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Highlights

Highlights of GAO-11-68, a report to congressional requesters

May 2011

SECURE BORDER INITIATIVE

Controls over Contractor Payments for the Technology Component Need Improvement

Why GAO Did This Study

In 2005, the Department of Homeland Security (DHS) initiated a multibillion-dollar contract to secure part of the nation's borders, the Secure Border Initiative (SBI). At that time, SBI was to include a single solution technology component; SBInet. DHS assigned the U.S. Customs and Border Protection (CBP) responsibility for overseeing the SBI contract, including SBInet. In January 2011, DHS announced that it was ending SBInet, and replacing it with a new technology portfolio. GAO was asked to (1) assess CBP's controls over payments to the prime contractor under the original SBInet program, and (2) provide information about the SBI program prime contractor's reporting against small business subcontracting goals. GAO assessed CBP controls against federal standards for internal control and relevant federal regulatory provisions, and summarized data on contractor performance against small business contracting goals.

What GAO Recommends

GAO makes five recommendations to improve CBP controls over prime contractor payments under the SBInet and the successor technology portfolio, including actions to strengthen invoice review procedures, provide more detailed support, and to better focus closeout audits. DHS concurred in principle with all recommendations, but for some, DHS also commented on the cost-effectiveness or others' role in implementation. GAO addresses these comments in the report.

View GAO-11-68 or key components.
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What GAO Found

GAO's review of CBP's controls over payments to the prime contractor under the original SBInet program identified the need to improve controls in two critical areas. Specifically, GAO found that CBP's design of controls for SBInet contractor payments did not (1) require invoices with sufficiently detailed data supporting billed costs to facilitate effective invoice reviews or (2) provide for sufficiently detailed, risk-based invoice review procedures to enable effective invoice reviews prior to making payments. Although CBP's established procedures were based on the Federal Acquisition Regulation (FAR), GAO identified numerous instances of CBP contracting officers lacking detailed support in the SBInet contractor invoices they received for review.

Excerpt of a SBInet Prime Contractor September 12 through 25, 2008, Invoice Showing Cost Data Submitted for CBP Review and Payment.

OTHER DIRECT COST	107,889.73
TRAVEL	108,148.57
OVERTIME PREMIUM	52.00
DIRECT LABOR	1,518,873.38

Source: GAO analysis of CBP records of contractor invoice.

Because CBP's preventative controls were not fully effective, the agency will continue to (1) be impaired in providing assurance that the reported $780 million it already paid to the contractor under the original SBInet program was allowable under the contract, in the correct amount, and only for goods and services provided, and (2) rely heavily on detective controls (such as timely, effective contract closeout audits) for all SBInet funds disbursed. Further, timely action to improve CBP's preventative controls is critical for the estimated $80 million in original SBInet program funds yet to be disbursed. Also, in light of the recent DHS announcement that it is replacing the originally conceived SBInet program with a new technology portfolio-based approach, GAO's findings concerning weaknesses in CBP's design of controls over payments to the prime contractor under the recently ended SBInet program can serve as "lessons learned" to be considered in designing and implementing controls as part of the newly announced portfolio-based approach to providing technological support to border security.

With respect to performance against small business contracting goals, the prime contractor reported that it met two of the six small business subcontracting goals for the overall SBI program. Specifically, it reported that it met subcontracting participation goals for Historically Underutilized Business Zone and Veteran-Owned small business categories, but was unable to meet the other four small business goals because a large steel purchase significantly reduced the subcontract dollars available for small businesses to participate in the SBI contract.