary, OIG will close the recommendation.

Response to Recommendation #3: FM&E and the CBP Procurement Directorate concurred with this recommendation. CBP indicated that it has implemented the recommended action and associated processes and internal controls. FM&E and the Procurement Directorate have developed and implemented policy and processes for these transactions and will monitor their execution to ensure compliance. In September 2013, FM&E's Executive Director issued an internal policy memorandum detailing the requirements for interagency acquisitions, including appropriate documentation and approvals. During FY2013, FM&E also worked with the CBP Procurement and Financial Operations Directorates to update CBP Directive 5320-028, Commitment, Obligation, Expenditure, and Payment Procedures for Goods and Services, to address the proper use of RWAs and interagency agreements. This CBP Directive was approved in May 2014. Finally, in December 2013, the largest FM&E Program Management Office was trained on the appropriate use of RWAs and interagency agreements. The same training will be rolled out across the rest of FM&E by the end of FY 2014. Based on the information provided, CBP requested that OIG close the recommendation.

OIG Analysis: CBP's response to this recommendation addresses the intent of the recommendation. This recommendation is resolved and closed. CBP provided a copy of the CBP Directive 5320-028E, issued on May 22, 2014. This directive provides the framework for proper oversight of the obligation and transfer of funds by appropriate CBP offices, consistent with our recommendation.

Response to Recommendation #4: FM&E concurred with this recommendation and agreed to retrieve any unused project funding from GSA through the standard project closeout process. FM&E will use the recovered funds for other CBP facility projects, in accordance with FM&E's prioritized Spend Plans. When planning activities are completed, CBP will be properly positioned to determine whether to withdraw any remaining funds for Lukeville housing or go forward with an approved housing solution at Lukeville.

OIG Analysis: CBP's response does not fully meet the intent of this recommendation. The recommendation is unresolved and open. We will



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consider this recommendation to be resolved when CBP provides the action plan for identifying the funds with the expected date for completion. We will close the recommendation when FM&E and GSA perform the necessary accounting procedures to identify and return unspent funds from the Ajo and Lukeville housing projects previously transferred to GSA.

Response to Recommendation #5: FM&E concurred with the recommendation and has implemented the governance mechanisms and processes, as described in recommendation #1. Future housing construction projects will be subject to the review process outlined as part of the Capital Facilities Investment Plan and will fully comply with the recommendations in this report.

OIG Analysis: CBP's response meets the intent of this recommendation. The recommendation is resolved and open. We will close this recommendation when CBP provides evidence that all activities for current and future housing will be postponed until CBP has implemented recommendations #1 through #4.



Appendix A

Objectives, Scope, and Methodology

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

This report provides the results of our work to determine whether CBP followed good business practices when planning and managing the employee housing project in Ajo, Arizona. To achieve our objective, we interviewed CBP officials from FM&E's Contracting and Procurement Division, CBP legal counsel, and GSA. We also consulted with our Office of Counsel for a legal opinion on interpreting Federal, statutory, and regulatory guidance related to funding and constructing employee housing.

We reviewed policies and procedures on CBP's remote housing for employees including OMB's *Circular A-45 Revised*, which sets forth policies and administrative guidance for executive agencies on establishing and administering rental rates and other charges for Government rental quarters and related facilities; the *CBP Housing Management Handbook*; CBP's directive on commitment, expenditures, and obligations; and RWA guidance. We also reviewed project invoices for planning and constructing the housing in Ajo and verified payment of these invoices.

We reviewed more than 2,500 documents provided by FM&E and GSA, including:

- Feasibility studies
- Environmental assessments
- Housing prototype designs
- Regional surveys
- Business models
- RWAs
- Statements of work
- Memorandums of understanding and memorandums of agreement
- Housing expenditures

We conducted fieldwork at five locations: Washington, DC; and Ajo, Lukeville, Why, and Tucson, Arizona. During site visits, we walked through the employee houses and mobile homes to verify whether they had the items described in the documentation we



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reviewed. We interviewed CBP officials to discuss the construction of employee housing in remote areas and determine their involvement in planning the Ajo housing. We performed data reliability tests on the data we received for expense reporting by reviewing the awards, invoices, and electronic payments to determine an overall cost for the employee housing in Ajo, Arizona. We noted in the body of our report when we were not able to verify costs because CBP was not able to provide the cost documentation. Because of limited audit resources, we relied on CBP and GSA and did not perform data reliability tests on the data we received for housing funding and housing vacancies.

We conducted this performance audit between September 2013 and March 2014 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.



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Appendix B

Management Comments to the Draft Report

1300 Pennsylvania Avenue NW
Washington, DC 20229

JUL 31 2014



**U.S. Customs and
Border Protection**

MEMORANDUM FOR: Anne L. Richards
Assistant Inspector General for Audits
Office of Inspector General
U.S. Department of Homeland Security

FROM: Eugene H. Schied
Assistant Commissioner
Office of Administration

SUBJECT: Response to the Office of Inspector Draft Report – CBP’s
Remote Housing for Employees in Ajo, Arizona

Thank you for the opportunity to review and comment on the Department of Homeland Security (DHS), Office of Inspector General (OIG) draft report entitled, “CBP’s Remote Housing for Employees in Ajo, Arizona,” dated July 3, 2014 (project no. 13-163-AUD-CBP). The U.S. Customs and Border Protection (CBP) appreciates the OIG’s work in planning and conducting this review and issuing this report.

The draft report contained five recommendations with which CBP concurs. Specifically, the OIG recommended:

Recommendation 1: Establish quality control procedures for approval of housing projects and appoint an approving official reviewer for all construction projects costing over \$5 million or more.

Response: Concur. The Facilities Management and Engineering (FM&E) Directorate concurs with this recommendation; however, there is no additional corrective action at this time as the referenced governance mechanisms and process have already been implemented. In January 2013, FM&E implemented a new process for reviewing and vetting all capital facilities projects with estimated costs of \$1 million or more. These capital projects are now reviewed and prioritized through the Capital Facilities Investment Planning (CFIP) process, which requires a full description and justification for each proposed project, lifecycle cost estimates, and an analysis of alternatives. Projects are then scored and prioritized against objective rating criteria by FM&E and representatives from CBP’s operational and mission support Offices. The objective criteria include: mission performance; safety, environment, and security; and space and site deficiencies, with additional consideration given for ad hoc issues including political pressure, real property footprint impact, and lifecycle cost savings. The prioritized project listing, once approved by the Business Partners through the established CBP Facilities Management Council (FMC), is submitted to the CBP Deputy Commissioner and Commissioner for approval, at



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Response to Draft Report – CBP’s Remote Housing for Employees in Ajo, Arizona
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which time it is included for funding consideration through CBP’s Resource Allocation Plan process.

Please see the following attached documents for additional information: “OC Signed Investment Plan,” “FME Planning and Programming Policy,” and “FMC Charter.”

Based on the information provided and the attached supporting documentation, CBP respectfully requests that the OIG close this recommendation.

Recommendation 2: Establish procedures to determine and justify the necessity of all housing amenities and upgrades.

Response: Concur. FM&E concurs with this recommendation; however, there is no additional corrective action at this time as the referenced procedures and supporting standards have already been developed and implemented.

The Ajo Housing project was constructed in accordance with the approved CBP Housing Prototype Design, and any amenities and upgrades were incorporated in alignment with the requirements and allowances of OMB Circular A-45. The prototype design included goals for energy efficiency and sustainability, and considered cost-saving factors over the full facility lifecycle.

All future housing construction projects will follow the established CFIP process, apply the CBP Housing Design standards, and abide by the allowances and requirements of OMB Circular A-45. Additionally, CBP will continue to review and refine the CBP Housing Prototype Design to ensure that the resulting housing projects will meet the needs of CBP’s tenants and that the housing designs represent sound investments for the government. Future changes to design/construction documents will be vetted through a Change Order process that will ensure that decisions on any amenities and upgrades are made at the appropriate level.

Based on the information provided, CBP respectfully requests that the OIG close this recommendation.

Recommendation 3: Ensure contracting and project management services rely on the Office of Contracting and Procurement at CBP to exercise the proper oversight, as well as the obligation and transfer of funds.

Response: Concur. The FM&E and Procurement Directorates concur with this recommendation; however, there is no additional corrective action at this time as the recommended action and associated processes and internal controls have already been implemented.

The Procurement Directorate is responsible for the obligation or transfer of funds via contracts or Inter-Agency Agreements (IAA) for assisted acquisitions. There are some instances where it is still appropriate for non-contracting personnel to transfer funds via



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Inter-Agency Financial Transactions (IFT) or Reimbursable Work Authorizations (RWA). As described below, FM&E and Procurement have developed and implemented policy and processes with regard to these transactions and will monitor their execution to ensure compliance.

In September 2013, FM&E’s Executive Director issued an internal policy memorandum to FM&E detailing the requirements for inter-agency acquisitions, including appropriate documentation and approvals. This policy addresses the proper use of RWAs and IAAs, prohibits the use of RWAs with the U.S. Army Corps of Engineers or any other non-U.S. General Services Administration (GSA) servicing agency, and provides guidance on when an RWA may or may not be used with GSA. Training was delivered to the largest FM&E Program Management Office in December 2013. The same training will be rolled out across the remainder of FM&E by the end of FY 2014 to ensure that all personnel understand the appropriate use of RWAs and IAAs, the IAA process, the associated requirements, and their individual roles and responsibilities in developing IAAs.

During FY 2013, FM&E also worked with the CBP Procurement and Financial Operations Directorates to update CBP Directive 5320-028, *Commitment, Obligation, Expenditure, and Payment Procedures for Goods and Services*, to address the proper use of RWAs and IAAs. This CBP Directive was approved in May 2014.

Effective July 1, 2014, FM&E also implemented a requirement and supporting procedure for conducting quarterly reviews of RWAs, with the intent to ensure that they are being appropriately utilized.

Please see accompanying FM&E Memorandum, *Inter-Agency Agreement and Reimbursable Work Authorization Policy*, and CBP Directive 5320-028e.

Based on the information provided and the attached supporting documentation, CBP respectfully requests that the OIG close this recommendation.

Recommendation 4: Identify the amount of unspent funds from the Ajo and Lukeville housing projects, including the approximately \$3 million, and require the General Services Administration to return the funds immediately.

Response: Concur. FM&E concurs that any unused project funding will be retrieved from GSA, via the standard project close-out process. These funds are then recovered by FM&E for application to other CBP facility projects, in accordance with FM&E’s prioritized Spend Plans.

There are two remaining RWAs for Ajo and Lukeville Housing. Funding that had been allocated via RWA to GSA for the acquisition of solar panels for the mobile homes in Ajo will be recovered and reprogrammed.

The remaining funds are intended to support a feasibility study and other preliminary planning activities for CBP housing in Lukeville, Arizona. CBP has identified a need for



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housing in Lukeville to replace the substandard GSA-owned housing that is currently in place. A feasibility study will be performed by GSA to thoroughly examine a variety of alternatives, including one-bedroom and dormitory-style housing. GSA has not yet awarded a contract for the Lukeville Housing Feasibility Study; GSA and CBP are currently refining materials to support a request for proposals. The contract award and completion dates have yet to be finalized; however, CBP anticipates delivery by March 31, 2015. FM&E intends to review the results of the completed Lukeville Housing Feasibility Study and work with its Business Partners and CBP leadership to confirm Lukeville housing requirements and solutions. CBP will be properly positioned at that time to make a determination regarding the withdrawal of any remaining funds for Lukeville housing or to go forward with an approved housing solution at Lukeville.

Estimated Completion Date: March 31, 2015

Recommendation 5: Postpone all activities for current and future housing projects until implementing the recommendations in this report to ensure efficient use of funds.

Response: Concur. FM&E concurs with this recommendation; however, there is no additional corrective action at this time as the referenced governance mechanisms and processes have already been implemented, as described in FM&E’s response to recommendation #1. Future housing construction projects will be subject to the review process outlined above as part of the Capital Facilities Investment Plan, and will fully comply with the recommendations contained in this report.

Based on the information provided, CBP respectfully requests that the OIG close this recommendation.

Again, thank you for the opportunity to review and comment on this draft report. Technical comments were provided under separate cover. If you have any questions or would like additional information, please contact me at (202) 344-2300, or a member of your staff may contact Ms. Lynn Richardson, Component Audit Liaison, Management Inspections Division, at (202) 325-7731. We look forward to working with you in the future.

Eugene H. Schied

Attachments



Appendix C

Ajo Housing Project Costs

Ajo Housing Project Costs	Total
Feasibility Study	\$123,175
Environmental Assessment	\$92,628
Appraisal Services	\$26,200
Land	\$400,000
Land Lease Buyouts and Relocation Expenses	\$575,088
Design & Bridging Contract	\$683,068
Design & Build 21 Houses	\$10,787,305
Fencing Contract	\$249,403
Mobile Homes	\$2,369,097
GSA Overhead and Fees	\$1,366,070
Total	\$16,672,034

Source: OIG analysis of GSA invoices

The table shows the results of our analysis of GSA-provided invoices for Ajo housing project costs. CBP relied on GSA to track all Ajo housing project costs. Neither CBP nor GSA could provide the actual cost of the Ajo feasibility study and GSA overhead and fees. To calculate those costs, we performed the following additional work.

Feasibility Study

In 2009, CBP completed a *CBP Housing Program Feasibility Study* with a master plan to develop employee housing in six locations: Ajo, Arizona; Piegan, Montana; Presidio, Texas; Sierra Blanca, Texas; Sanderson, Texas; and Van Horn, Texas. GSA could only provide an overall cost for the feasibility study. To determine a cost for the Ajo portion of the study, we divided the total cost of the final invoice, \$739,047, by six because there were six locations.

GSA Overhead and Fees

Because GSA could not provide payment information for its overhead and fees, we used its internal tracking spreadsheet to determine the cost of overhead and fees. The spreadsheet showed that CBP agreed to reimburse GSA a maximum amount of up to \$1.4 million; however, we could not determine the actual cost of GSA services.



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Appendix D

Reimbursable Work Authorization Dates and Amounts

RWA Preparation Dates and Amounts

RWA	Date Prepared	Amount
Feasibility Study RWA (N0538187)	9/8/2008	\$2,000,000
Housing Construction RWA (N0548902)	9/10/2008	\$5,500,000
N0548902 (Amendment #1)	9/4/2009	\$1,000,000
N0548902 (Amendment #2)	9/17/2009	\$4,000,000
N0548902 (Amendment #3)	9/17/2009	\$2,297,684
N0548902 (Amendment #4)*	9/3/2010	\$2,700,000
N0548902 (Amendment #5)	8/13/2010	\$2,137,303
N0548902 (Amendment #6)*	9/16/2011	\$ 431,956
TOTAL		\$20,066,943

Source: OIG analysis

*According to our review of RWAs, as of March 2014, the funds transferred through these RWAs have been obligated, but not yet spent.



Appendix E

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Appendix F

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Washington, DC 20528-0305

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