



**Office of the Inspector General**  
U.S. Department of Justice

**OVERSIGHT ★ INTEGRITY ★ GUIDANCE**



**Audit of the Federal Bureau of  
Prisons' Contract Awarded to  
Sealaska Constructors, LLC, to  
Build Facilities at Federal  
Correctional Institution Danbury,  
in Danbury, Connecticut**



# Executive Summary

*Audit of the Federal Bureau of Prisons' Contract Awarded to Sealaska Constructors, LLC, to Build Facilities at Federal Correctional Institution Danbury, in Danbury, Connecticut*

## Objective

In June 2015, the Federal Bureau of Prisons (BOP) awarded a contract to Sealaska Constructors, LLC (SCL) to build facilities at the Federal Correctional Institution (FCI) Danbury in Danbury, Connecticut. The contract ended in October 2017 and its total value was approximately \$28 million. The U.S. Department of Justice Office of the Inspector General (OIG) conducted this audit to assess the BOP's and SCL's compliance with the terms, conditions, laws, and regulations applicable to the contract in the areas of:

(1) Acquisition Planning; (2) Contract Management, Oversight, and Monitoring; and (3) Billings and Payments.

## Results in Brief

We determined that the BOP solicited and entered into a sole-source contract with SCL in accordance with the Federal Acquisition Regulation (FAR), and that SCL constructed the facilities in accordance with BOP specifications. However, we identified several weaknesses in the BOP's pre-award project planning. For example, the BOP had not anticipated significant problems with its plan to convert FCI Danbury's existing federal prison camp (FPC) to a facility with a higher security level. By the time the BOP had identified the problems and implemented an alternative plan, it had already paid over \$1.7 million to construct an entry building that was no longer necessary. Our report also describes weaknesses in the BOP's: (1) planning for critical institutional aspects, such as programming, food services, and health services; (2) acquisition planning; (3) contractor performance evaluation; and (4) contract pricing procedures.

## Recommendations

Our report contains eight recommendations to assist the BOP in improving contract administration and oversight of its construction contracts.

## Audit Results

Our audit focused on BOP Contract Number DJBP0700CCPA210007, which was a firm fixed-price contract that was originally intended to construct a new camp housing building and an entry building for \$10.5 million. The contract later added a Programs Building and a second entry building, increasing the contract's total value to \$28 million. The contract ended in October 2017.

### *Project Planning*

One critical aspect of the Danbury construction project was the BOP's plan to convert its existing FPC from minimum security to a Federal Satellite Low (FSL), which is a hybrid institution with a security level between a minimum and a low. During pre-award planning, the BOP did not adequately consider whether such a conversion would require interior and exterior modifications to the existing FPC. Nearly 1 year after construction began, the BOP determined that converting the existing FPC to an FSL was not feasible due to its deteriorated condition and because the necessary modifications would add approximately \$5 million to the cost of the project and take years to complete. When the BOP abandoned its plans to convert the existing FPC, it had already spent over \$1.7 million to construct an entry building that would not serve its intended purpose and was therefore unnecessary.

In addition, while the BOP's initial planning addressed the housing of female offenders, it did not adequately evaluate other critical institutional aspects, such as programming, food services, and health services. Important BOP subject matter experts on these topics were not consulted until after the contract was awarded, and valuable feedback that identified these deficiencies during the planning stage—such as that from FCI Danbury's former Warden—was left unaddressed. BOP Executive Staff also issued statements to Congress on facility features that were not incorporated into the original project planning documents nor shared and coordinated with key FCI Danbury staff and BOP subject matter experts. The BOP subsequently resolved these issues by adding a Programs Building to the contract 9 months after the



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original award, at an additional cost of \$12.2 million. The eventual completion of the Programs Building, however, should not excuse the BOP's questionable planning that occurred prior to its addition.

In our judgment, the unnecessary construction of the entry building, as well as the delay in adding the Programs Building could have been avoided or minimized with better BOP planning, coordination, and communication. These activities extended the project's duration and increased the contract's overall cost by over \$1.7 million. The additional time required to construct the Programs Building compromised the BOP's ability to transfer female inmates to FCI Danbury as quickly as possible.

## **Acquisition Planning**

Acquisition planning is the process by which the efforts of all personnel responsible for an acquisition are coordinated and integrated through a comprehensive plan for fulfilling the agency need in a timely manner and at a reasonable cost. We determined that the BOP had completed an Acquisition Plan for the FCI Danbury project, but that it lacked sufficient detail. For example, the Acquisition Plan's Statement of Work did not address feasible acquisition alternatives such as FCI Danbury's former Warden's suggestion that the BOP consider leaving the existing FPC as is, and instead constructing a new FSL. In addition, the Applicable Conditions section of the plan failed to include conditions about which the former Warden expressed concern in an August 2014 memorandum, including: (1) a lack of indoor and outdoor recreation, and medical space for inmates; (2) inadequate office, classroom, and leisure space; and (3) satellite feeding due to a lack of food service space, which would present logistical issues. The BOP may have better anticipated some of the problems it later encountered, as described above, had it conducted and documented more thorough acquisition planning.

## **Contractor Performance Evaluation**

The BOP did not complete and enter SCL's interim performance results for 2016 into the government-wide electronic contractor evaluation system, as required by the FAR. This evaluation system is used to ensure that

current, complete, and accurate contractor performance information is available for use in procurement source selections.

## **Contractor Quality Control**

The FAR requires contractors keep an adequate inspection system, perform inspections to ensure that the work performed under the contract conforms to contract requirements, and maintain complete inspection records. Based on our review of SCL's Quality Control Plan and a judgmental sample of its submittals, we concluded that SCL maintained an adequate inspection program and complied with BOP's quality control requirements. BOP officials told us they were very satisfied with SCL's work.

## **Contract Pricing and Profit**

We evaluated BOP compliance with FAR Subpart 15.4, *Contract Pricing*, which contains policies and procedures for negotiating contracts and contract modifications. For the FCI Danbury contract award, the BOP generally completed contract pricing in accordance with the FAR, but it did not use a structured approach to determine a profit or fee pre-negotiation objective or to analyze SCL's profit. Instead, BOP's contract contained a historical profit threshold based on predetermined percentages of total estimated costs that, for some high-dollar modifications, did not provide the proper motivation for optimum contract performance.

## **Construction Wage Rate Requirements**

The FAR requires that all laborers and mechanics employed or working onsite be paid unconditionally and not less often than once a week the full amount of wages and bona fide fringe benefits (or cash equivalents) due at the time of payment; these wages and fringe benefits should be computed at rates not less than those contained in a wage determination. We determined that SCL and its subcontractors complied with these requirements.

**AUDIT OF THE FEDERAL BUREAU OF PRISONS' CONTRACT  
AWARDED TO SEALASKA CONSTRUCTORS, LLC, TO BUILD  
FACILITIES AT FEDERAL CORRECTIONAL INSTITUTION  
DANBURY, IN DANBURY, CONNECTICUT**

**TABLE OF CONTENTS**

INTRODUCTION .....	1
Background.....	1
FCI Danbury.....	3
Sealaska Constructors, LLC .....	3
OIG Audit Approach .....	3
Prior OIG Reports.....	4
AUDIT RESULTS.....	5
FCI Danbury Construction Project .....	6
BOP's Original Plan to Upgrade the Existing FPC to an FSL .....	8
FSL Design Standards and Conversion Procedures .....	13
Programs Building.....	14
Acquisition Planning .....	20
Contract Management, Oversight, and Monitoring .....	23
Interim Contractor Performance Evaluation.....	23
SCL Quality Control and BOP Quality Assurance.....	24
Billings and Payments.....	25
BOP Contract Pricing .....	25
Construction Wage Rate Requirements .....	29
Contractor Invoice Testing .....	30
CONCLUSION AND RECOMMENDATIONS.....	32
STATEMENT ON INTERNAL CONTROLS.....	34
STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS.....	35

APPENDIX 1: OBJECTIVE, SCOPE, AND METHODOLOGY .....	36
APPENDIX 2: CONTENTS OF WRITTEN ACQUISITION PLANS .....	40
APPENDIX 3: BOP'S RESPONSE TO THE DRAFT AUDIT REPORT .....	44
APPENDIX 4: OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT .....	47

# **AUDIT OF THE FEDERAL BUREAU OF PRISONS' CONTRACT AWARDED TO SEALASKA CONSTRUCTORS, LLC, TO BUILD FACILITIES AT FEDERAL CORRECTIONAL INSTITUTION DANBURY, IN DANBURY, CONNECTICUT**

## **INTRODUCTION**

The U.S. Department of Justice Office of the Inspector General (OIG) audited the Federal Bureau of Prisons (BOP) contract awarded to Sealaska Constructors, LLC to build facilities at Federal Correctional Institution (FCI) Danbury in Danbury, Connecticut.<sup>1</sup> In June 2015, the BOP awarded a sole-source contract to Sealaska Constructors, LLC (SCL) for \$10.5 million under the Small Business Administration's 8(a) Business Development Program, which is an assistance program for small disadvantaged businesses. The contract's scope later increased and was completed in October 2017, with actual costs totaling approximately \$28 million.

### **Background**

BOP's mission is to protect society by confining offenders in the controlled environments of prisons and community-based facilities that are safe, humane, cost-efficient, appropriately secure, and that provide work and other self-improvement opportunities to assist offenders in becoming law-abiding citizens. As of April 2018, the BOP was responsible for the custody and care of approximately 184,000 federal inmates across 122 BOP-operated facilities and additional privately managed or community-based facilities and local jails. While the total federal prison population has declined in 4 consecutive years from fiscal years (FY) 2014 through 2017, the overall inmate population continues to exceed the rated capacity of BOP facilities. The BOP must manage institutional crowding to ensure federal inmates serve their sentences in a safe and humane environment, and one method to do so is to increase bed capacity through the design and construction of new facilities.

The Construction and Environmental Review Branch (CERB) and Procurement Management Branch (PMB), both located within the BOP's Administration Division, are primarily responsible for the BOP's prison construction efforts. Projects for new institutions are approved through the budget process and assigned to CERB for implementation. CERB is responsible for the planning, design, and construction of institutions for the BOP. CERB develops guidelines and procedures for the design and construction of new institutions, oversees the preparation of design and construction documents, develops the acquisition plan, and monitors design and construction activities. PMB is responsible for procurement and contract support, and enters into construction and design-build contracts to meet project objectives.<sup>2</sup>

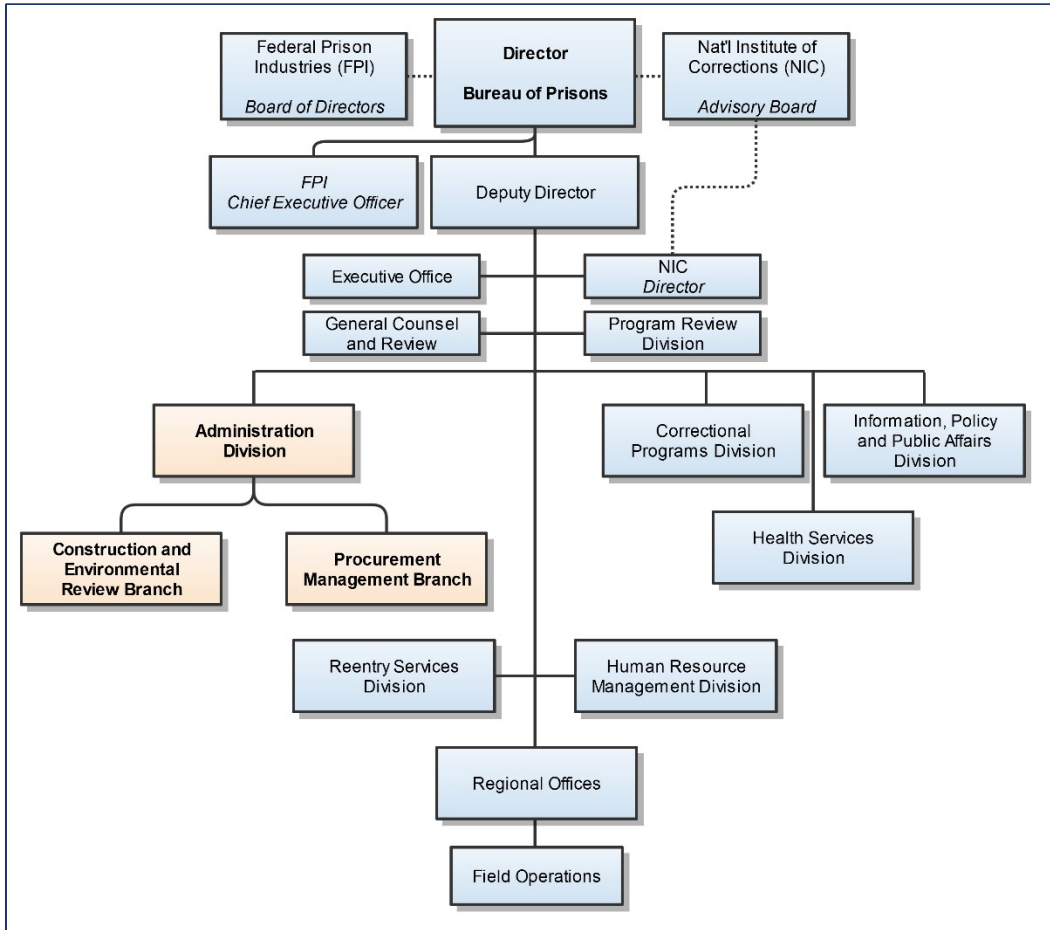
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<sup>1</sup> The contract number is DJBP0700CCPA210007.

<sup>2</sup> Design-Build contracts combine the design and construction required for a project into a single contract with one contractor.



**Figure 1**  
**BOP Organizational Chart**



Note: This organizational chart does not provide a comprehensive view of all BOP subcomponents.

Source: BOP

During this audit, we primarily interacted with officials from the BOP's Administration Division, including CERB and PMB. Project management was assigned to CERB's Deputy Chief and a Senior Project Manager, who were responsible for administering the Danbury construction project, including preparing designs, drawings, specifications, and other related documents. The Senior Project Manager was also appointed as the Contracting Officer's Representative (COR) under the contract. The COR's role is to develop proper requirements and to ensure that contractors meet the commitments of their contracts, including the timeliness and delivery of quality supplies and services. The Danbury construction contract was administered by two PMB Contracting Officers located in Washington, D.C., who have the authority to enter into, administer, or terminate contracts; make related determinations and findings; and execute contract modifications. Contracting Officers are responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the

contract, and safeguarding the interests of the United States in its contractual relationships.

#### *FCI Danbury*

FCI Danbury is a 365-acre site located in Danbury, Connecticut that houses 1,173 male and female inmates within 3 facilities: (1) a low-security, male institution, referred to as the FCI that was opened in 1940; (2) a minimum-security female federal prison camp, or FPC that was opened in 1982; and (3) a federal satellite low (FSL) female facility that was constructed and opened in late 2016.

#### *Sealaska Constructors, LLC*

Sealaska Corporation is a Regional Alaska Native Corporation incorporated in 1972 under the *Alaska Native Claims Settlement Act*.<sup>3</sup> Sealaska's four primary continuing business activities include the development, production, and sale of natural resources; environmental remediation and water and energy services; information technology; and construction. SCL is a subsidiary of Sealaska Corporation that was established in 2009 and is based in Seattle, Washington. SCL is also a participant in the Small Business Administration's 8(a) Business Development Program. SCL employs 15 personnel and is led by a General Manager responsible for contracts and providing general oversight.

### **OIG Audit Approach**

The audit objective was to assess the BOP's and Sealaska Constructors, LLC's compliance with the terms, conditions, laws, and regulations applicable to this contract in the areas of: (1) Acquisition Planning; (2) Contract Management, Oversight, and Monitoring; and (3) Billings and Payments. Table 1 summarizes the OIG's audit approach. See Appendix 1 for further discussion of the audit objective, scope, and methodology.

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<sup>3</sup> 43 U.S.C. § 1601 et seq.



**Table 1**  
**OIG Audit Approach**

OBJECTIVE AREA	METHODOLOGY
1. Acquisition Planning	Examined BOP's acquisition policies and procedures, project planning documents, sole source justification, and other records to determine if this acquisition was coordinated and integrated through a comprehensive plan for fulfilling BOP's needs in a timely manner and at a reasonable cost.
2. Contract Management, Oversight, and Monitoring	Examined SCL's quality control, BOP's quality assurance, and BOP's contractor performance reporting.
3. Billings and Payments	Assessed the accuracy of BOP payments for monthly invoices, BOP's compliance with contract pricing requirements, and SCL's compliance with the Construction Wage Rate Requirements and regulations addressing the payment of prevailing wages and benefits to contractor and subcontractor staff based on locality.

### Prior OIG Reports

In August 2002, the OIG issued a follow-up report on the BOP's management of construction contracts.<sup>4</sup> At that time, the BOP operated a large and complex national prison program and was in the process of building 13 new prisons. The OIG determined that the BOP's management of prison construction contracts had improved since its prior audit and found that the BOP had a quality assurance program that adequately monitored its contractors. However, the OIG identified several discrepancies, including an unnecessary contract modification for \$1.6 million, three modifications that exceeded the independent government estimate and were not adequately justified as required by the Federal Acquisition Regulation (FAR), and four payments that did not comply with prompt payment requirements.

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<sup>4</sup> U.S. Department of Justice Office of the Inspector General, [Federal Bureau of Prisons Management of Construction Contracts](#), Audit Report 02-32 (August 2002).

## AUDIT RESULTS

We determined that the BOP solicited and entered into a sole-source contract with Sealaska Constructors, LLC (SCL), a Regional Alaska Native Corporation, in accordance with the FAR, and that SCL constructed the facilities in accordance with BOP specifications. However, we identified several weaknesses in the BOP's project and acquisition planning that preceded the award of this contract. The BOP did not adequately assess whether upgrading the existing federal prison camp (FPC) to a federal satellite low (FSL) would require interior and exterior modifications. After construction began, the BOP determined that the resources and time necessary to convert the existing FPC to an FSL were not feasible and the modifications necessary would cost millions of dollars and take years to complete. When the BOP abandoned its plans to convert the FPC, it had already spent over \$1.7 million to construct an entry building that would not serve its intended purpose and was therefore unnecessary.<sup>5</sup>

Moreover, while the BOP's pre-award planning addressed the housing of female offenders, it did not adequately evaluate other critical institutional aspects, such as programming, food services, and health services. The BOP resolved these matters by adding a Programs Building to the contract 9 months after the original award. In our judgment, the delay in adding the Programs Building could have been avoided or minimized with better BOP planning, coordination, and communication. The delay extended the project's duration and increased the contract's overall cost. It also compromised the BOP's ability to transfer female inmates to FCI Danbury as quickly as possible. With respect to acquisition planning, the BOP completed an Acquisition Plan as required by the FAR, but it lacked sufficient detail and was completed and submitted after the solicitation was already issued, eliminating its value as a planning tool.

We determined that the BOP and SCL were generally compliant in terms of contract management, oversight, and monitoring. However, we found that the BOP had not assessed and submitted interim contractor performance results to the Contractor Performance Assessment Reporting System, which is the government-wide electronic contractor evaluation system. Regarding contract billings and payments, we determined that SCL and its subcontractors complied with Construction Wage Rate Requirements, which ensure that all laborers and mechanics employed or working onsite are paid the wages and benefits prescribed by the prevailing wage determination. We also determined that SCL's payment invoices were accurately calculated, reasonable, and supported by appropriate documentation, and that the BOP appropriately authorized and paid these invoices promptly. However, we determined that the BOP had not used a structured approach to determine a profit or fee pre-negotiation objective and to analyze SCL's profit on the Danbury contract.

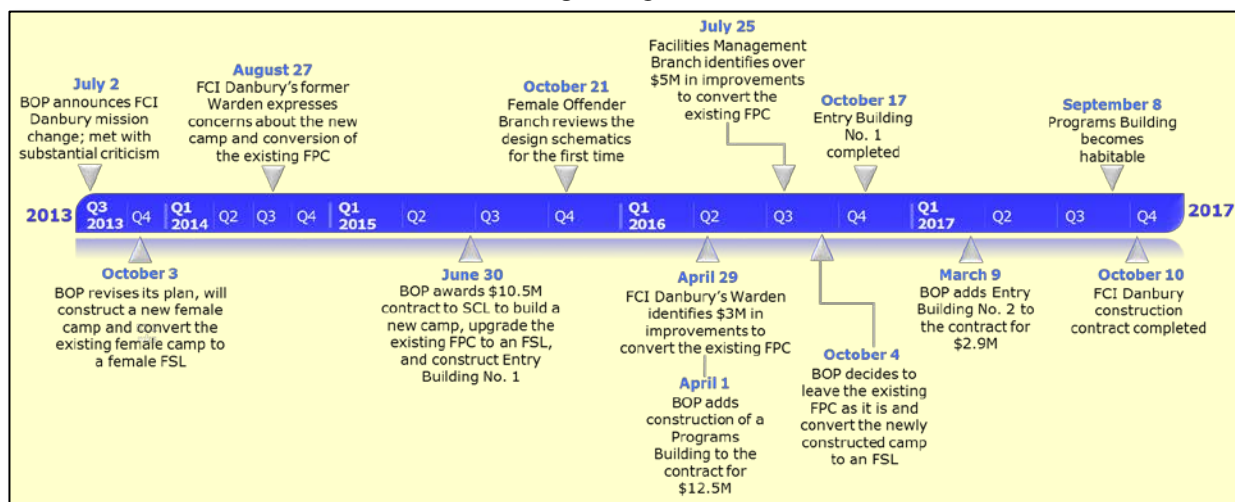
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<sup>5</sup> The \$1.7 million cost of the entry building is from the original contract award and does not include additional costs resulting from subsequent contract modifications.

## FCI Danbury Construction Project

Figure 2 provides a timeline of the major decisions made from 2013 through 2017 regarding the FCI Danbury construction project. A detailed discussion of events associated with these decisions follows.

**Figure 2**  
**FCI Danbury Project Timeline**



Source: OIG

The events leading to the Danbury construction project began in early 2012 when the BOP's Capacity Planning Committee expressed concerns about system-wide overcrowding at male and female low-security facilities. BOP officials believed that without additional capacity, new low-security male inmates would have to be diverted to medium-security facilities. At the time, FCI Danbury was a female, low-security institution with an adjacent female, minimum-security FPC. In February 2012, in an effort to alleviate this overcrowding, the BOP proposed a mission change to convert FCI Danbury from a female to a male low-security institution. The mission change would coincide with the activation of FCI Aliceville, a female low-security facility in Alabama, and require the transfer of over 1,100 female offenders to other BOP institutions, including FCI Aliceville. This change would not affect the existing FPC at FCI Danbury, which would continue to house female inmates.

The BOP announced the FCI Danbury mission change in July 2013 and it was met with substantial criticism from prisoners and their families, the academic community, the American Bar Association, prisoners' rights organizations and advocates, and federal judges and legislators. Their primary concern was that the BOP's elimination of the only low-security female institution located in the northeastern United States would place female offenders further away from their families and home residences. Some transferees would be destined for the newly activated FCI Aliceville in Alabama, approximately 1,100 miles from Danbury.

After a group of 11 U.S. Senators expressed concerns with the FCI Danbury mission change, the BOP revised its plan in October 2013. Under the revised plan, FCI Danbury would still change from a female to a male low-security institution, but the BOP would also construct a new female FPC and convert the existing female FPC to a female FSL.<sup>6</sup> The BOP stated that female inmates previously housed in FCI Danbury's low-security institution could ultimately be transferred back to FCI Danbury's new FPC or soon-to-be converted FSL if they qualified for a reduction in their security level.

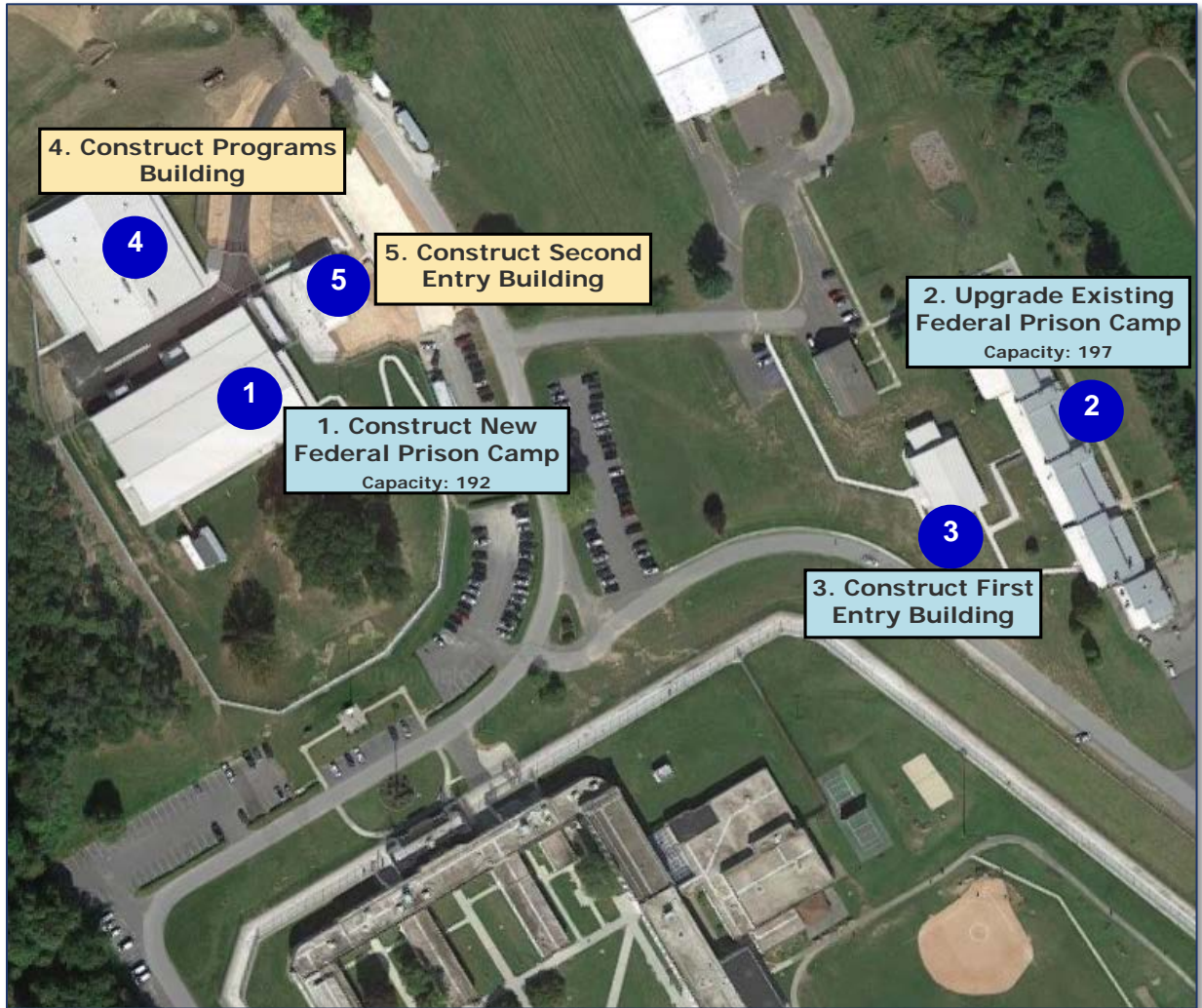
In June 2015, the BOP awarded a Small Business Administration (SBA) 8(a) sole-source contract to SCL for \$10.5 million. Use of this SBA 8(a) award allowed the BOP to expedite the acquisition process. The BOP contracted with SCL to: (1) build a new FPC, (2) upgrade the existing FPC from minimum-security to an FSL, and (3) construct an entry building to provide secure access to the newly upgraded FSL.<sup>7</sup> In April 2016, the BOP modified the contract and added: (4) construction of a Programs Building for \$12.2 million and (5) construction of a second entry building for \$2.9 million. By the end of the project, the total cost, which includes numerous additional modifications not detailed above, was approximately \$28 million. Figure 3 lists the key structures and corresponding locations and contracting activities.

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<sup>6</sup> We provide detail on FSLs in the next section of the report.

<sup>7</sup> The existing FPC (now an FSL) houses up to 197 minimum-security female inmates and the new FPC houses up to 192 female inmates. Upgrading the existing FPC to an FSL included the placement of a security fence around the building's perimeter.

**Figure 3**  
**FCI Danbury Construction Project Details**



Source: Google Maps and OIG

*BOP's Original Plan to Upgrade the Existing FPC to an FSL*

The existing FPC, pictured above (building number 2) and in Figure 4 on the following page, was constructed in 1982 and is a split-level facility that houses up to 197 minimum-security female inmates. Throughout our review, BOP and SCL officials described the existing FPC as “an aging facility with wear and tear issues,” “in dire need of repair,” and “decrepit.” OIG auditors visited the facility in July 2017 and found it to be very hot and stuffy, with no air-conditioning, and with large industrial fans that circulated air through the operable windows. The facility’s lower level was dark and one of the bathrooms was closed and under repair due to mold and mildew. BOP officials also reported that the facility had significant plumbing, electrical, and ventilation issues, and that the roof leaked. To the east of the existing FPC was an expansive outdoor recreation area, with a track and volleyball court.



**Figure 4**  
**Existing Federal Prison Camp, FCI Danbury**



In 2016, the BOP determined that major renovations would be necessary to upgrade the facility's security to an FSL. For example, commercial-grade operable windows on the lower level, necessary due to a lack of air-conditioning, would not conform to FSL requirements. [Source: OIG]

One critical aspect of the Danbury construction project was to upgrade the existing FPC from minimum security to an FSL.<sup>8</sup> Senior BOP officials described FSLs as a hybrid institution with a security level between a minimum and a low. Traditionally, the BOP operates federal prisons at four security levels—minimum, low, medium, and high—that are based on factors including security barriers, detection devices, internal security, and inmate-to-staff ratio. BOP's Construction and Environmental Review Branch (CERB) develops and maintains different design criteria to guide the planning and development of new institutions. One criterion is the Technical Design Guidelines (TDG), which contain design requirements, specifications, and direction for adherence to codes, standards, regulations, and laws. TDGs differ depending on the type of institution. For example, facilities with a security level greater than minimum require a secure perimeter, entry building, and hardened windows, doors, frames, and hardware. Some high-security institutions require multiple rows of razor wire and a "stun-lethal" fence. Minimum-security camps do not require such features. Danbury's existing FPC is non-secure (not fenced) and has operable commercial-grade windows.

BOP operates only four FSLs, including FSL Danbury.<sup>9</sup> Senior BOP officials said the BOP originally developed the FSL around 2000 because of a significant need for low-security bed space and the availability of some BOP minimum-security institutions that were eligible for upgrade to a higher security level, or FSL.

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<sup>8</sup> Another way to characterize the planned conversion was from a non-secure institution to a secure institution, with one distinction being that a secure institution has at least one perimeter fence and an entry building.

<sup>9</sup> The BOP has FSLs at FCI Danbury; FCI Elkton in Lisbon, Ohio; FCI La Tuna in Anthony, Texas; and FCI Jesup in Jesup, Georgia.



Converting some of these minimum-security institutions, according to BOP officials, eased crowding at low-security facilities.

Today, the nature and characteristics of FSLs are ambiguous. A TDG for FSLs does not exist and the BOP does not maintain formalized and current guidance on FSL features or procedures for converting a minimum-security camp to an FSL. The only document describing FSLs was a BOP memorandum from 1999 that detailed the conditions and work necessary to complete an FSL conversion. Features described in this memorandum included a double fence to secure the perimeter, a gate shack to monitor access to the FSL, and a sally port.<sup>10</sup> This memorandum noted that an entry building would not be required, nor would there generally need to be any security improvements within the existing facility. We did not receive any indication that BOP officials involved in the FCI Danbury construction project relied on this document throughout the acquisition planning process. However, the guidance would have been of little use because it was outdated and no longer applicable. Its general stipulations conflicted with the conditions and cost prohibitive conversion requirements that BOP officials would later encounter at the existing FPC, as described below.

#### Danbury's Existing Federal Prison Camp Could not Sustain an Upgrade from Minimum to Low Security

After an analysis consisting of several interviews and extensive document review, it became apparent to the OIG that the BOP did not adequately consider during pre-award planning whether upgrading the existing FPC to an FSL would require interior and exterior modifications, and if so, the estimated cost and time necessary to implement them. The general consensus of BOP officials involved in the project was that the FSL conversion would consist of "securing" the existing FPC, or placing a security fence around the facility's perimeter, constructing an entry building (see Figure 3 on page 8, building number 3) to control pedestrian access into the facility, and making several site improvements to facilitate the conversion effort, such as leveling of soil, drilling of rock for fence posts, and adding sidewalks. In fact, only one BOP official expressed concern about the conversion project prior to contract award. FCI Danbury's former Warden voluntarily sent a memorandum to the BOP's Regional Facilities Manager in August 2014 (approximately 10 months before contract award) stating that the FSL conversion would leave insufficient medical and outdoor recreation space for inmates, and that there was no secure housing unit available for disciplinary purposes and for housing inmates that must be kept separate from others.<sup>11</sup> The former Warden stated that this conversion would result in the housing of higher security inmates while simultaneously reducing the BOP's ability to provide programming and "essentially [confining] them to an inadequate indoor space." Lastly, the former Warden also suggested the BOP consider leaving the existing FPC

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<sup>10</sup> A sally port allows secure and protected entry into a facility. The memorandum also described that it was piloting a single perimeter fence at one of its other conversion projects.

<sup>11</sup> FCI Danbury's former Warden held the position from July 2014 through December 2015.

as is, and instead constructing a new FSL.<sup>12</sup> BOP officials did not provide any written response to this memorandum. FCI Danbury's former Warden told the OIG that senior BOP Administration Division officials considered his concerns valid, but changes to the design were not possible due to budget limitations. However, the current Assistant Director of the Administration Division told the OIG that he had not identified any evidence that BOP budget constraints prevented the addition of the Programs Building at the onset of the contract.

We considered it noteworthy that the BOP would not perform a similar assessment until April 2016, nearly 1 year after entering into the Danbury construction contract. At that time, the entry building—whose construction was a prerequisite for converting the existing FPC to an FSL—was near completion. FCI Danbury's current Warden, who has been in that position since December 2015, began to question the BOP's conversion plan and commissioned a review of the plan in April 2016. The review team determined that the fence placement would make the outside recreation and outside worship area inaccessible to inmates, mirroring the former Warden's concerns from a year and a half earlier. Furthermore, FCI Danbury's current Warden identified significant infrastructure shortcomings that had previously not been acknowledged. She stated that it would be necessary to install hardened windows and doors, along with the associated framing, locks, hardware, and structural reinforcements. The estimated cost of this additional work was expected to exceed \$3 million. This need for hardened infrastructure at the existing FPC conflicted with the BOP's 1999 memorandum stating that security improvements within the existing facility would generally not be required.

In July 2016, a BOP official from the Facilities Management Branch visited FCI Danbury, in part to also assess the condition of the existing FPC. This BOP official determined that the existing FPC might not be able to support hardened windows and doors. Replacement windows would be especially expensive because most would need to be operable due to the building's lack of air-conditioning.<sup>13</sup> This official also identified more problems with the exterior plans, noting that additional outside lighting would be necessary and that if the BOP needed to rebuild the facility's exterior walls, it would have to remove and replace the existing baseboard heating system. This official estimated that over \$5 million in improvements and 3 years of work would be necessary to upgrade the existing FPC and even then "it still would not meet [the BOP's] current standards" due to the existing wall and roof construction.

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<sup>12</sup> Nearly 2 years after the former Warden's suggestion to consider leaving the existing FPC as is and instead constructing a new FSL, BOP senior officials reached a similar conclusion.

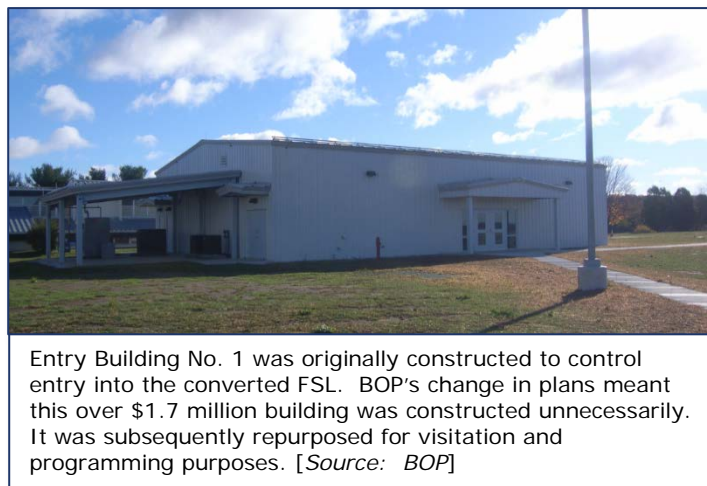
<sup>13</sup> An alternative option mentioned by the Regional Director of the Northeast Region was to forego operable windows and install a ventilation system.

This increasingly expensive problem was next brought to the attention of the BOP's then new Regional Director of the Northeast Region who, accompanied by the Assistant Director of the Administration Division and Assistant Director of the Information, Policy and Public Affairs Division, visited the facility in August 2016. These senior officials, who were new to these positions or not involved in this project's initial planning, joined FCI Danbury's Warden to examine the existing FPC, assess any security concerns, and decide how to proceed. BOP's Assistant Director of the Administration Division said that one of the first things they noticed was that the facility was not secure. They would need to replace most of the windows, including operable ones that allowed roof access, an obvious problem for a facility that would need to be secure. Reinforced door frames, window frames, and walls would also be necessary to support the installation of heavier windows and doors. Senior BOP officials concluded that the existing FPC could not sustain a conversion to a secure facility. The Regional Director of the Northeast Region told the OIG that such an upgrade would have been impractical from a security perspective and an irresponsible use of taxpayer dollars.

Finally, in October 2016, the BOP abandoned its original approach and proposed a new plan to leave the existing FPC as is and to instead convert SCL's newly constructed camp facility to an FSL. Notably, this proposal was the same option that FCI Danbury's former Warden had suggested in August 2014, nearly 2 years before senior BOP officials reached the same conclusion. BOP's Acting Director approved the new proposal later that month. The result of this change of plans was that the entry building, which had been constructed at a cost of over \$1.7 million, would no longer fulfill its originally intended purpose of controlling access to a secure facility. Instead, it was repurposed as the existing FPC's new weekend visitation center and used for inmate programs for up to 3 hours per day. Though the BOP found alternative uses for this building, we believe its construction was an unnecessary use of BOP resources that could have been avoided with better planning, coordination, and communication. The revised approach also required construction of a second entry building that was subsequently added to the contract at a cost of \$2.9 million. (See Figure 3 on page 8, building number 5.)

Senior BOP officials struggled to answer why the BOP failed to anticipate and identify these conversion issues during pre-award planning. They explained that their predecessors made these decisions, had since retired or left the BOP, and current officials could not locate contemporaneous records that would enable them

**Figure 5**  
**Entry Building No. 1, FCI Danbury**



to recreate the decision-making process and diagnose the problem. They believed that this aspect of the project was made in haste due to public and congressional pressure, but then forgotten until the conversion deadline loomed and the problem became glaringly visible. The Assistant Director of the Administration Division said that BOP officials with security knowledge should have inspected the existing FPC at the beginning of the project, before construction began, to assess the feasibility of converting it to an FSL.

### *FSL Design Standards and Conversion Procedures*

In our judgment, there were two primary reasons that the BOP did not anticipate and identify the existing FPC's conversion problems: (1) the absence of BOP facility design standards for FSLs, and (2) no BOP procedures to assess whether minimum security facilities can feasibly sustain a conversion.

BOP officials working on the FCI Danbury project did not fully evaluate the requirements and resources necessary to convert the existing FPC to an FSL before soliciting and entering into a construction contract. This oversight was driven by a mistaken belief that an FSL conversion consisted of simply encircling the existing FPC with a perimeter fence and adding an entry building. This belief may have arisen from FSL conversions that occurred decades earlier that did not require substantial upgrades. Also, BOP's 1999 FSL memorandum is out-of-date and would not have identified the problems with upgrading FCI Danbury's existing FPC. As previously discussed, the construction of new minimum, low, medium, and high-security institutions are driven by architectural plans and TDGs. Senior BOP officials said a TDG for FSLs was unnecessary because TDGs contain highly detailed specifications for constructing new buildings, not converting an existing facility into an FSL. These officials agreed, however, that creating FSL facility design standards would help BOP officials establish and understand FSL characteristics, conversion requirements, and how this type of institution differs from minimum and low-security institutions.

The establishment of pre-conversion procedures could guide BOP personnel through comparing the new FSL facility design standards to actual structural conditions of FPCs (e.g., doors, windows, hardware, and visitation and recreation space) to determine the viability of conversion. Pre-conversion procedures could also delineate the roles and responsibilities of BOP components and personnel involved in this joint effort. For example, the BOP's belated identification, evaluation, and resolution of FCI Danbury's conversion problem in 2016 illustrates the contours of a general process: (1) the affected institution—FCI Danbury—examined the conversion plan and brought its concerns to the BOP's attention; (2) the Facilities Management Branch responded to the institution's concerns by assessing the conditions of the existing FPC and estimating the resources and time necessary to complete a conversion; (3) the Assistant Director of the Administration Division and Assistant Director of the Information, Policy, and Public Affairs Division reviewed this analysis and proposed a plan of action; (4) the BOP's Acting Director approved the plan of action; (5) and the Construction and Environmental Review Branch implemented the approved plan of action. Pre-conversion procedures such

as these could be executed during project planning, before soliciting and awarding a construction contract.

We recommend that the BOP develop a facility design standard for FSLs and pre-conversion procedures that assess whether a minimum security facility can feasibly sustain an FSL conversion.

### *Programs Building*

In April 2016, or 9 months after the original award, the BOP modified the FCI Danbury contract to add a Programs Building for \$12.2 million, doubling the contract's overall value to nearly \$24 million. This new Programs Building, substantially completed and habitable in September 2017, was designed and constructed by SCL and provides a visitation area, kitchen, dining room, classrooms, offices, a conference room, and dental and health examination areas. Completion of the Programs Building was a significant milestone, not only because of the new space and features provided, but because the BOP was unable to operate the adjacent FSL at full inmate capacity until the Programs Building was habitable.<sup>14</sup>

**Figure 6**  
**Programs Building, FCI Danbury**



The Programs Building was added to the contract in April 2016, or nearly 9 months after the original contract began. It was substantially completed in September 2017. This photo was of the worksite in November 2016. [Source: BOP]

Considering the fundamental need of the Programs Building's features, the BOP's emphasis on transferring women back to FCI Danbury as quickly as possible, and the BOP's inability to operate the FSL at full inmate capacity until its completion, we questioned why the BOP added the Programs Building 9 months after the initial contract, instead of at the onset. We spoke to eight BOP officials involved in the project and there was no consistent explanation as to why the Programs Building was not considered at the time of the original acquisition. These officials offered several, sometimes conflicting reasons, including questionable

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<sup>14</sup> BOP stated that it would restrict the FSL's population to 100 inmates (the FSL's operating capacity is 192 inmates) until the Programs Building was complete because it could not otherwise accommodate inmates' program and food service needs.

subsurface conditions at the site of construction, budget constraints, that the Programs Building was originally deemed unnecessary and that its features would be provided via existing facilities, and that the BOP was simply unprepared at the time of the initial award. Senior BOP officials explained that they were unable to provide a definitive answer because key officials involved in the decision-making process had retired and current officials could not locate any past planning records or communications to substantiate what happened.

To compensate for this lack of information, the OIG examined the entire FCI Danbury project file, consisting of nearly 2,000 documents, including construction design records, meeting minutes, correspondence and other information. Based on this work and additional interviews with BOP officials, we concluded that the BOP entered into the FCI Danbury construction contract before completing sufficient project planning. While the BOP's plans addressed the housing of female offenders, it had not adequately assessed other critical institutional aspects, such as programming, food services, and health services. Such an assessment occurred after the issuance of the initial contract and led to the delayed addition of the Programs Building. While it is impossible to precisely quantify how the project cost and duration would have differed had the Programs Building been included in the original contract instead of added 9 months later, in our judgment, its belated addition extended the project's duration and increased the contract's overall cost. It also compromised the BOP's ability to transfer female inmates to FCI Danbury as quickly as possible. Our analysis of these issues is provided below.

#### BOP's Initial Contract Did Not Address Stakeholder Concerns

In September 2014, several U.S. Senators sent a memorandum to the BOP expressing concern about the BOP's lack of progress transitioning women back to FCI Danbury. Senators asked what programs would be available to women when they returned to FCI Danbury and how the facility would be responsive to women's needs. BOP's former Director responded in October 2014 that the new facility was "being designed and built specifically as a female facility [and] will be better tailored to female offenders than the prior secure female facility at Danbury, as that space had originally been designed to house male offenders." Additionally, FCI Danbury's former Warden had assessed the BOP's preliminary design plans 2 months earlier and shared several concerns about the new camp's lack of features, particularly in the areas of programming, food services, and health services. Senior BOP officials could not locate or provide any written response to the former Warden's memorandum.<sup>15</sup>

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<sup>15</sup> As previously stated, FCI Danbury's former Warden told the OIG that senior Administration Division officials considered his concerns valid, but that changes to the design were not possible due to budget limitations. However, the current Assistant Director of the Administration Division concluded otherwise and the OIG has not received any evidence that budget constraints prevented the addition of a programs building at the start of the contract.



By April 2015, just weeks before the BOP issued its contract solicitation, these concerns with programming, food services, and health services remained unresolved and the construction design documents did not reflect the former BOP Director's statement that the facility would be tailored to the needs of the female population. A BOP meeting record from this time showed that senior Administration Division officials acknowledged that these matters would have to be further discussed and resolved after award of the construction contract.<sup>16</sup> This meeting record also indicated that several of the participants' design-related decisions did not address concerns from FCI Danbury staff or input from subject matter experts throughout the BOP.<sup>17</sup> Instead, the BOP intended to address programming, food services, and health services primarily with existing facilities. The new camp housing building, pictured in Figure 7, would mostly consist of two sections: (1) a large room with dormitory-style bunks and an adjacent multi-purpose dayroom, and (2) a smaller room used for visitation and serving food, with access to BOP personnel offices, an officer's station, and a health examination room.

**Figure 7**  
**New Camp Housing Building, FCI Danbury**



New Camp Housing Building with dormitory style housing and partitioned, double-bunked beds. Became an FSL in late 2016. [Source: BOP and OIG]

At the April 2015 meeting, Administration Division officials determined that no designated program space was necessary and that the multi-purpose dayroom would suffice. The former Warden had previously warned that "the plans for the new camp do not provide for any programming space. There are no classrooms and no leisure areas such as TV rooms or a library." Programming opportunities would have been minimal.

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<sup>16</sup> Five BOP staff at this meeting were all from the Administration Division, as follows: (1) Assistant Director of the Administration Division; (2) Senior Deputy Assistant Director of the Administration Division; (3) Chief of the Capacity and Construction Branch, or CACB; (4) Deputy Branch Chief of CACB; and (5) a Senior Project Manager from CACB. All five of these officials have since left the BOP.

<sup>17</sup> The OIG's review of the FCI Danbury project file did not locate any records indicating that Administration Division officials had consulted program administrators from other BOP divisions, such as the Health Services Division, Correctional Programs Division, and Reentry Services Division before issuing the original contract in late June 2015.

Administration Division officials next decided that the new camp would not have food preparation and storage capabilities; instead, meals would be prepared at existing FCI Danbury facilities and delivered in temperature-controlled carts to the new camp. FCI Danbury's former Warden had cautioned against such an arrangement in August 2014, stating that satellite feeding creates several logistical issues and that "the increased workload of preparing and transporting meals [from the existing FPC], three times per day, to the new camp will require upgrades and possible expansion of the existing Food Service Area." Alternatively, satellite feeding from the male FCI to the new camp would create security concerns because of the need to open the rear gate 3 times a day to transport the food.

Administration Division officials at the April 2015 meeting also noted that their existing plans had no designated health services space and amended them to provide one medical examination room. Other health services would be provided from existing FCI Danbury facilities. FCI Danbury's former Warden explained that the new camp's female inmates would have to be transported to the existing female camp or male FCI for examination and treatment by health services personnel. He explained that transporting the new camp's inmates to the existing FPC would have placed strain on the existing FPC's operations and resources. Alternatively, transporting the new camp's inmates to the FCI would also create security and logistical concerns because the BOP would be bringing female inmates into a male institution, and on days where women would be sent to the FCI's Health Services Unit, those services would not be available to men.

FCI Danbury's former Warden was not consulted by Administration Division officials during the planning process; he provided his August 2014 memorandum to the BOP's Regional Facilities Manager voluntarily. The former Warden told the OIG that the BOP's original plan to rely on existing facilities for programming, food services, and health services was achievable, but would have created significant security and logistical issues for institution staff to resolve. He said that the BOP should have better involved institution staff and addressed their feedback before proceeding with construction.

#### BOP's Belated Addition of the Programs Building

In the months following the initial award, BOP subject matter experts from different departments became aware of the FCI Danbury project details. Notably, the Administrator of the Female Offender Branch (FOB) first viewed the design schematics in October 2015. FOB was a component of the BOP's Reentry Services Division, whose responsibilities included ensuring that the BOP offers appropriate services to inmates that are gender-responsive and trauma-informed.<sup>18</sup> FOB's Administrator, after analyzing the floor plans, became concerned that they did not reflect the BOP's statements that this facility would be tailored to the needs of

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<sup>18</sup> The Female Offender Branch was the BOP's source for expertise on classification, management, and intervention programs and practices for females in BOP custody. In January 2018, the Female Offender Branch became the Women and Special Populations Branch to also include special populations other than women that warranted attention and specialized services.

female offenders. This official noted that there was no private space for education and women's health, very limited community space, and no suicide watch area.

To address these matters, FOB commenced and chaired a committee in late 2015 that included representatives from FCI Danbury; the Administration Division; the Reentry Services Division; and the Industries, Education, and Vocational Training Division. This committee reviewed available program space, funding, and staffing needs and agreed that resources were available for at least one national or residential program. The consensus was that the Residential Drug Abuse Treatment Program (RDAP) was the best program to meet the needs of women from the Northeast, and had been available to female inmates at FCI Danbury prior to the mission change.<sup>19</sup>

Ideally, inmate programming needs would be one input into the design of a new camp housing facility. However, by late 2015, SCL had already begun constructing the new camp building's foundation. Any additional inmate programming would have to conform to the facility's existing layout and FOB's Administrator initially determined that the new camp building's floor plan did not lend itself to the resumption of RDAP. RDAP participants must complete activities in a treatment unit set apart from the general prison population, but the new camp did not allow such separation because inmates were located in one large room. To overcome this facility design constraint and ensure compliance with the applicable regulation, FOB proposed a programming approach called the Female Integrated Treatment program, thereby establishing a "modified therapeutic community" that would include all inmates.<sup>20</sup> (The Female Integrated Treatment program was implemented at FCI Danbury in September 2017.)

In April 2016, or 9 months after the original award, the BOP modified the FCI Danbury contract to add the Programs Building for \$12.2 million. In addition to facilitating the implementation of the Female Integrated Treatment program, the Programs Building would address all of the concerns raised years earlier by outside stakeholders and BOP personnel. It added four classrooms and ample visitation space; food storage, preparation, and dining; and a health services unit with two examination rooms, a pharmaceutical dispensary, a dental treatment room, and a room for X-rays and mammograms.<sup>21</sup>

In our judgment, the completion of the Programs Building should not excuse the BOP's questionable planning that occurred prior to its addition. To SCL's credit, it responded to BOP's significant change request by designing and constructing this

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<sup>19</sup> 28 CFR 550.53, Residential Drug Abuse Treatment Program.

<sup>20</sup> According to the BOP, a therapeutic community is "a society in miniature where attitudes and behaviors, thoughts and feelings, relatedness and unrelatedness are viewed as if under a magnifying glass."

<sup>21</sup> According to project file documents, Administration Division officials consulted the Health Services Division (HSD) after issuing the initial contract to request feedback on camp inmates' health service needs. HSD recommended that for future construction, the Administration Division involve HSD earlier in the planning stages, before drafting plans.

major addition to the contract on schedule and in accordance with BOP specifications. We believe that the BOP's late addition of the Programs Building to the contract extended the project's ultimate completion date and compromised the BOP's ability to transfer female inmates to FCI Danbury as quickly as possible. The Programs Building was so integral to operating the FSL (in late 2016, the newly constructed camp was converted to an FSL) that the BOP had to restrict the FSL's population to half of its operating capacity until it was completed because it could not otherwise accommodate inmates' program and food service needs at full capacity. Such a costly addition undermined one of the Contracting Officer's project objectives to "maximize funds and minimize modifications through the use of effective management."

We concluded that there was a significant lack of coordination between different BOP components involved in the project. BOP's planning for the FCI Danbury project was a top-down effort that did not adequately involve the different BOP stakeholders. In particular, BOP Executive Staff issued statements to Congress on facility features that were not being shared and coordinated with key FCI Danbury staff and BOP subject matter experts, or incorporated into the actual project planning documents. Important BOP subject matter experts, such as the FOB, were not consulted until after the contract was awarded, and valuable feedback from FCI Danbury's former Warden was left unaddressed. Senior BOP officials struggled to explain why the Programs Building was added 9 months after the initial award, but agreed that the planning was not adequate. The Deputy Chief of the Construction and Environmental Review Branch said that the project should not have been so segmented and that all buildings should have been included in the initial contract. FCI Danbury's former Warden said that similar future projects need to involve and address the concerns of BOP stakeholders—including those at the local institution who are most knowledgeable of their facility's layout and capabilities—before commencing construction. Current Senior Administration Officials acknowledged that the BOP could have made better decisions and indicated that time was a major factor, noting that there was significant pressure to complete this project quickly due to congressional and third party interest.

We recommend that the BOP establish policies and procedures to ensure that future construction projects address the needs of the different BOP stakeholders during the pre-construction planning process, and that the process is adequately documented.

#### FAR Requirements if the Programs Building was Included in the Original Contract

We considered whether there were FAR-related implications if the BOP had included the Programs Building in the original award. We determined that the BOP would have had to complete a FAR justification that was not previously required. Particularly, contracting officers can issue sole-source contracts under section 8(a) of the Small Business Administration's Business Development Program without

completing a written justification, unless the contract exceeds \$20 million.<sup>22</sup> Given that the aggregate price of the original contract and subsequent Programs Building modification exceeded the \$20 million threshold, had the BOP included the Programs Building in the original contract, it would have had to complete an SBA-approved written justification, obtained approval from the BOP's "head of the procuring activity," and made the justification publicly available. However, we did not encounter any evidence that suggested the BOP awarded the FCI Danbury contract in a manner intended to circumvent these FAR requirements.

## Acquisition Planning

We previously discussed how the BOP failed to originally consider whether upgrading the existing FPC to an FSL would require interior and exterior modifications, and if so, the estimated cost and time necessary to implement them. This led to the unnecessary construction of an entry building costing over \$1.7 million. We also discussed how questionable planning led to the delayed addition of the Programs Building, extending the project's ultimate completion date and compromising the BOP's ability to transfer female inmates to FCI Danbury as quickly as possible. Project planning is intended to prevent or avoid these types of issues. Similarly, acquisition planning aims to optimize an acquisition's success by anticipating risks and establishing solutions.

According to the FAR, acquisition planning is the process by which the efforts of all personnel responsible for an acquisition are coordinated and integrated through a comprehensive plan for fulfilling the agency need in a timely manner and at a reasonable cost.<sup>23</sup> To ensure compliance with the FAR and BOP policy, the BOP had to complete a written acquisition plan that contained two major sections.<sup>24</sup> The first is the Acquisition Background and Objectives, which contains 8 subsections, and the second is the Plan of Action, which contains 22 subsections.<sup>25</sup> We determined that the BOP completed an acquisition plan for the FCI Danbury project in April 2015, but it lacked sufficient detail. Primarily, it did not adequately address the following subsections of the Acquisition Background and Objectives:

- **Statement of Need** – BOP must provide a brief statement of need, summarize the technical and contractual history of the acquisition, and discuss feasible acquisition alternatives. The BOP briefly described the project but did not address the acquisition history or feasible acquisition alternatives. For example, FCI Danbury's former Warden expressed an alternative to the conversion plan in August 2014, which was that the BOP

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<sup>22</sup> FAR Subpart 6.3, *Other Than Full and Open Competition*, 6.303, *Justifications*, 6.303-1, *Requirements*, 6.303-1(b). The \$20 million threshold was effective as of June 30, 2015. As of March 2018, the threshold had been increased to \$22 million.

<sup>23</sup> FAR Subpart 2.1, *Definitions*.

<sup>24</sup> FAR 7.105, *Contents of Written Acquisition Plans*. Bureau of Prisons Acquisition Policy (BPAP) 7.103-70.

<sup>25</sup> See Appendix 2 for the FAR and BOP required contents of the written acquisition plans.

consider leaving the existing FPC as is, and instead construct a new FSL. This acquisition alternative was not included in the Statement of Need section of the acquisition plan.

- **Applicable Conditions** – BOP must state all significant conditions affecting the acquisition, such as requirements for compatibility with existing or future systems or programs, and any known cost, schedule, and capability or performance constraints. The BOP stated that this project’s applicable conditions included market and weather conditions, availability of materials, internal design changes, and security conditions. There was no description of potentially significant conditions related to the facility conversion and new construction, despite FCI Danbury’s former Warden expressing such concerns in an August 2014 memorandum, months before the completion of the acquisition plan. As previously stated, the former Warden was concerned that the conversion could result in: (1) a lack of indoor and outdoor recreation, and medical space for inmates; (2) inadequate office, classroom, and leisure space; and (3) satellite feeding due to a lack of food service space, which would present logistical issues. None of this information was included in the Applicable Conditions section of the acquisition plan.
- **Trade-offs** – BOP must discuss trade-offs—that is, which procurement goal (cost, capability or performance, and schedule) is most important—and how that could influence other procurement goals. The BOP stated in its acquisition plan that this was “not applicable,” and provided no explanation of how it drew this conclusion. Based on our interviews with BOP officials, the project schedule was a very important procurement goal due to the controversy created by the mission change and congressional and third party concerns about women being incarcerated far from their homes and families.
- **Risks** - BOP must discuss technical, cost, and schedule risks; describe what efforts are planned or underway to reduce risk; and describe the consequences of failure to achieve goals. For example, one approach is to identify risks; rate them as high, medium, or low; and discuss the impact and mitigation strategy. The BOP stated in its acquisition plan that risks were “not applicable,” without explanation.

The BOP generally completed the second major section of the BOP’s acquisition plan, titled Plan of Action, albeit with very brief descriptions and with the following exceptions. The BOP’s acquisition plan template did not include the subsection “contract type selection,” which requires detail on the particular facts, circumstances, and associated reasoning essential to support the contract type selection. We do not believe the BOP’s omission of this subsection negatively affected the FCI Danbury project, but this subsection should nevertheless be included in future acquisition plans as required by the FAR.<sup>26</sup>

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<sup>26</sup> BOP’s Contracting Officer had separately concluded, via a memorandum in the pre-award file, that a firm fixed-price construction contract was the most advantageous type of contract for the FCI Danbury project. However, this memorandum did not describe the reasoning behind the contract type selection.



Additionally, in two instances, the BOP did not specifically address the applicability of a subsection's requirement, instead indicating that it would do so later. First, for the subsection titled "environmental and energy conservation objective," the BOP stated that "environmental assessment and environmental impact statements, where appropriate, will be considered prior to any contract." This repeats the FAR requirement instead of addressing it. Secondly, in the "security considerations" subsection, the BOP stated that "contractor employees will be subject to applicable security requirements" without specifying what the security requirements were.

Lastly, the BOP did not adequately complete the subsection titled "milestones for acquisition cycle," which is intended to address the various steps in the acquisition process and should be used to schedule and track the progress of different acquisition milestones from approval of the acquisition plan through contract award. Considering the importance of this project's timeliness, the BOP should have completed this subsection in an effort to help ensure that pre-award processes remained on schedule. Despite its absence in the acquisition plan, BOP officials maintained a separate list of milestones with planned and actual dates for several of the steps in the acquisition process. However, this list did not include several FAR-required milestones such as specifications, data requirements, the environmental assessment, and other steps. In addition, the list of milestones only covered a nearly 3-month period ending with the contract award, rather than covering the milestones from the start of the acquisition planning through contract award.

BOP officials could not explain why the FCI Danbury project's acquisition plan lacked sufficient detail because its preparers no longer worked for the BOP. To gain additional perspective on the BOP's overarching acquisition planning approach, we reviewed acquisition plans for the BOP's past construction of FCI Aliceville and a prospective construction project in Letcher County, Kentucky.<sup>27</sup> The acquisition plans for these BOP construction projects contained the same generic responses found in FCI Danbury's acquisition plan. In the Acquisition Background and Objectives section, six of the eight subsections contained nearly identical responses, with the two exceptions being the project's unique description and anticipated cost. Similar to FCI Danbury's acquisition plan, Letcher County's acquisition plan was missing the contract type category.<sup>28</sup> In the Plan of Action sections of FCI Danbury and Letcher County's respective acquisition plans, 16 of the 21 subsections were nearly identical.

The FAR and Justice Acquisition Regulations (JAR) also collectively require that acquisition planning begin as soon as the agency need is identified, and that

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<sup>27</sup> FCI Aliceville is a low-security facility in Aliceville, Alabama; its acquisition plan was completed in 2007. FCI Letcher County is a potential BOP institution that would be constructed in Letcher County, Kentucky. The project's acquisition plan was completed in August 2016.

<sup>28</sup> When FCI Aliceville's acquisition plan was drafted in 2007, the FAR did not require that acquisition plans contain a "contract type category" subsection.

plans be prepared in advance of solicitation release dates to provide sufficient time for the identification and resolution of impediments that could delay the acquisition or lead to increased cost or technical risk.<sup>29</sup> Accordingly, BOP's acquisition planning should have begun shortly after the FCI Danbury project was approved by Congress in May 2014, and in advance of the solicitation issuance on April 17, 2015. The BOP was unable to determine when the FCI Danbury project's acquisition team was assembled and during what timeframe they conducted acquisition planning work. The final acquisition plan was completed and submitted for review on April 21, 2015, or 4 days *after* the BOP issued the solicitation.

Regardless of the reason that the BOP's acquisition plan lacked detail, we believe that the BOP may have better anticipated some of the problems it later encountered (and that we describe in the prior section of this report) if it had conducted more thorough acquisition planning. Our review of additional acquisition plans for different projects determined that those plans contained nearly the exact same language as the FCI Danbury plan. While it is not unusual for acquisition plans to contain some standard language, when 22 of the 29 completed subsections contain nearly the exact same response—often stating that the subsection is “not applicable” without elaboration—it suggests that BOP's acquisition of construction contracts is uniform and fails to account for the unique needs of a given project; that risks, trade-offs, and applicable conditions rarely exist or are not considered; and that the conditions surrounding a BOP acquisition have not changed in over a decade. The similarity of the BOP construction-related acquisition plans we reviewed, coupled with the completion of the FCI Danbury acquisition plan 4 days *after* issuance of the solicitation, indicate that the BOP treats these plans less as valuable planning tools and more as a paperwork exercise.

We recommend that the BOP ensure that its future construction-related acquisition plans fully address FAR, JAR, and BOP requirements; provide specific and unique information for the particular project at issue; and are completed in advance of the solicitation release date.

### **Contract Management, Oversight, and Monitoring**

We assessed several aspects of the BOP's and SCL's contract management, oversight, and monitoring. As described in the following sections, we examined SCL's inspection efforts and the BOP's quality assurance procedures and did not identify any material discrepancies. However, we found that the BOP had not completed and entered SCL's performance results into the government-wide electronic contractor evaluation system, as required by the FAR and BOP policy.

#### *Interim Contractor Performance Evaluation*

The Contractor Performance Assessment Reporting System (CPARS) is the government-wide electronic contractor evaluation system used to ensure that current, complete, and accurate contractor performance information is available for

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<sup>29</sup> Justice Acquisition Regulations provide procurement regulations that supplement the FAR.

use in procurement source selections. The FAR and BOP policy require that the BOP collect and submit performance information for construction contracts valued at \$700,000 or more into CPARS at least annually. This information is automatically transmitted to the Past Performance Information Retrieval System, where BOP and other contracting entities can use it to make informed business decisions when awarding federal contracts.<sup>30</sup> All annual evaluations, with the exception of the one completed at the end of the contract, are referred to as interim CPARs.

When the BOP executed this contract, it established a performance period of 480 calendar days. The significant additions of the Programs Building and the second Entry Building extended the period of performance to 822 days. Therefore, the BOP should have completed an interim CPAR in 2016 that covered the first year of construction progress and a final CPAR at the conclusion of the contract.<sup>31</sup>

The BOP did not complete and enter SCL's performance results into CPARS in 2016. BOP's Contracting Officer said this was due to a misunderstanding of the FAR requirements, and that responsible officials believed that only a final CPAR was due at the end of the contract. Consequently, BOP procurement officials and federal agencies that contract for construction would not be able to view SCL's performance information on the FCI Danbury contract during their source selection processes until the final CPAR was completed in July 2018. We recommend that the BOP establish policies and procedures to ensure that interim performance assessment reports for its construction contracts are entered into CPARS.

#### *SCL Quality Control and BOP Quality Assurance*

The FAR requires contractors keep an adequate inspection system, perform inspections to ensure that the work performed under the contract conforms to contract requirements, and maintain complete inspection records.<sup>32</sup> The FCI Danbury contract's quality requirements are detailed within BOP Technical Design Guidelines (TDG), and fulfilled by SCL by completing various submittals that it enters into its construction management project software.<sup>33</sup> Additionally, though not required by the contract, SCL used a Quality Control Plan for internal purposes to document its quality control-related roles and responsibilities and to document its inspection and testing approach.

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<sup>30</sup> FAR Subpart 42.15, *Contractor Performance Information*, 42.1502, *Policy*, 42.1502(a) and (e).

<sup>31</sup> The BOP was not required to complete second interim CPAR for 2017. CPARS allows exceptions to the annual requirement in cases where performance has been extended up to 6 months beyond the annual period, which was the case in this contract. The BOP would account for this extended timeframe in its final CPAR that is required at the end of the contract and due in early February 2018.

<sup>32</sup> FAR 52.246-12, *Inspection of Construction*.

<sup>33</sup> Submittals include administrative requirements, shop drawings, test reports, certificates, and other information required in the BOP's TDGs.

To assess whether SCL maintained an adequate inspection program and complied with BOP's quality control requirements, we reviewed a judgmental sample of 10 submittals listed in the TDG to determine if SCL had adequately completed and entered them into its construction management project software. We determined that SCL had established a submittal register and properly entered the sampled submittals into the construction management project software. We also toured each of the facilities at FCI Danbury (the facilities were at differing phases of the construction) and spoke with BOP officials about the quality of the work performed and did not identify any quality-related discrepancies. BOP officials were very satisfied with SCL's work.

## **Billings and Payments**

BOP's contract with SCL is a firm fixed-price contract, which according to the FAR provides for a price that is not subject to any adjustment based on the contractor's cost experience in performing the contract. This contract type places upon the contractor maximum risk and full responsibility for all costs and resulting profit or loss. It provides maximum incentive for the contractor to control costs and perform effectively, and it imposes a minimum administrative burden upon the contracting parties.<sup>34</sup>

We evaluated the BOP's approach to pricing the initial contract and subsequent high-dollar contract modifications, including its treatment of contractor profit; assessed SCL's compliance with Construction Wage Rate Requirements, which mandate contractors and subcontractors pay their laborers and mechanics at least the locally prevailing wages and fringe benefits; and assessed a judgmental sample of SCL invoices to determine if they were accurate and supported by appropriate documentation, and if the BOP appropriately authorized payment in a prompt fashion.

### *BOP Contract Pricing*

We evaluated BOP compliance with FAR Subpart 15.4, *Contract Pricing*, which contains policies and procedures for negotiating contracts and contract modifications. Contracting Officers must purchase supplies and services from responsible sources at fair and reasonable prices and are responsible for evaluating the reasonableness of the contractor's offer.<sup>35</sup> In some circumstances, Contracting Officers must review and evaluate separate cost elements and profit or fee within a

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<sup>34</sup> FAR Subpart 16.2, *Fixed-Price Contracts*, 16.202, *Firm-Fixed-Price Contracts*, 16.202-1, Description.

<sup>35</sup> FAR Subpart 15.4, *Contract Pricing*, 15.402, *Pricing Policy*; and 15.404, *Proposal Analysis*, 15.404-1, *Proposal Analysis Techniques*, 15.404-1(a)(1).

contractor's proposal; this is referred to as cost analysis and it must be conducted when certified cost or pricing data is required.<sup>36</sup>

The purpose of performing cost analysis is to develop a negotiation position that permits the Contracting Officer and offeror an opportunity to reach agreement on a fair and reasonable price. There are various cost analysis techniques and procedures to ensure a fair and reasonable price, given the circumstances of the acquisition. One cost analysis technique is to compare the individual cost elements of a contractor's proposal to an independent government estimate (IGE) prepared by technical personnel.<sup>37</sup> To establish an initial negotiation position, a contracting officer using cost analysis must develop pre-negotiation objectives for cost and profit.<sup>38</sup> After reaching a negotiated agreement with the contractor, the Contracting Officer shall document the principal elements of this agreement in a Price Negotiation Memorandum (PNM).

BOP had three contract actions that required cost analysis, consisting of the initial FCI Danbury contract award and two large contract modifications. We assessed these three contract actions to determine whether or not the BOP: (1) obtained certified cost or pricing data, (2) conducted cost analysis that evaluated the offer's separate cost elements and profit, (3) established pre-negotiation objectives, and (4) documented the negotiation. We determined that the BOP obtained certified cost or pricing data from SCL, conducted cost analysis by comparing individual cost elements in SCL's proposal to its IGEs, and documented its cost analysis efforts in a series of memoranda, with the principal elements of the negotiated agreement documented in a PNM.<sup>39</sup> In our judgment, the BOP generally completed contract pricing in accordance with the FAR, with one exception described below.

#### BOP Did Not Analyze Contractor Profit

When using cost analysis, the Contracting Officer must establish pre-negotiation objectives for profit, use these profit objectives to analyze contractor profit, and document the basis for the profit objective and actual profit negotiated within its PNM.<sup>40</sup> The purpose for doing so is to help ensure that the

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<sup>36</sup> According to FAR Subpart 15.4, certified cost or pricing is necessary when any contract action, including a subcontract or modification, is above \$750,000, is not based on adequate price competition, and does not fall within the exceptions in FAR 15.403-1(b).

<sup>37</sup> According to FAR 36.203, an IGE of construction costs shall be prepared and furnished to the contracting officer at the earliest practicable time for each proposed contract and for each contract modification anticipated to exceed the simplified acquisition threshold.

<sup>38</sup> FAR 15.404-1, *Proposal Analysis Techniques*; 15.404-1(c), *Cost Analysis*; 15.404-1(c)(1).

<sup>39</sup> The series of BOP memoranda included the pre-negotiation objective memorandum, technical analysis memorandum, acceptance of contractor proposal memorandum, and price analysis memorandum.

<sup>40</sup> FAR 15.404-4, *Profit*, 15.404-4(a), *General*; 15.404-4(b), *Policy*; and FAR 15.406-3, *Documenting the Negotiation*, 15.406-3(a)(10).

final agreed-to price is fair and reasonable. The BOP did not perform these steps. Instead, BOP's PNM stated that profit was not considered and analyzed, and BOP's Contracting Officer said this was because the BOP did not believe profit analysis was required.

The FAR states that agencies shall establish or use another agency's structured approach for determining the profit or fee objective in those acquisitions that require cost analysis when "agencies [make] noncompetitive contract awards over \$100,000 totaling \$50 million or more a year."<sup>41</sup> The FAR does not prescribe a method to assess compliance with this provision so the OIG obtained data from the Federal Procurement Data System (FPDS) to verify whether the BOP exceeds this threshold. According to FPDS, the BOP easily surpassed this threshold, having obligated over \$300 million in noncompetitive contract awards in both FYs 2014 and 2015. (See Appendix 1 for the OIG's FPDS query methodology.)<sup>42</sup> Therefore, the BOP should have established or used another agency's structured approach to determine a profit or fee pre-negotiation objective, used this structured approach to analyze SCL profit on the Danbury contract, and documented the results in the PNM.

BOP's Contracting Officer said he had not known whether the BOP surpassed the abovementioned threshold when the FCI Danbury contract was awarded. He had never used a structured approach to determine a profit or fee pre-negotiation objective and did not believe the BOP maintained organizational information on applying a structured approach. He also correctly noted that the Bureau of Prisons Acquisition Policy (BPAP) and the JAR did not mention developing a profit objective using a structured approach.

We recommend that the BOP consult the Justice Management Division to determine the best approach to ensure compliance with FAR 15.404-4 and take appropriate action, to include establishing or adopting from another agency a structured approach and examining profit for contract actions requiring cost analysis, as applicable.

#### BOP's Methodology for Determining Profit Percentages on Contract Modifications was Questionable

The underlying assumption behind government structured approaches to profit analysis is the belief that contractors are motivated by profit. According to the FAR, it is in the government's interest to offer contractors opportunities for financial rewards sufficient to stimulate efficient contract performance, attract the best capabilities of qualified large and small business concerns to government

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<sup>41</sup> FAR 15.404-4, *Profit*, 15.404-4(b), *Policy*. A "structured approach" is a discipline for ensuring that all relevant factors are considered when determining the profit or fee pre-negotiation objective.

<sup>42</sup> OIG did not assess the accuracy and completeness of the FPDS data.



contracts, and maintain a viable industrial base.<sup>43</sup> However, we found that BOP contract modification procedures restricted contractor profit in a manner that was inconsistent with its own IGEs and that according to the FAR, does not provide proper motivation for optimum contract performance.

The FAR states that profit calculations based on the use of historical averages, or automatic application of predetermined percentages of total estimated costs, do not provide proper motivation for optimum contract performance.<sup>44</sup> BOP's profit threshold in the FCI Danbury contract is based on both historical figures and an automatic application of predetermined percentages. BOP's TDGs included contract modification procedures stating that if changes were made that required additional payment (i.e., equitable adjustment), SCL had to submit an itemized breakdown of the different material, labor, equipment, and other costs; overhead; and profit. These procedures established a maximum amount of profit based on predetermined percentages that the contractor was not allowed to exceed.<sup>45</sup> We determined that the BOP had been using this profit threshold for construction contracts since at least 2008 and according to the BOP's Contracting Officer, possibly since the 1990s. SCL priced profit for all of its applicable modifications in accordance with the BOP's threshold.

Furthermore, for the BOP's \$12.2 million contract modification that added the Programs Building, the maximum allowable profit percentage in the TDG was one-half of what BOP technical experts used when completing their IGE. SCL priced its proposal in accordance with the TDG's maximum allowable profit percentages, which was an effective profit rate of 5 percent. Meanwhile, the BOP's technical experts used a 10-percent profit rate when estimating their IGE.<sup>46</sup> As a result, the methodology used by the BOP in its IGE allowed for a \$463,878 greater value for profit than prescribed in the TDG. This indicates that the TDG's profit threshold was outdated and inappropriately constrained the amount of profit SCL could request in its proposal.

In our judgment, had the BOP conducted the required profit analysis, it may have identified the discrepancy between the profit allowed in its TDG and the profit generated by technical experts in the IGEs. We recommend the BOP reassess the profit threshold contained in its TDG to ensure it provides proper motivation for optimum contract performance and avoids use of historical figures and predetermined percentages, pursuant to guidance in FAR 15.404-4.

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<sup>43</sup> FAR 15.404-4, *Profit*, 15.404-4(a)(2).

<sup>44</sup> FAR 15.404-4, *Profit*, 15.404-4(a)(2) and (3).

<sup>45</sup> The maximum allowable profit was calculated as 10 percent on the first \$20,000, 7.5 percent on the next \$30,000, and 5 percent on the balance over \$50,000.

<sup>46</sup> BOP officials believed that the 10-percent profit rate used in its IGE was derived from an online service that provides current cost data on construction materials, equipment, and labor.

## BOP Used Outdated and Incorrect Requirements for Calculating Overhead

The TDG contract modification procedures stated the maximum allowable overhead, profit, and commission percentages shall be considered to include, but are not limited to, insurance and bonds. This provision, however, is inconsistent with the FAR, which provides that bond premiums are reimbursable direct costs under the contract and are therefore not considered overhead expenses.<sup>47</sup> Our analysis of contract modification pricing determined that SCL generally calculated profit in its contract modifications in accordance with the TDG but did not include bond and insurance premium costs in its overhead calculations. Thus, SCL handled bond and insurance premium costs consistent with the FAR but not as required by the TDG. As a result, SCL requested and was paid its premiums for bonding and insurance in addition to the maximum allowable overhead. This occurred in all of the contract modifications that involved an equitable adjustment and totaled \$348,590 in payments that, according to the TDG, SCL was not eligible to receive.<sup>48</sup>

The BOP did not dispute any of these costs during the process of negotiating and accepting SCL's contract modification price proposals. In fact, when the OIG brought this matter to the BOP's attention, one of its Contracting Officers said that SCL's proposals were adequate and that the BOP was mistaken to have included language about including bonds and insurance costs in the maximum allowable overhead in the TDG in the first place. BOP's Contracting Officer said the language was outdated and erroneous, a relic from decades ago when the penal amount of payment bonds was not required to be 100 percent of the contract price.<sup>49</sup> This official also stated, and we agree, that it did not make sense to include bonding and insurance premiums in an overhead calculation given the FAR provision stating that they are directly reimbursable costs. SCL's General Manager similarly stated that the BOP had never brought the TDG's questionable language to SCL's attention and that every federal agency he had worked with treated bond and insurance premiums as direct, reimbursable costs, and not overhead costs.

Based on these discussions and our analysis of the FAR, we did not question the \$348,590 in payments, but recommend that the BOP update its Technical Design Guidelines or similar specifications to exclude bond and insurance costs from contractor calculations of overhead, to reflect the FAR and current BOP practice.

### *Construction Wage Rate Requirements*

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<sup>47</sup> FAR 52.232-5, *Payments Under Fixed-Price Construction Contracts*; 52.232-5(g), *Reimbursements for Bond Premiums*, and definition of "direct costs" in FAR 2.1.

<sup>48</sup> We noted that 28 of the 30 contract modifications contained an equitable adjustment and the remaining 2 contract modifications were for administrative matters.

<sup>49</sup> In July 2000, the FAR was amended to implement changes to what was formerly known as the *Miller Act*, and now requires the amount of the payment bond equal to the contract price (40 U.S.C. § 3131).

The FAR requires that all laborers and mechanics employed or working onsite be paid unconditionally and not less often than once a week the full amount of wages and bona fide fringe benefits (or cash equivalents therefor) due at time of payment; these wages and fringe benefits should be computed at rates not less than those contained in the wage determination.<sup>50</sup> Wage determinations reflect prevailing wages, including fringe benefits, and apply only to those laborers and mechanics employed by a prime contractor and subcontractors.<sup>51</sup>

SCL used 27 subcontractors to complete various aspects of the FCI Danbury construction contract, including framing, plumbing, and electrical work. In order to verify compliance with Construction Wage Rate Requirements, we reviewed a sample of payroll records (e.g., pay stubs, benefit policies, and benefits paid) for 7 of the 27 subcontractors. For each pay period, we compared subcontractor payroll records for all applicable laborers' salaries and benefits to the rates required in the wage determination. See Appendix 1 for our sampling methodology. We did not identify any material non-compliance with the Construction Wage Rate Requirements in our review of the seven subcontractors.

#### *Contractor Invoice Testing*

The FAR requires the government make progress payments monthly as construction work proceeds, or more frequently as determined by the Contracting Officer.<sup>52</sup> The FAR also states that the contractor's request for progress payments (e.g., invoice) shall include a listing of the amount included for work performed by subcontractors, the total amount of each subcontract, and the amount previously paid to subcontractors. Furthermore, the invoice shall furnish certifications that all payments due to subcontractors and suppliers from previous payments have been made, and that the invoice does not include any amounts which the prime contractor intends to withhold or retain from a subcontractor or supplier in accordance with the terms and conditions of the subcontract.<sup>53</sup>

To assess compliance with these FAR requirements, we selected a judgmental sample of 6 of 19 invoices that SCL submitted to the BOP for payment. We determined that the invoices were accurately calculated, reasonable, and supported by appropriate documentation. The BOP appropriately authorized and paid these invoices promptly. We encountered one SCL non-compliance with the contract's terms and conditions. Particularly, SCL's invoices did not include FAR-required information on subcontract amounts and several certifications related to subcontractors. We brought this to the BOP's attention and its Contracting Officer acknowledged that this omission was a mistake and took corrective action by requiring SCL to amend its past invoices and include the certifications on its invoices thereafter. We reviewed these amended invoices and determined the

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<sup>50</sup> FAR 52.222-6, *Construction Wage Rate Requirements*, 52.222-6(b)(1).

<sup>51</sup> FAR 22.404, *Construction Wage Rate Requirements Statute Wage Determinations*.

<sup>52</sup> FAR 52.232-5(b), *Payments Under Fixed-Price Construction Contracts*.

<sup>53</sup> FAR 52.232-5(b)(1) and (c), *Payments Under Fixed-Price Construction Contracts*.

invoices included the required certifications but still did not include the required subcontract amounts. Therefore, we recommend that the BOP establish policies and procedures to ensure that the required subcontract amounts are included in invoices for future contracts.

## CONCLUSION AND RECOMMENDATIONS

We determined that the BOP solicited and entered into a sole-source contract with SCL in accordance with the FAR, and that SCL constructed the facilities in accordance with BOP specifications. However, we identified several weaknesses in the BOP's pre-award project planning. For example, BOP had not anticipated significant problems with its plan to convert FCI Danbury's existing federal prison camp (FPC) to a facility with a higher security level. By the time the BOP identified the problems and implemented an alternative plan, it had already paid over \$1.7 million to construct an entry building that was no longer necessary.

BOP officials working on the FCI Danbury project did not fully evaluate the requirements and resources necessary to convert the existing FPC to a Federal Satellite Low (FSL) before soliciting and entering into a construction contract. This oversight was driven by a mistaken belief that an FSL conversion consisted of simply encircling the existing FPC with a perimeter fence and adding an entry building. BOP officials agreed that creating FSL facility design standards would help BOP officials establish and understand FSL characteristics, conversion requirements, and how this type of institution differs from minimum and low-security institutions. Further, in our judgment, the completion of the Programs Building should not excuse the BOP's questionable planning that occurred prior to its addition. To SCL's credit, it responded to BOP's significant change request by designing and constructing this major addition to the contract on schedule and in accordance with BOP specifications.

We determined there was significant lack of coordination between different BOP components involved in the project. BOP's planning for the FCI Danbury project was a top-down effort that did not adequately involve the different BOP stakeholders. Current Senior Administration Officials acknowledged that the BOP could have made better decisions and indicated that time was a major factor, noting that there was significant pressure to complete this project quickly due to congressional and third party interest.

We also identified weaknesses in the BOP's planning for critical institutional aspects, such as programming, food services, and health services; acquisition planning; contractor performance evaluation; and contract pricing procedures.

We recommend that the BOP:

1. Develop a facility design standard for Federal Satellite Low (FSL) facilities and pre-conversion procedures that assess whether a minimum security facility can feasibly sustain an FSL conversion.
2. Establish policies and procedures to ensure that future construction projects address the needs of the different BOP stakeholders during the pre-construction planning process, and that the process is adequately documented.
3. Ensure that future construction-related acquisition plans fully address FAR, JAR, and BOP requirements; provide specific and unique information for the

particular project; and are completed in advance of the solicitation release date.

4. Establish policies and procedures to ensure that interim performance assessment reports for its construction contracts are entered into the Contractor Performance Assessment Reporting System.
5. Consult the Justice Management Division to determine the best approach to ensure compliance with FAR 15.404-4 and take appropriate action, to include establishing or adopting from another agency a structured approach and examining profit for contract actions requiring cost analysis, as applicable.
6. Reassess the profit threshold contained in its Technical Design Guidelines to ensure it provides proper motivation for optimum contract performance and avoids use of historical figures and predetermined percentages, pursuant to guidance in FAR 15.404-4.
7. Update its Technical Design Guidelines or similar specifications to exclude bond and insurance costs from contractor calculations of overhead to reflect the FAR and current BOP practice.
8. Establish policies and procedures to ensure that the required subcontract amounts are included in invoices for future contracts.

## STATEMENT ON INTERNAL CONTROLS

As required by *Government Auditing Standards*, we tested, as appropriate, internal controls significant within the context of our audit objectives. A deficiency in an internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect in a timely manner: (1) impairments to the effectiveness and efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations. Our evaluation of the Federal Bureau of Prisons' (BOP) administration of Contract No. DJBP0700CCPA210007 awarded to Sealaska Constructors, LLC (SCL) and compliance with the contract requirements to construct facilities at FCI Danbury was not made for providing assurance on these entities' internal control structures as a whole. BOP's and SCL's management are responsible for the establishment and maintenance of internal controls.

As noted in the audit results section of this report, we identified deficiencies in the BOP's internal controls that are significant within the context of the audit objectives and based upon the audit work performed that we believe adversely affect the BOP's ability to manage its project and acquisition planning processes, complete contractor performance evaluations, and perform profit analysis. These determinations were based on several problems including:

- Inadequate evaluation of all critical institutional aspects, including conversion of an existing building to a higher security institution;
- Inadequate detail in the acquisition plan;
- Insufficient completion and recording of contractor performance evaluation to ensure current, complete, and accurate contractor performance information is available for use in procurement source selections; and
- Insufficient use of historical profit thresholds that did not provide proper motivation for optimum contract performance.

Because we are not expressing an opinion on the BOP's internal control structure as a whole, this statement is intended solely for the information and use of the BOP. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Sealaska's internal controls were generally not significant in the context of the audit objectives.

## **STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS**

As required by *Government Auditing Standards* we tested, as appropriate given our audit scope and objectives, selected transactions, records, procedures, and practices to obtain reasonable assurance that the BOP's and SCL's management complied with federal laws and regulations for which non-compliance, in our judgment, could have a material effect on the results of our audit. BOP's and SCL's management are responsible for ensuring compliance with federal laws and regulations. In planning our audit, we identified the following laws and regulations that concerned the operations of the auditees and that were significant within the context of the audit objectives.

- Federal Acquisition Regulation (FAR)
  - FAR Subpart 7.1, *Acquisition Plans*
  - FAR Subpart 15.4, *Contract Pricing*
  - FAR Subpart 16.2, *Fixed Price Contracts*
  - FAR Part 36, *Construction and Architect-Engineer Contracts*
  - FAR Subpart 42.15, *Contractor Performance Information*
  - FAR Subpart 52.222-6, *Construction Wage Rate Requirements*
  - FAR Subpart 52.246-12, *Inspection of Construction*
- Justice Acquisition Regulations

Our audit included examining, on a test basis, the BOP's and SCL's compliance with the aforementioned laws and regulations that could have a material effect on the BOP's and SCL's operations. We interviewed auditee personnel, assessed internal control procedures, and examined project planning, acquisition, and construction records. As noted in the Audit Results section of this report, the BOP had not assessed and submitted contractor performance results to the government-wide electronic contractor evaluation system, as required by FAR Subpart 42.15, *Contractor Performance Information*.



## OBJECTIVE, SCOPE, AND METHODOLOGY

### Audit Objective

The objective of this audit was to assess the BOP's and SCL's compliance with the terms, conditions, laws, and regulations applicable to the contract in the areas of: (1) Acquisition Planning; (2) Contract Management, Oversight, and Monitoring; and (3) Billings and Payments.

### Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This was an audit of BOP Contract No. DJBP0700CCPA210007, awarded to Sealaska Constructors, LLC (SCL) to build facilities at the Federal Correctional Institution (FCI) Danbury in Danbury, Connecticut. Our audit generally covered, but was not limited to, April 2015 through June 2017.

We assessed the BOP's acquisition planning to determine whether it was compliant with FAR Subpart 7.1, *Acquisition Plans* and Bureau of Prisons Acquisition Policy (BPAP) 7.103-70, *Other Official's Responsibilities*. This assessment primarily consisted of comparing the BOP's Acquisition Plan for the FCI Danbury construction project to various technical, business, management, and other significant considerations required in FAR 7.105, *Contents of Written Acquisition Plans* (see Appendix 1 for a list of the FAR-required content).

To ensure compliance with contract management, oversight, and monitoring, we reviewed a sample of 10 construction submittals listed in the BOP Technical Design Guidelines (TDG) to determine if SCL had adequately completed and entered them into the construction management project software. Lastly, to ensure compliance with contract requirements regarding billings and payments, we assessed the accuracy of BOP payments for monthly invoices and examined SCL and its subcontractor compliance with Federal Acquisition Regulation requirements related to the payment of prevailing wages and benefits to staff based on locality. See the following sections for additional OIG methodological detail on matters discussed throughout this report.

#### *BOP Application of the Structured Approach Threshold*

As described on pages 26-27, the BOP should have established or used another agency's structured approach to determine a profit or fee pre-negotiation

objective, then used this structured approach to analyze SCL profit on the Danbury contract. The applicable criteria is FAR 15.404-4(b)(1), which states that:

*[Agencies] making competitive contract awards over \$100,000 totaling \$50 million or more a year ... shall use a structured approach for determining the profit or fee objective in those acquisitions that require cost analysis ...*

The FAR does not prescribe a method to assess compliance with this provision so the OIG obtained information from the Federal Procurement Data System (FPDS) to verify whether the BOP exceeds these thresholds. We ran an FPDS ad hoc report in March 2018 with the following parameters:

1. Contracting Agency ID/Name: 1540/Federal Prison System
2. Fiscal Year: 2014, 2015
3. Action Obligation, Base and Exercised Options Value, Base and All Options Value (Total Contract Value): all greater than \$100,000
4. Extent Competed: "Non-Competitive Delivery Order," "Not Available for Competition," "Not Competed," "Not Competed Under [Simplified Acquisition Procedures]"

OIG's FPDS query results are in Table 2. BOP non-competitive action obligations that individually exceeded \$100,000 totaled more than \$300 million in both FYs 2014 and 2015. Over half of these amounts were for BOP's acquisition of utilities (FAR Subpart 41.2). If these utility transactions are removed, the action obligations in FYs 2014 and 2015 were approximately \$157 million and \$192 million, respectively. The OIG did not assess the accuracy and completeness of the FPDS data.

**Table 2**  
**BOP Action Obligations, FYs 2014 - 2015**

CONTRACTING AGENCY NAME	FY 2014	FY 2015
Federal Prison System/Bureau of Prisons	\$321,923,441	\$381,260,734

Source: Federal Procurement Data System

### *Transaction Testing for Billings*

During our audit, we noted that from September 2015 through April 2017, that SCL submitted 19 invoices to the BOP, totaling \$21.6 million. We selected 6 of the monthly invoices totaling \$8.7 million. When selecting our invoices for testing, we selected three of the invoices that had the highest monetary value and the remaining three were judgmentally selected. We employed this judgmental sampling design to obtain a broad exposure to numerous facets of the contract reviewed, such as dollar amounts, invoice or deduction category, and risk. However, this non-statistical sample design does not allow a projection of the test results for all invoices or internal controls and procedures.

*Construction Wage Rate Requirements Related Calculations and Analysis*

We assessed SCL and subcontractor compliance with rules and regulations related to Construction Wage Rate Requirements to determine if they properly accounted for and paid the requisite wages and benefits to their employees. To accomplish this we obtained: (1) payroll records containing employees’ actual wages, (2) information on the cost of benefits offered to employees, and (3) the Department of Labor wage determinations containing the minimum wages and benefits. For wages, we compared wage determination rates to payroll records.

In order to verify that SCL and its subcontractors correctly calculated wage and fringe benefit costs, we selected a judgmental sample of seven subcontractors who were working onsite at the time of our fieldwork. We selected a judgmental sample of 10 payroll periods ensuring that selected payroll periods included payroll activity from at least 3 subcontractors. The detail of our selection is shown in Table 3. For each subcontractor, we obtained documentation related to the payment of salaries and benefits for each employee included in the certified payroll reports submitted to SCL.

**Table 3**  
**SCL Subcontractor Pay Period Sample**

SUB-CONTRACTOR 1	SUB-CONTRACTOR 2	SUB-CONTRACTOR 3	SUB-CONTRACTOR 4	SUB-CONTRACTOR 5	SUB-CONTRACTOR 6	SUB-CONTRACTOR 7
5/14/2016	12/19/2015	2/20/2016	10/8/2016	10/8/2016	12/19/2015	12/16/2015
3/25/2017		5/14/2016		11/5/2016	2/20/2016	2/17/2016
4/22/2017		9/24/2016			5/14/2016	5/11/2016
6/10/2017		11/5/2016			9/24/2016	9/21/2016
		3/25/2017			10/8/2016	10/5/2016
		4/22/2017			11/5/2016	11/2/2016
		6/10/2017			3/25/2017	3/22/2017
		6/17/2017			4/22/2017	4/19/2017
					6/10/2017	6/7/2017
					6/17/2017	6/14/2017

Source: SCL and its subcontractors

*Programs Building Considerations*

We spoke to eight BOP officials involved in the project and there was no consistent explanation as to why the Programs Building was not considered at the time of the original acquisition. These officials offered several, sometimes conflicting reasons, including questionable subsurface conditions at the site of construction, budget constraints, that the Programs Building was originally deemed unnecessary and that its features would be provided via existing facilities, and that the BOP was simply unprepared at the time of the initial award. Senior BOP officials explained that they were unable to provide a definitive answer because key

officials involved in the decision-making process had retired and current officials could not locate past planning records or communications to substantiate what happened.

To compensate for this lack of information, the OIG examined the entire FCI Danbury project file, consisting of nearly 2,000 documents. The project file helped piece together the BOP's planning process and enabled us to establish a chronology of events. We learned that in April 2015, just weeks before the BOP issued its contract solicitation, the BOP planned to address programming, food services, and health services primarily with existing facilities. These plans were reflected in the actual contract issued on June 30, 2015. However, immediately after the BOP entered into the contract, it radically and inexplicably changed its approach. Within the next month the BOP updated its site plans to include a Programs Building, revised the current contract to allow utility connections to the future Programs Building, and generated an initial Programs Building schematic. The OIG was not able to identify, nor were current BOP officials able to explain, what spurred this significant change in plans.

CONTENTS OF WRITTEN ACQUISITION PLANS

SECTION	SUBSECTION	REQUIREMENT
<b>ACQUISITION BACKGROUND &amp; OBJECTIVES</b>	<b>1. Statement of Need</b>	Introduce the plan and summarize the technical and contractual history of the acquisition. Discuss feasible acquisition alternatives and the impact of prior acquisitions on those alternatives, and any related in-house effort.
	<b>2. Applicable Conditions</b>	State all significant conditions affecting the acquisition, such as requirements for compatibility with existing or future systems or programs; and any known cost, schedule, and capability or performance constraints.
	<b>3. Cost</b>	Set forth the established cost goals for the acquisition and the rationale supporting them, and discuss related cost concepts to be employed, including life-cycle costs; design-to-cost; and application of should-cost.
	<b>4. Capability or performance</b>	Specify the required capabilities or performance characteristics of the supplies or the performance standards of the services being acquired and state how they are related to the need.
	<b>5. Delivery or Performance Requirements</b>	Describe the basis for establishing delivery or performance period requirements. Explain and provide reasons for any urgency if it results in concurrency of development and production or constitutes justification for not providing for full and open competition.
	<b>6. Trade-offs</b>	Discuss the expected consequences of trade-offs among the various cost, capability or performance, and schedule goals.
	<b>7. Risks</b>	Discuss technical, cost, and schedule risks and describe what efforts are planned or underway to reduce risk and the consequences of failure to achieve goals. If concurrency of development and production is planned, discuss its effects on cost and schedule risks.
	<b>8. Acquisition Streamlining</b>	If subject to acquisition streamlining, encourage industry participation by using draft solicitations, pre-solicitation conferences, and other means of simulating industry involvement during design and development in recommending the most appropriate application and tailoring of contract requirements. Select and tailor only the necessary and cost-effective requirements; and state the timeframe for identifying which of those specifications and standards shall become mandatory.

<b>PLAN OF ACTION</b>	<b>1. Sources</b>	Indicate the prospective sources of supplies or services that can meet the need. Consider required sources of supplies or services and sources identifiable through databases, including the government-wide database of contracts and other procurement instruments intended for use by multiple agencies. Consider all various socioeconomic small business. Consider the impact of any consolidation or bundling that might affect participation in the acquisition and address the extent and results of market research.
	<b>2. Competition</b>	Describe how competition will be sought, promoted, and sustained throughout the course of the acquisition. If full and open competition is not contemplated, discuss why.
	<b>3. Contract Type Selection</b>	Discuss the rationale for the selection of contract type. Acquisition personnel shall include the facts, circumstances, and associated reasoning essential to support the contract type selection in the acquisition plan. The contracting officer shall ensure that requirements and technical personnel provide the necessary documentation to support the contract type selection.
	<b>4. Source-Selection Procedures</b>	Discuss the source selection procedures for the acquisition, including the timing for submission and evaluation of proposals, and the relationship of evaluation factors to the attainment of the acquisition objectives.
	<b>5. Acquisition Considerations</b>	Discuss use of multiyear contracting, options, or other special contracting methods; any special clauses, special solicitation provisions, or required FAR deviations; whether sealed bidding or negotiation will be used and why; whether equipment will be acquired by lease or purchase; and any other contracting considerations. Provide rationale if a performance-based acquisition will not be used or if a performance-based acquisition for services is contemplated on other than firm-fixed-price bases.
	<b>6. Budgeting and Funding</b>	Include budget estimates, explain how they were derived, and discuss the schedule for obtaining adequate funds at the time they are required.
	<b>7. Product or Service Descriptions</b>	Explain the choice of product or service description types to be used in the acquisition.
	<b>8. Priorities, Allocations, and Allotments</b>	When the urgency of the requirement dictates a particularly short delivery or performance schedule, certain priorities may apply. If so, specify the method for obtaining and using applicable priorities, allocations, and allotments.
	<b>9. Contractor Versus Government Performance</b>	Address the considerations given to OMB Circular No. A-76 - Performance of Commercial Activities.
	<b>10. Inherently Governmental Functions</b>	Address the consideration given to subpart 7.5, Inherently Governmental Functions.

	<b>11. Management Information Requirements</b>	Discuss, as appropriate, what management system will be used by the government to monitor the contractor's effort. If an Earned Value Management System is to be used, discuss the methodology the government will employ to analyze and use the earned value data to assess and monitor contract performance.
	<b>12. Make or Buy</b>	Discuss any consideration given to make-or-buy programs. According to FAR 15.407-2, when make-or-buy programs are required, the government may reserve the right to review and agree on the contractor's make-or-buy program when necessary to ensure negotiation of reasonable contract prices, satisfactory performance, or implementation of socioeconomic policies.
	<b>13. Test and Evaluation</b>	When applicable, describe the test program of the contractor and the government. Describe the test program for each major phase of a major system acquisition. If concurrency is planned, discuss the extent of testing to be accomplished before production release.
	<b>14. Logistics Considerations</b>	Describe the assumptions determining contractor or agency support, including consideration of contractor or agency maintenance and services. Describe the reliability, maintainability, and quality assurance requirements, including any planned use of warranties. Describe standardization concepts, including the necessity to designate technical equipment as "standard" so that future purchases can be made from the same manufacturing source.
	<b>15. Government-Furnished Property</b>	Indicate any government property to be furnished to contractors, and discuss any associated considerations, such as its availability or the schedule for its acquisition.
	<b>16. Government-Furnished Information</b>	Discuss any government information, such as manuals, drawings, and test data, to be provided to prospective offerors and contractors.
	<b>17. Environment and Energy Conservation Objectives</b>	Discuss all applicable environmental and energy conservation objectives associated with the acquisition, the applicability of an environmental assessment or environmental impact statement, the proposed resolution of environmental issues, and any environmentally related requirements to be included in solicitations and contracts.
	<b>18. Security Considerations</b>	For acquisitions requiring routine contractor physical access to a federally controlled information system, discuss how agency requirements for personal identity verification of contractors will be met or acquisitions that may require federal contract information to reside in or transit through contractor information systems, discuss compliance with subpart 4.19 – Basic Safeguarding of Covered Contractor Information Systems.
	<b>19. Contract Administration</b>	Describe how the contract will be administered. In contracts for services, include how inspection, and acceptance corresponding to the work statement's performance criteria will be enforced.

	<b>20. Other Considerations</b>	Discuss, as applicable, standardization concepts; the industrial readiness program; the Defense Production Act; OSHA; the SAFETY Act; foreign sales implications; special requirements for contracts to be performed in a designated operational area or supporting a diplomatic or consular mission; and any other matters germane to the plan not covered elsewhere.
	<b>21. Milestones for the Acquisition Cycle</b>	Address the following steps and any others that may be appropriate: acquisition plan approval; statement of work; specifications; data requirements; completion of acquisition-package preparation; purchase request; justification and approval for other than full and open competition, where applicable, and or any required D&F approval; issuance of synopsis; issuance of solicitation; evaluation of proposals, audits, and field reports; beginning and completion of negotiations; contract preparation, review, and clearance; and contract award.
	<b>22. Participants in Acquisition Plan Preparation</b>	List the individuals who participated in preparing the acquisition plan, giving contact information for each.

Source: FAR and BOP policy



**BOP'S RESPONSE TO THE DRAFT AUDIT REPORT**



U.S. Department of Justice

Federal Bureau of Prisons

Office of the Director

Washington, D.C. 20534

August 31, 2018

MEMORANDUM FOR JASON R. MALMSTROM  
ASSISTANT INSPECTOR GENERAL  
OFFICE OF THE INSPECTOR GENERAL  
AUDIT DIVISION

FROM:

  
Hugh J. Hurwitz, Acting Director

SUBJECT:

Response to the Office of Inspector General's (OIG) Draft Report: Federal Bureau of Prisons' Contract Awarded to Sealaska Constructors, LLC, to Build Facilities at Federal Correctional Institution Danbury, in Danbury, Connecticut

The Bureau of Prisons (BOP) appreciates the opportunity to provide a response to the Office of the Inspector General's above referenced report. Therefore, please find the BOP's responses to the recommendations below:

**Recommendation 1: Develop a facility design standard for Federal Satellite Low (FSL) facilities and pre-conversion procedures that assess whether a minimum security facility can feasibly sustain an FSL conversion.**

**Initial Response:** The BOP agrees with this recommendation. The BOP will develop a facility design standard for Federal Satellite Low (FSL) facilities and pre-conversion procedures that assess whether a minimum security facility can feasibly sustain an FSL conversion.

**Recommendation 2: Establish policies and procedures to ensure that future construction projects address the needs of the different BOP stakeholders during the pre-construction planning process, and that the process is adequately documented.**



**Initial Response:** The BOP agrees with this recommendation. The BOP will establish policies and procedures to ensure that future construction projects address the needs of the different BOP stakeholders during the pre-construction planning process, and that the process is adequately documented.

**Recommendation 3: Ensure that future construction-related acquisition plans fully address FAR, JAR, and BOP requirements; provide specific and unique information for the particular project; and are completed in advance of the solicitation release date.**

**Initial Response:** The BOP agrees with this recommendation. The BOP will ensure that future construction-related acquisition plans fully address FAR, JAR, and BOP requirements; provide specific and unique information for the particular project; and are completed in advance of the solicitation release date.

**Recommendation 4: Establish policies and procedures to ensure that interim performance assessment reports for its construction contracts are entered into the Contractor Performance Assessment Reporting System.**

**Initial Response:** The BOP agrees with this recommendation. The BOP will establish policies and procedures to ensure that interim performance assessment reports for its construction contracts are entered into the Contractor Performance Assessment Reporting System.

**Recommendation 5: Consult the Justice Management Division to determine the best approach to ensure compliance with FAR 15.404-4 and take appropriate action, to include establishing or adopting from another agency a structured approach and examining profit for contract actions requiring cost analysis, as applicable.**

**Initial Response:** The BOP agrees with this recommendation. The BOP will consult the Justice Management Division to determine the best approach to ensure compliance with FAR 15.404-4 and take appropriate action, to include establishing or adopting from another agency a structured approach and examining profit for contract actions requiring cost analysis, as applicable.

**Recommendation 6: Reassess the profit threshold contained in its Technical Design Guidelines to ensure it provides proper motivation for optimum contract performance and avoids use of historical figures and predetermined percentages, pursuant to guidance in FAR 15.404-4.**



**Initial Response:** The BOP agrees with this recommendation. The BOP will reassess the profit threshold contained in its Technical Design Guidelines to ensure it provides proper motivation for optimum contract performance and avoids use of historical figures and predetermined percentages, pursuant to guidance in FAR 15.404-4.

**Recommendation 7: Update its Technical Design Guidelines or similar specifications to exclude bond and insurance costs from contractor calculations of overhead to reflect the FAR and current BOP practice.**

**Initial Response:** The BOP agrees with this recommendation. The BOP will update its Technical Design Guidelines or similar specifications to exclude bond and insurance costs from contractor calculations of overhead to reflect the FAR and current BOP practice.

**Recommendation 8: Establish policies and procedures to ensure that the required subcontract amounts are included in invoices for future contracts.**

**Initial Response:** The BOP agrees with this recommendation. The BOP will establish policies and procedures to ensure that the required subcontract amounts are included in invoices for future contracts.

**OFFICE OF THE INSPECTOR GENERAL  
ANALYSIS AND SUMMARY OF ACTIONS  
NECESSARY TO CLOSE THE REPORT**

The Office of the Inspector General (OIG) provided a draft of this audit report to the Federal Bureau of Prisons (BOP) and Sealaska Constructors, LLC (SCL). BOP's response is incorporated into Appendix 3. SCL elected not to provide a formal response. BOP concurred with all eight of our audit recommendations, and as a result, the status of the audit report is resolved. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

**Recommendations for BOP:**

- 1. Develop a facility design standard for Federal Satellite Low (FSL) facilities and pre-conversion procedures that assess whether a minimum security facility can feasibly sustain an FSL conversion.**

Resolved. BOP concurred with our recommendation.

This recommendation can be closed when we receive evidence that the BOP developed a facility design standard for Federal Satellite Low (FSL) facilities and pre-conversion procedures that assess whether a minimum security facility can feasibly sustain an FSL conversion.

- 2. Establish policies and procedures to ensure that future construction projects address the needs of the different BOP stakeholders during the pre-construction planning process, and that the process is adequately documented.**

Resolved. BOP concurred with our recommendation.

This recommendation can be closed when we receive evidence that the BOP established policies and procedures to ensure that future construction projects address the needs of the different BOP stakeholders during the pre-construction planning process, and that the process is adequately documented.

- 3. Ensure that future construction-related acquisition plans fully address FAR, JAR, and BOP requirements; provide specific and unique information for the particular project; and are completed in advance of the solicitation release date.**

Resolved. BOP concurred with our recommendation.

This recommendation can be closed when we receive evidence that the BOP ensured that future construction-related acquisition plans fully address FAR,

JAR, and BOP requirements; provide specific and unique information for the particular project; and are completed in advance of the solicitation release date.

- 4. Establish policies and procedures to ensure that interim performance assessment reports for its construction contracts are entered into the Contractor Performance Assessment Reporting System.**

Resolved. BOP concurred with our recommendation.

This recommendation can be closed when we receive evidence that the BOP established policies and procedures to ensure that interim performance assessment reports for its construction contracts are entered into the Contractor Performance Assessment Reporting System.

- 5. Consult the Justice Management Division to determine the best approach to ensure compliance with FAR 15.404-4 and take appropriate action, to include establishing or adopting from another agency a structured approach and examining profit for contract actions requiring cost analysis, as applicable.**

Resolved. BOP concurred with our recommendation.

This recommendation can be closed when we receive evidence that the BOP consulted the Justice Management Division to determine the best approach to ensure compliance with FAR 15.404-4 and take appropriate action, to include establishing or adopting from another agency a structured approach and examining profit for contract actions requiring cost analysis, as applicable.

- 6. Reassess the profit threshold contained in its Technical Design Guidelines to ensure it provides proper motivation for optimum contract performance and avoids use of historical figures and predetermined percentages, pursuant to guidance in FAR 15.404-4.**

Resolved. BOP concurred with our recommendation.

This recommendation can be closed when we receive evidence that the BOP reassessed the profit threshold contained in its Technical Design Guidelines to ensure it provides proper motivation for optimum contract performance and avoids use of historical figures and predetermined percentages, pursuant to guidance in FAR 15.404-4.

- 7. Update its Technical Design Guidelines or similar specifications to exclude bond and insurance costs from contractor calculations of overhead to reflect the FAR and current BOP practice.**

Resolved. BOP concurred with our recommendation.

This recommendation can be closed when we receive evidence that the BOP updated its Technical Design Guidelines or similar specifications to exclude bond and insurance costs from contractor calculations of overhead to reflect the FAR and current BOP practice.

**8. Establish policies and procedures to ensure that the required subcontract amounts are included in invoices for future contracts.**

Resolved. BOP concurred with our recommendation.

This recommendation can be closed when we receive evidence that the BOP established policies and procedures to ensure that the required subcontract amounts are included in invoices for future contracts.



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