



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

10TH

ANNIVERSARY

SEMIANNUAL REPORT TO THE CONGRESS

October 1, 2012 through March 31, 2013

Prepare, Respond, and Recover



Statistical Highlights of OIG Activities

October 1, 2012 through March 31, 2013

Dollar Impact

Questioned Costs	\$300,143,848
Funds Put to Better Use	\$15,884,551
Management Agreement That Funds Be Deobligated	\$7,868,458
Funds Recovered/Deobligated (from audits and investigations)	\$21,516,602
Fines, Restitutions, and Administrative Cost Savings	\$3,201,122

Activities

Management Reports Issued	50
Disaster Assistance Grant Reports Issued	27
Investigative Reports Issued	475
Investigations Initiated	320
Investigations Closed	516
Open Investigations	1,346
Investigations Referred for Prosecution	215
Investigations Accepted for Prosecution	76
Investigations Declined for Prosecution	92
Arrests	79
Indictments	59
Convictions	83
Personnel Actions	41
Total Complaints Received	7,868
Complaints Referred (to programs or other agencies)	7,263
Complaints Closed	8,099



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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

April 30, 2013

The Honorable Janet Napolitano
Secretary
U.S. Department of Homeland Security
Washington, DC 20528

Dear Madam Secretary:

I am pleased to present our semiannual report, which summarizes the activities and accomplishments of the Department of Homeland Security (DHS) Office of Inspector General for the 6-month period ended March 31, 2013.

During this reporting period, our office published 50 management reports and 27 financial assistance grant reports. DHS concurred with 91 percent of the recommendations in our reports. As a result of these efforts, we identified \$300.1 million of questioned costs, of which \$147.6 million was not supported by documentation. We recovered \$21.5 million as a result of disallowed costs identified from previous audit reports and from investigative efforts. We identified \$15.9 million in funds that could be put to better use.

In the investigative area, we issued 475 investigative reports, initiated 320 investigations, and closed 516 investigations. Our investigations resulted in 79 arrests, 59 indictments, 83 convictions, and 41 personnel actions. Additionally, we reported \$3.2 million in collections resulting from fines and restitutions, administrative cost savings, and other recoveries.

I would like to take this opportunity to thank you for the interest and support that you have provided to our office. We look forward to working closely with you, your leadership team, and Congress to promote economy, efficiency, and effectiveness in DHS programs and operations, and to help the Department accomplish its critical mission and initiatives in the months ahead.

Sincerely,

A handwritten signature in black ink, reading "Charles K. Edwards".

Charles K. Edwards
Deputy Inspector General

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Working Relationship Principles for Agencies and Offices of Inspector General

The *Inspector General Act* establishes for most agencies an Office of Inspector General (OIG) and sets out its mission, responsibilities, and authority. The Inspector General is under the general supervision of the agency head. The unique nature of the Inspector General function can present a number of challenges for establishing and maintaining effective working relationships. The following working relationship principles provide some guidance for agencies and OIGs.

To work together most effectively, the agency and its OIG need to clearly define what the two consider to be a productive relationship and then consciously manage toward that goal in an atmosphere of mutual respect.

By providing objective information to promote Government management, decision making, and accountability, the OIG contributes to the agency's success. The OIG is an agent of positive change, focusing on eliminating waste, fraud, and abuse and on identifying problems and recommendations for corrective actions by agency leadership. The OIG provides the agency and Congress with objective assessments of opportunities to be more successful. The OIG, although not under the direct supervision of senior agency management, must keep them and the Congress fully and currently informed of significant OIG activities. Given the complexity of management and policy issues, the OIG and the agency may sometimes disagree on the extent of a problem and the need for and scope of corrective action. However, such disagreements should not cause the relationship between the OIG and the agency to become unproductive.

To work together most effectively, the OIG and the agency should strive to—

Foster open communications at all levels.

The agency will promptly respond to OIG requests for information to facilitate OIG activities and acknowledge challenges that the OIG can help address. Surprises are to be avoided. With very limited exceptions, primarily related to investigations, the OIG should keep the agency advised of its work and its findings on a timely basis, and strive to provide information helpful to the agency at the earliest possible stage.

Interact with professionalism and mutual respect. Each party should always act in good faith and presume the same from the other. Both parties share, as a common goal, the successful accomplishment of the agency's mission.

Recognize and respect the mission and priorities of the agency and the OIG.

The agency should recognize the OIG's independent role in carrying out its mission within the agency, while recognizing the responsibility of the OIG to report both to Congress and to the agency head. The OIG should work to carry out its functions with a minimum of disruption to the primary work of the agency. The agency should allow the OIG timely access to agency records and other materials.

Be thorough, objective, and fair. The OIG must perform its work thoroughly, objectively, and with consideration to the agency's point of view. When responding, the agency will objectively consider differing opinions and means of improving operations. Both sides will recognize successes in addressing management challenges.

Be engaged. The OIG and agency management will work cooperatively in identifying the most important areas for OIG work, as well as the best means of addressing the results of that work, while maintaining the OIG's statutory independence of operation. In addition, agencies need to recognize that the OIG will need to carry out work that is self-initiated, congressionally requested, or mandated by law.

Be knowledgeable. The OIG will continually strive to keep abreast of agency programs and operations, and will keep agency management informed of OIG activities and concerns being raised in the course of OIG work. Agencies will help ensure that the OIG is kept up to date on current matters and events.

Provide feedback. The agency and the OIG will implement mechanisms, both formal and informal, to ensure prompt and regular feedback.

Executive Summary

This Semiannual Report to the Congress is issued pursuant to the provisions of Section 5 of the *Inspector General Act of 1978*, Public Law 95-452, as amended (*Inspector General Act*), and covers the period from October 1, 2012, to March 31, 2013. The report is organized to reflect our organization and that of the Department of Homeland Security.

During this reporting period, we completed significant audit, inspection, and investigative work to promote the economy, efficiency, effectiveness, and integrity of the Department's programs and operations. Specifically, we issued 50 management reports (appendix 3), 27 disaster assistance grant reports (appendix 4), and 475 investigative reports. Our reports provide the Department Secretary and Congress with an objective assessment of the issues, and at the same time provide specific recommendations to correct deficiencies and improve the economy, efficiency, and effectiveness of the respective programs.

Also, our audits resulted in questioned costs of \$300,143,848, of which \$147,561,804 was not supported by documentation. We recovered

\$21,516,602 (appendix 5) as a result of disallowed costs identified from current and previous audit reports and from investigative efforts. We identified \$15,884,551 in funds that could be put to better use. In the investigative area, we initiated 320 investigations and closed 516 investigations. Our investigations resulted in 79 arrests, 59 indictments, 83 convictions, and 41 personnel actions. Additionally, we reported \$3,201,122 in collections resulting from fines and restitutions, administrative cost savings, and other recoveries.

We have a dual reporting responsibility to both the Congress and the Department Secretary. During the reporting period, we continued our active engagement with Congress through extensive meetings, briefings, and dialogues. Members of Congress, their staffs, and the Department's authorizing and appropriations committees and subcommittees met on a range of issues relating to our work and that of the Department. We also testified before Congress on three occasions during this reporting period. Testimony prepared for these hearings may be accessed through our website at www.oig.dhs.gov/.

Department of Homeland Security Profile

On November 25, 2002, President Bush signed the *Homeland Security Act of 2002*, Public Law 107-296, as amended, officially establishing DHS with the primary mission of protecting the American homeland. DHS became operational on January 24, 2003. Formulation of DHS took a major step forward on March 1, 2003, when, according to the President's reorganization plan, 22 agencies and approximately 181,000 employees were transferred to the new Department.

DHS' first priority is to protect the United States against further terrorist attacks. Component agencies analyze threats and intelligence, guard U.S. borders and airports, protect America's critical infrastructure, and coordinate U.S. preparedness for and response to national emergencies.

DHS is organized into the following components:

- Directorate for Management
- Directorate for National Protection and Programs
- Directorate for Science and Technology
- Domestic Nuclear Detection Office
- Federal Emergency Management Agency
- Federal Law Enforcement Training Center
- Office for Civil Rights and Civil Liberties
- Office of General Counsel
- Office of Health Affairs
- Office of Inspector General
- Office of Intelligence and Analysis
- Office of Legislative Affairs
- Office of Operations Coordination and Planning
- Office of Policy
- Privacy Office
- Transportation Security Administration
- United States Citizenship and Immigration Services
- United States Coast Guard
- United States Customs and Border Protection
- United States Immigration and Customs Enforcement
- United States Secret Service

Office of Inspector General Profile

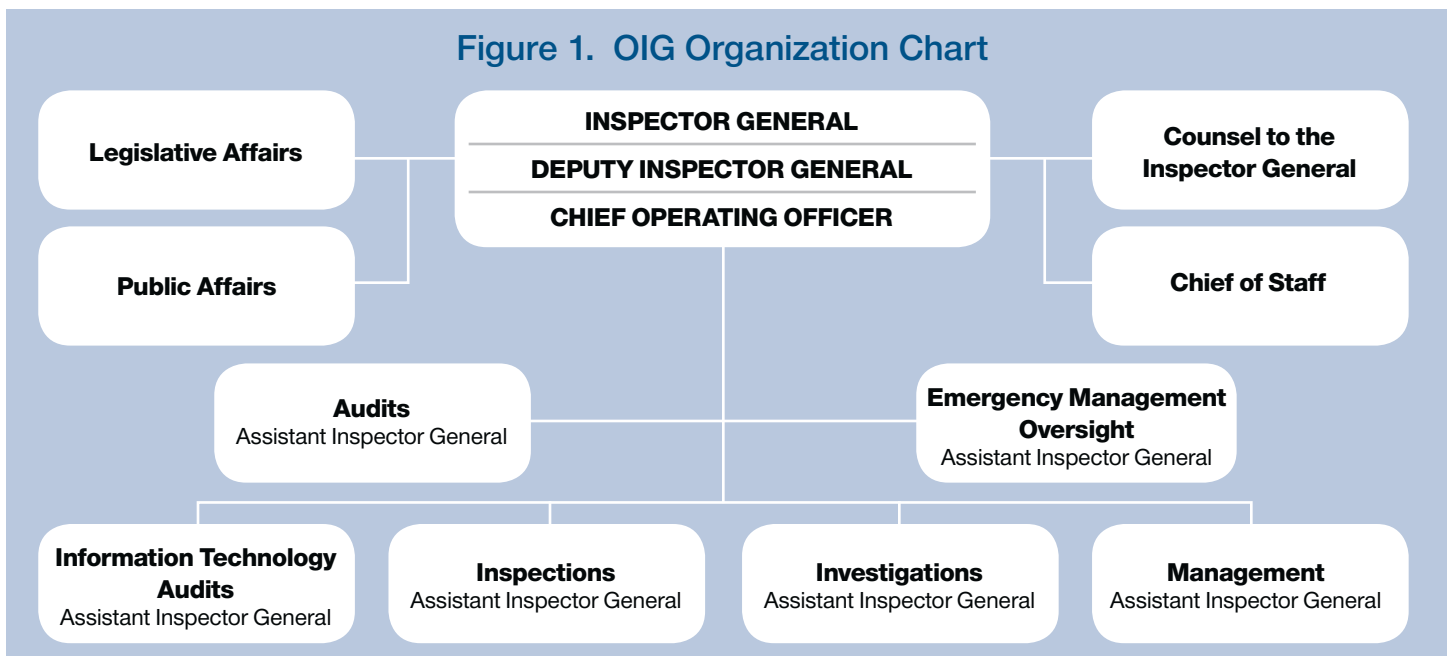
The *Homeland Security Act of 2002* provided for the establishment of an OIG in DHS by amendment to the *Inspector General Act*. By this action, Congress and the administration ensured independent and objective audits, inspections, and investigations of the operations of the Department.

The Inspector General is appointed by the President, subject to confirmation by the Senate, and reports directly to the Secretary of DHS and to Congress. The *Inspector General Act* ensures the Inspector General’s independence. This independence enhances our ability to prevent and detect fraud, waste, and abuse, as well as to provide objective and credible reports to the Secretary and Congress regarding the economy, efficiency, and effectiveness of DHS’ programs and operations.

We were authorized 681 full-time employees during the reporting period. We currently consist of an Executive Office and 9 functional components based in Washington, DC, with field offices throughout the country. During this period, we

initiated a strategic reorganization of our leadership team and office structure to improve our operations and enhance our support of DHS’ mission. Our reorganization plan provides focused executive leadership for daily operations and enhances our compliance program, among other organizational changes. We have added a Chief Operating Officer to our Executive Office leadership team and are in the process of transitioning our various compliance and internal review and inspection programs to our new Office of Integrity and Quality Oversight. This office will be led by an independent Assistant Inspector General and include our Hotline and Whistleblower Protection/Ombudsman; and Quality Assurance for Investigations, Audits, and Inspections. We will also merge our Offices of Legislative Affairs and Public Affairs into the Office of External Affairs. We anticipate that these changes will result in a more efficient and responsive OIG, revitalize our oversight efforts, and better serve our dedicated employees. We will feature our new management team in our next semiannual report. Figure 1 illustrates the OIG management team during the reporting period.

Figure 1. OIG Organization Chart





OIG consists of the following components:

The Executive Office consists of the Inspector General, the Deputy Inspector General, the Chief Operating Officer, a Chief of Staff, a Senior Management Analyst, and a Special Assistant. It provides executive leadership to OIG.

The Office of Legislative Affairs (OLA) is the primary liaison to members of Congress and their staffs. Specifically, OLA responds to inquiries from Congress; notifies Congress about OIG initiatives, policies, and programs; coordinates preparation of testimony, briefings, and talking points for Congress; and tracks legislation of interest to the Department and the Inspector General community. OLA tracks congressional requests, which are either submitted by a member of Congress or mandated through legislation. OLA also provides advice to the Inspector General and supports OIG staff as they address questions and requests from Congress.

The Office of Public Affairs (OPA) is OIG's principal point of contact for all media outlets and the public. OPA provides news organizations with accurate and timely information in compliance with legal, regulatory, and procedural rules. OPA prepares and issues news releases, arranges interviews, and coordinates and analyzes information to support OIG's policy development and mass communications needs. OPA is responsible for developing OIG's integrated communications strategy and helps promote understanding and transparency of OIG work products. In addition, OPA advises the Inspector General and others within OIG on complex programmatic and public affairs issues that affect OIG and its relationship with DHS, other Federal agencies, State and local government, the media, and the public.

The Office of Counsel provides legal advice to the Inspector General and other management officials; supports audits, inspections, and investigations by identifying and construing applicable laws and regulations; serves as OIG's designated ethics office; manages OIG's *Freedom of Information Act* and *Privacy Act* responsibilities; represents OIG in administrative litigation and assists the Department of Justice in Federal litigation affecting OIG; furnishes attorney services for the issuance and enforcement of OIG subpoenas; reviews OIG reports for legal sufficiency; reviews proposed legislation and regulations; proposes legislation on behalf of OIG; and provides legal advice on OIG operations.

The Office of Audits (OA) conducts and coordinates audits and program evaluations of the management and financial operations of the management and financial operations of DHS. Auditors examine the methods that the Department, components, grantees, and contractors employ in carrying out essential programs or activities. Audits evaluate whether established goals and objectives are achieved, resources are used economically and efficiently, and intended and realized results are consistent with laws, regulations, and good business practice; and determine whether financial accountability is achieved and the financial statements are not materially misstated.

The Office of Emergency Management Oversight (EMO) performs independent and objective audits on the effectiveness, efficiency, and economy of Federal Emergency Management Agency (FEMA) programs with an emphasis on disaster relief fund spending, while identifying fraud, waste, and abuse as early as possible. EMO keeps Congress, the Secretary, the FEMA Administrator, and

others informed on needed improvements relating to disaster operations and assistance programs, and progress regarding corrective actions. EMO focuses on safeguarding Federal funds by reviewing internal controls and monitoring and advising DHS and FEMA officials on contracts, grants, and purchase transactions.

The Office of Information Technology Audits (ITA) conducts audits and evaluations of DHS' information technology (IT) management, cyber infrastructure, systems integration, and systems privacy activities protections. ITA reviews the cost-effectiveness of acquisitions, implementation, and management of major systems and telecommunications networks across DHS. ITA audits systems that affect privacy to assess whether the organizational governance, culture, and safeguards comply with Federal privacy requirements. In addition, it evaluates the systems and related architectures of DHS to ensure that they are effective, efficient, and implemented according to applicable policies, standards, and procedures. The office also assesses DHS' cybersecurity program as mandated by the *Federal Information Security Management Act* (FISMA). In addition, ITA conducts audits and provides technical forensics assistance to OIG offices in support of OIG's fraud prevention and detection program.

The Office of Inspections (ISP) provides the Inspector General with a means to analyze programs quickly and to evaluate operational efficiency, effectiveness, and vulnerability. This work includes special reviews of sensitive issues

that arise suddenly and congressional requests for studies that require immediate attention. ISP may examine any area of the Department. In addition, it is the lead OIG office for reporting on DHS intelligence, international affairs, civil rights and civil liberties, and science and technology. Inspectors use a variety of study methods and evaluation techniques to develop recommendations for DHS. Inspection reports are released to DHS, Congress, and the public.

The Office of Investigations (INV) investigates allegations of criminal, civil, and administrative misconduct involving DHS employees, contractors, grantees, and programs. These investigations can result in criminal prosecutions, fines, civil monetary penalties, administrative sanctions, and personnel actions. INV also provides oversight and monitors the investigative activity of DHS' various internal affairs offices.

The Office of Management (OM) provides administrative support functions, including OIG strategic planning; development and implementation of administrative directives; OIG's information and office automation systems; budget formulation and execution; correspondence control; personnel and procurement services; security; training and workforce development; and oversight of the travel and accounting services provided to OIG on a reimbursable basis by the Bureau of the Public Debt. OM also prepares OIG's annual performance plan and semiannual reports to Congress.

SUMMARY OF SIGNIFICANT OIG ACTIVITY



DIRECTORATE FOR MANAGEMENT

MANAGEMENT REPORTS

Evaluation of DHS' Information Security Program for Fiscal Year 2012

DHS continues to improve and strengthen its information security program. Although these efforts have resulted in some improvements, components are still not executing all of the Department's policies, procedures, and practices. For example, our review identified several exceptions to a strong and effective information security program: (1) systems are being authorized even though key information is missing or outdated; (2) plans of action and milestones (POA&M) are not being created for all known information security weaknesses or mitigated in a timely manner; and (3) baseline security configurations are not being implemented for all systems. Additional information security program areas that need improvement include incident detection and analysis, specialized training, account and identity management, continuous monitoring, and contingency planning. We made six recommendations aimed at improving DHS' information security program, including improvements in continuous monitoring, POA&M, security authorization, and DHS baseline configuration areas. The Department concurred with all six recommendations.

(OIG-13-04, October 2012, ITA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-04_Oct12.pdf

Major Management Challenges Facing the Department of Homeland Security

As required by the *Reports Consolidation Act of 2000* (Public Law 106-531), we update our assessment of DHS' major management challenges annually. In previous years, the Department's major challenges are reported in broad areas. For better understanding of how these areas relate to the overall operations of the organiza-

tion, they have been categorized into two main themes: mission areas and accountability issues. In fiscal year (FY) 2012, we identified the following major management challenges: intelligence, transportation security, border security, infrastructure protection, disaster preparedness and response, financial management, information technology management, grants management, employee accountability and integrity, and cybersecurity. DHS continues to move beyond operating as an organization in transition to a department diligently working to protect our borders and critical infrastructure, preventing dangerous people and goods from entering our country, and recovering from natural disasters effectively. However, although progress has been made, the Department still has much to do to establish a cohesive, efficient, and effective organization. (OIG-13-09, December 2012, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-09_Dec12.pdf

Independent Auditors' Report on DHS' FY 2012 Financial Statements and Internal Control over Financial Reporting

KPMG LLP (KPMG), under contract with DHS OIG, conducted an audit of DHS' balance sheet as of September 30, 2012, and the related financial statements for FY 2012. KPMG also conducted an examination of internal control over financial reporting of the financial statements as of September 30, 2012. KPMG's qualified opinion stated that the FY 2012 financial statements were fairly stated, except for a portion of general property and equipment at the United States Coast Guard (USCG). Additionally, as stated in the Secretary's Assurance Statement, the Department has material weaknesses in internal control over financial reporting, thus KPMG was unable to opine on DHS' internal control over financial reporting of the financial statements as of September 30, 2012. The FY 2012 independent auditors' report discusses eight significant deficiencies in internal control, of which five are considered material weaknesses, and four instances

of noncompliance with laws and regulations, as follows:

Significant Deficiencies That Are Considered To Be Material Weaknesses

- A. Financial Reporting
- B. Information Technology Controls and Financial System Functionality
- C. Property, Plant, and Equipment
- D. Environmental and Other Liabilities
- E. Budgetary Accounting

Other Significant Deficiencies

- F. Entity-Level Controls
- G. Grants Management
- H. Custodial Revenue and Drawback

Noncompliance with Laws and Regulations

- I. *Federal Managers' Financial Integrity Act of 1982*
- J. *Federal Financial Management Improvement Act of 1996*
- K. *Single Audit Act Amendments of 1996*
- L. *Antideficiency Act*

(OIG-13-20, November 2012, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-20_Nov12.pdf

DHS Contracts Awarded Through Other Than Full and Open Competition During Fiscal Year 2012

DHS obligated about \$389 million during FY 2012 for contracts awarded noncompetitively, or through other than full and open competition. Congress required OIG to review the Department's noncompetitive contracts awarded during FYs 2008 through 2012. We concluded that the Department continued to improve its management oversight of acquisition personnel's compliance with policies and procedures. However, these personnel did not always document their consideration of vendors' past performance when researching background on eligible contractors. As a result, DHS cannot be assured that acquisition personnel always awarded government contracts to eligible and qualified vendors as required. We made one recommendation to improve acquisition management oversight by ensuring that acquisition personnel considered and documented in the

contract files vendors' past performance before awarding noncompetitive contracts.

(OIG-13-36, February 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-36_Feb13.pdf

Management Letter for the FY 2012 DHS Financial Statements and Internal Control over Financial Reporting Audit

KPMG, under contract with DHS OIG, conducted an audit of the Department's FY 2012 consolidated financial statements and an examination of internal control over financial reporting. KPMG expressed a qualified opinion on the financial statements, but was unable to form an opinion on DHS' internal control over financial reporting. KPMG noted certain matters involving internal control and other operational matters that resulted in 114 financial management comments and 215 recommendations. These comments, all of which were discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies. These comments are in addition to the significant deficiencies presented in our *Independent Auditors' Report*, dated November 14, 2012, included in the *FY 2012 Department of Homeland Security Annual Financial Report*.

(OIG-13-38, February 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-38_Feb13.pdf

Department of Homeland Security's FY 2012 Compliance with the Improper Payments Elimination and Recovery Act of 2010

The *Improper Payments Elimination and Recovery Act of 2010* (IPERA) requires each agency's Inspector General to annually determine if the agency is in compliance with IPERA. We contracted with KPMG to determine whether DHS complied with IPERA in FY 2012. KPMG did not identify any instances of noncompliance with IPERA. We also reviewed the accuracy and completeness of the Department's improper payment reporting and its efforts to reduce and recover overpayments. DHS needs to improve internal controls to ensure the accuracy and completeness of improper payment reporting. Specifically, it needs to improve its review

processes to ensure that the risk assessments properly support the components' determination of programs susceptible to significant improper payments. Furthermore, it needs to segregate duties and improve its policies and procedures to identify, reduce, and report improper payments. The Department concurred with all eight recommendations.

(OIG-13-47, March 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-47_Feb13.pdf

DIRECTORATE FOR NATIONAL PROTECTION AND PROGRAMS

MANAGEMENT REPORTS

DHS Can Make Improvements To Secure Industrial Control Systems

The National Protection and Programs Directorate (NPPD) has strengthened the security of industrial control systems by establishing the Industrial Control Systems Cyber Emergency Response Team to address the need to share critical cybersecurity information, analyze vulnerabilities, verify emerging threats, and disseminate mitigation strategies. NPPD also facilitates cybersecurity information sharing between the public and private sectors through various working groups, issuing alerts and bulletins, and conducting cybersecurity training and conferences regarding industrial control systems.

Although NPPD has made progress in securing control systems, further improvements can be made in information sharing. Specifically, NPPD needs to consolidate the multiple information sharing communities of interests used to disseminate control system cybersecurity information. Additionally, NPPD should provide advance notification of technical and ongoing vulnerability and malware assessments to better coordinate response efforts with the public and private sectors. We recommended that NPPD collaborate with the DHS Chief Information Officer to streamline the Homeland Security Information Network portal to ensure that industrial control system

cyber information is shared effectively. Additionally, NPPD should promote collaboration with sector-specific agencies and private sector owners/operators by communicating preliminary technical and onsite assessment results to address and mitigate potential security threats on industrial control systems. Management concurred with both recommendations.

(OIG-13-39, February 2013, ITA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-39_Feb13.pdf

Effectiveness of the Infrastructure Security Compliance Division's Management Practices to Implement the Chemical Facility Anti-Terrorism Standards Program

The DHS Infrastructure Security Compliance Division (ISCD) regulates chemical facilities that may present a high-level security risk through the Chemical Facility Anti-Terrorism Standards (CFATS) Program. In December 2011, an ISCD limited distribution memorandum was leaked to news media. This memorandum disclosed allegations of employee misconduct and inadequate performance, as well as misuse of funds and ineffective hiring within the CFATS Program. We concluded that CFATS Program progress has been slowed by inadequate tools, poorly executed processes, and insufficient feedback on facility submissions. In addition, program oversight had been limited, and confusing terminology and absence of appropriate metrics led to misunderstandings of program progress. ISCD still struggles with a reliance on contractors and the inability to provide employees with appropriate training. Overall efforts to implement the program have resulted in systematic noncompliance with sound Federal Government internal controls and fiscal stewardship, and employees perceive that their opinions have been suppressed or met with retaliation. Although we were unable to substantiate any claims of retaliation or suppression of nonconforming opinions, the ISCD work environment and culture cultivates this perception. Despite these challenges, the regulated community views the CFATS Program as necessary in establishing a level playing field across a diverse industry. We are making 24 recommendations to correct these deficiencies and attain intended

program results and outcomes. ISCD concurred with 19 recommendations, partially concurred with 1, and did not concur with 4.

(OIG-13-55, March 2013, ISP)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-55_Mar13.pdf

FEDERAL EMERGENCY MANAGEMENT AGENCY

MANAGEMENT REPORTS

Costs Incurred by the Volunteer Fire and Rescue of Harrison Township, IN, Under Station Construction Grant Number EMW-2009-FC-06054R

The Federal Emergency Management Agency (FEMA) granted \$1,149,490 of *American Recovery and Reinvestment Act of 2009*, as amended, (Recovery Act) funds to the Volunteer Fire and Rescue of Harrison Township, Indiana (Fire Department), for construction of a new fire station. We audited costs totaling \$76,591 incurred by the Fire Department from January 2010 through December 2011 to determine whether the costs were allowable, allocable, and reasonable according to the grant agreement and applicable Federal requirements. We did not question any costs. In addition, we determined that concerns provided



Smithville, MS, May 1, 2011 — FEMA Administrator Craig Fugate confers with Mississippi Emergency Management Agency (MEMA) Director Mike Womack, and MEMA Deputy Director Lea Crager (left) as they survey damage in Smithville, MS. FEMA Public Affair / Photo by Tim Burkitt

to us by FEMA regarding project authorization, station size, and the Fire Department's procurement process had been addressed or were unfounded. The report did not contain any recommendations.

(OIG-13-01, October 2012, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-01_Oct12.pdf

Costs Claimed by Snoqualmie Pass, WA, Fire & Rescue Under Fire Station Construction Grant Number EMW-2009-FC-02883R

The objective of the audit was to determine whether costs claimed were allowable, allocable, and reasonable according to the grant agreement and applicable Federal requirements. With Recovery Act funds, FEMA awarded a grant of \$4,007,374 to Snoqualmie Pass Fire & Rescue (Fire & Rescue) to construct new fire stations. We determined that Fire & Rescue had incurred sufficient allowable, allocable, and reasonable costs to earn costs claimed of \$4,007,374. In addition, we verified that Fire & Rescue submitted to the Federal Government the required quarterly reports on project activities. We also determined that Fire & Rescue ensured compliance with the Recovery Act requirements for paying prevailing wages and using American-made iron, steel, and manufactured goods in the construction of the project. The report contains no recommendations.

(OIG-13-02, October 2012, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-02_Oct12.pdf

Costs Claimed by the Port Authority of New York and New Jersey Under Transit Security Grant No. 2009-RA-R1-0105

FEMA granted \$48,286,592 to the Port of New York and New Jersey (Port) to fund exterior and interior mitigation measures to strengthen the PATH rail tunnels connecting cities in northern New Jersey to Manhattan. We determined that \$42,020,112 claimed under the grant were allowable, allocable, and reasonable according to the grant and applicable Federal requirements. We also determined that the Port fulfilled the requirements for submitting quarterly reports, for paying prevailing wages, and for complying with

the requirement for buying goods manufactured in America. However, the Port did not follow Office of Management and Budget's guidance in calculating the number of jobs presented in its quarterly recipient reports to the Federal Government. We are not recommending any corrective action regarding this matter because the guidance does not allow prior reports to be changed.

(OIG-13-03, October 2012, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-03_Oct12.pdf

The State of Illinois' Management of Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 Through 2008

The State of Illinois received approximately \$145 million in Urban Areas Security Initiative (UASI) grants awarded by FEMA during FYs 2006 through 2008. This audit was mandated by Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, as amended, to determine whether the State distributed and spent UASI grant funds strategically, effectively, and in compliance with laws and regulations, and guidance.

Generally, the State did an efficient and effective job of administering the program requirement and distributing grant funds to the State's two UASI subgrantees. The Chicago/Cook County urban area developed measurable goals, which were reflected in the Urban Area Strategy, and linked all-hazards capabilities to goals through related projects. It used reasonable methodologies for prioritizing needs, and the State distributed funds and resources based on the Urban Area strategic goals and investment justifications. Grants were generally administered in compliance with applicable guidance and the State generally provided adequate monitoring and oversight.

However, improvements are needed in the State's management of UASI grants to enhance capabilities and risk assessments; improve the performance measurement process; require the Urban Area subgrantees to comply with property, inventory, and procurement requirements; and ensure subgrantee funds are awarded in a timely manner.

The eight recommendations call for FEMA to initiate improvements, which if implemented, should help strengthen program management, performance, and oversight. FEMA concurred with the intent of three recommendations and concurred with the remaining five recommendations. The Illinois Emergency Management Agency agreed with the recommendations.

(OIG-13-08, November 2012, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-08_Nov12.pdf

The Commonwealth of Virginia's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008 Through 2010

The Commonwealth of Virginia received \$96.8 million in Homeland Security Grant Program funds during fiscal years 2008 through 2010, of which \$90 million was in State Homeland Security Program (SHSP) and UASI grants. Public Law 11053, *Implementing Recommendations of the 9/11 Commission Act of 2007*, requires us to audit individual States' management of SHSP and UASI grants, and accordingly our objectives were to determine whether the Commonwealth distributed and spent grant funds (1) effectively and efficiently and (2) in compliance with applicable Federal laws and regulations. We also addressed the extent to which grant funds enhanced the Commonwealth's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. In most instances, the Commonwealth distributed and spent SHSP and UASI grant funds in compliance with applicable Federal laws and regulations. However, the Commonwealth needs to (1) develop a comprehensive performance measurement system, (2) strengthen grant management oversight, and (3) award and expend grant funds in a timely manner. We made seven recommendations to FEMA, which when implemented, should strengthen program management, performance, and oversight. FEMA concurred with our recommendations and is taking steps or planning to take steps for corrective actions.

(OIG-13-10, November 2012, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-10_Nov12.pdf

Costs Claimed by the Chicago Transit Authority for the Subway Security and SCADA Project – Video Analytics and Intrusion Detection, and the Public Transport Anti-Terrorism Team Program, Grant Numbers 2009-RA-RI-0106 and 2009-RA-RI-0093

DHS Transit Security Grant Program (TSGP) focuses on the use of visible, unpredictable deterrents to reduce risk to transit systems. On July 31, 2009, FEMA awarded \$4,869,000 in TSGP funding to the Chicago Transit Authority (CTA) to create three new Chicago Police Department antiterrorism teams to be assigned to the department's Public Transportation Unit. In addition, on September 29, 2009, FEMA awarded \$6,944,528 in TSGP funding to the CTA under grant number 2009-RA-RI-0106, to design and implement a comprehensive Subway Security & Supervisory Control and Acquisition System (SCADA) in the CTA's underground and underwater subway infrastructure system. We determined the CTA expended \$6,508,560 in TSGP funding to enhance subway security in a manner that was allowable, allocable, and reasonable. We also determined the CTA was compliant with Recovery Act and grant agreement requirements governing the submission of quarterly Recovery Act reports and the accounting of all eligible/applicable acquisitions, payroll, and indirect costs.

(OIG-13-12, December 2012, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-12_Dec12.pdf

Federal Emergency Management Agency Needs To Improve Its Internal Controls Over the Use of Disaster Assistance Employees

FEMA is authorized to temporarily expand its staff size to respond to major disasters and emergencies, and is required to limit temporary staff employment to no more than 78 weeks during each 2-year period. We determined that about 1,600 out of 11,000 disaster assistance employees (14 percent) that were employed from October 2006 to September 2010 worked for more than the 78 weeks allowed by policy. FEMA paid roughly \$36 million more to these 1,600 employees than it would have had it followed its employment

policy. Many factors contributed to employment in excess of the policy, including system limitations that require time-consuming steps to track deployments, as well as mission considerations and the scarcity of skilled employees available to fill certain roles. We identified employees who were deployed ranging from an extra week or two, to being fully employed during the entire 4-year period we examined. However, it does not appear that FEMA's noncompliance with its policy resulted in FEMA spending on unnecessary work. In addition, we identified limited examples of FEMA employing disaster assistance employees on nondisaster-related work.

(OIG-13-13, November 2012, EMO)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-13_Nov12.pdf

FEMA's Sheltering and Temporary Essential Power Pilot Program

On October 29, 2012, Hurricane Sandy made landfall, resulting in loss of life, major flooding, structural damage, and power loss to more than 8.5 million homes and businesses and directly affecting more than 17 million individuals. A snow storm followed 9 days later causing additional damage and power outages. Thirteen days after Hurricane Sandy's landfall, 166,649 customers in New York, New Jersey, and Connecticut, remained without power, largely because of damaged electrical systems.

FEMA established the Sheltering and Temporary Essential Power pilot program to enable residents to return to or remain in their homes, as a form of shelter, while permanent repairs are completed, thereby reducing the number of individuals in shelters or in the Transitional Shelter Assistance Program.

FEMA's actions regarding this pilot program are consistent with the authorities granted by the Stafford Act. The program has the potential to provide the assistance necessary to save lives, protect public health and safety, and protect property. Nevertheless, FEMA should assess the risks of fraud, waste, and abuse associated with implementing the program and institute adequate

internal controls to protect against those vulnerabilities.

(OIG-13-15, December 2012, EMO)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-15_Dec12.pdf

The State of Rhode Island's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008 Through 2010

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, as amended, requires DHS OIG to audit individual States' management of SHSP and UASI grants. This report responds to the reporting requirement for the State of Rhode Island. Generally, the State of Rhode Island distributed and spent grants funds in compliance with applicable laws and regulations. However, improvements are needed in the following areas: developing a comprehensive strategy with measurable objectives, developing a performance measurement system to assess emergency preparedness, complying with procurement and inventory requirements, and strengthening onsite monitoring activities to ensure subgrantee compliance with grant requirements. These issues exist because FEMA and the Rhode Island Emergency Management Agency have not provided sufficient guidance and oversight for the grant process. We made six recommendations that call for FEMA to initiate improvements which, if implemented, should help strengthen grant program management, performance, and oversight. FEMA concurred with all six recommendations.

(OIG-13-16, December 2012, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-16_Dec12.pdf

FEMA's Efforts To Recoup Improper Payments in Accordance With the Disaster Assistance Recoupment Fairness Act of 2011 (4)

Our final letter report *FEMA's Efforts to Recoup Improper Payments in Accordance With the Disaster Assistance Recoupment Fairness Act of 2011 (4)* assesses the cost effectiveness of FEMA's efforts to recoup improper payments in accordance with the *Disaster Assistance Recoupment Fairness Act of 2011* (DARFA). FEMA did not always properly grant waivers for DARFA cases that it

adjudicated. Specifically, about 30 percent of the cases we reviewed in our statistically valid sample did not have adequate support to grant waivers. Conversely, we determined that approximately 70 percent of the cases we reviewed had sufficient evidence to support an applicant's waiver request. For cases that lacked adequate support, we are not categorically stating that FEMA should have denied the applicant's request; rather, our review of FEMA's decisions did not find sufficient information in these case files to meet the criteria set forth in either DARFA or FEMA's implementing regulations to justify the waiver.

As of December 10, 2012, FEMA adjudicated 20,369 cases totaling \$112,692,663 that were initially identified for recoupment. Of that amount, FEMA has granted waivers for applicants in approximately 86 percent of the cases it has reviewed. Specifically, FEMA has granted 17,517 waivers and denied 2,852 waivers totaling \$97,664,769 and \$15,027,894, respectively. FEMA has recouped from denied waivers \$2,774,295. Additionally, FEMA has expended an estimated \$9,569,776 on related activities. This includes planning and implementing provisions of the process, training employees, and conducting waiver activities. This is the fourth in a series of six Congressional mandated reports that will be issued every 3 months through June 2013. This report does not contain any recommendations. FEMA continues to process DARFA cases; therefore, it is too early to determine the cost effectiveness of this project. This issue will be addressed in future reports as information becomes available.

(OIG-13-17, December 2012, EMO)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-17_Dec12.pdf

Annual Report to Congress on States' and Urban Areas' Management of Homeland Security Grant Programs Fiscal Year 2012

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, requires DHS OIG to audit individual States' and territories' management of SHSP and UASI grants, and annually submit to Congress a report summarizing the results of those audits. This report responds to the annual reporting requirement and summarizes

audits of 16 States and territories completed in FY 2012.

FEMA awarded these States and territories more than \$924 million during the fiscal years audited. In most cases, the States did an efficient and effective job of administering the grant management program requirements in compliance with grant management guidance and regulations. We identified an innovative system that could be considered for use by other jurisdictions.

We identified two key areas for improvement: strategic planning and oversight of grant activities. We recommended that FEMA consider designating the Virgin Islands as a high-risk grantee. We also documented instances of prior recommendations that had not been resolved, and identified more than \$5.7 million in questioned costs. The report summarizes 130 recommendations addressing these areas. FEMA concurred with 99 of the recommendations, concurred with the intent of 28 recommendations, partially concurred with 1 recommendation, did not concur with 1 recommendation, and did not address 1 recommendation. Corrective actions are underway to implement them.

(OIG-13-18, December 2012, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-18_Dec12.pdf

Costs Claimed by Chicago Fire Department Under Fire Station Construction Grant Number EMW-2009-FC-05246R

We conducted an audit of the Chicago Fire Station Construction Grant to determine whether costs claimed by the Chicago Fire Department were allowable, allocable, and reasonable according to the grant agreement and applicable Federal requirements. We determined that the Chicago Fire Department had incurred sufficient allowable, allocable, and reasonable costs to earn the \$4,395,000 that it claimed for reimbursement. In addition, we concluded that the Chicago Fire Department complied with grant requirements for submitting quarterly Recovery Act reports to the Federal Government and for ensuring that contractors were paid prevailing wages and used American-made iron, steel, and manufactured

goods in the construction of the new fire station. The report contains no recommendations.

(OIG-13-22, January 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-22_Jan13.pdf

Independent Review of the Federal Emergency Management Agency's Reporting of FY 2012 Drug Control Obligations

KPMG, under contract with DHS OIG, issued an Independent Accountants' Report on the Table of Prior Year Drug Control Obligations for FEMA. FEMA's management prepared the Table of Prior Year Drug Control Obligations and the accompanying Unreasonable Burden Statement (collectively the Alternative Report) to comply with the requirements of the Office of National Drug Control Policy (ONDCP) Circular, *Drug Control Accounting*, dated May 1, 2007. Based on the review, nothing came to KPMG's attention that caused it to believe that the Alternative Report for the year ended September 30, 2012, is not presented, in all material respects, in conformity with ONDCP's Circular. KPMG did not issue any recommendations as a result of this review.

(OIG-13-29, January 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-29_Jan13.pdf

Wisconsin's Management of Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008 Through 2010

The State of Wisconsin received approximately \$43 million in SHSP and UASI grants during fiscal years 2008 through 2010. Our objective was to determine (1) whether grant funds were distributed and spent effectively and in compliance with applicable laws and regulations; and (2) the extent to which grant funds enhanced the State's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. In most cases, the State Administrative Agency, the Office of Justice Assistance, administered its grant programs in compliance with requirements in Federal grant guidance and regulations. Office of Justice Assistance linked program goals and objectives to national priorities and DHS mission

areas. The State Homeland Security Strategy contained defined objectives and goals to measure performance. Grant funds were spent on allowable items and activities, and adequate controls existed over the approval of expenditures and reimbursement of funds.

However, we identified three areas for program improvement: the UASI Homeland Security Strategy operational plan, subgrantee monitoring procedures, and review of grant adjustments. We made five recommendations for FEMA to initiate improvements. FEMA concurred with all five of our recommendations.

(OIG-13-33, January 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-33_Jan13.pdf

Costs Claimed by the Northern Illinois Railroad Corporation Under Transit Security Grant Number 2009-RA-R1-0098

The objective of the audit was to determine whether costs claimed were allowable, allocable, and reasonable according to the grant agreement and applicable Federal requirements. FEMA awarded a transit security grant of \$1,670,988 to the Northeast Illinois Railroad Corporation for one antiterrorism team. We questioned \$113,032 representing over claimed fringe benefits on overtime paid to antiterrorism team members. The *Guidance and Application Kit* states that “Fringe benefits on overtime hours are limited to FICA [Federal Insurance Contributions Act], Workers Compensation and Unemployment Compensation.” Together, these total from 10 to 15 percent of base labor wages for the years of the grant. However, in these years the Northeast Illinois Railroad Corporation applied its approved fringe benefit rate of about 70 percent of base labor to both regular wages and overtime. The 70 percent rate includes employer contributions for such items as pension plans; health insurance; and vacation, holiday pay, and sick leave, in addition to fringe benefits allowed for overtime. We recommended that FEMA resolve the questioned cost. The Associate Administrator concurred with the recommendation.

(OIG-13-37, February 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-37_Feb13.pdf



Mantoloking, NJ, January 16, 2013 — Home in this bayside community suffered severe damage after Hurricane Sandy struck the area. FEMA Public Affair / Photo by Adam DuBrowa

FEMA’s Use of Risk-based Monitoring for Grantee Oversight

We performed a limited review to determine whether FEMA’s grant monitoring plans, including its methodology for identifying and selecting grantees for review and the indicators used in the selection process, are adequate to monitor grantees with increased risk. During our review, FEMA officials said that revised monitoring plans were not in place; as a result, we suspended the review. Subsequent to completion of fieldwork and prior to issuance of the draft report, FEMA issued its FY 2013 integrated risk-based monitoring plan. We provided concerns identified during our limited review for FEMA to consider before implementing its revised monitoring plans.

In FY 2012, FEMA inconsistently applied risk indicators to determine the level of financial and programmatic monitoring a grantee received, and did not assign risk indicators to all grantees. As a result, FEMA could not ensure that it monitored all grantees with increased risk. FEMA’s integrated risk-based monitoring plan for FY 2013 included revised risk indicators to reflect grantees’ inherent risk better, but does not ensure that all grantees with increased risk will be selected for financial monitoring. In addition, FEMA and DHS’ Division of Financial Assistance Policy and Oversight have not coordinated their approaches to grant oversight monitoring.

FEMA concurred with two recommendations and did not concur with our recommendation

to include in FEMA's integrated financial and programmatic monitoring plan for grantees a methodology for applying financial monitoring key risk indicators to all grantees, not just those selected in a random sample.

(OIG-13-40, February 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-40_Feb13.pdf

Kentucky's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded Fiscal Years 2008-2010

The objectives of this audit were to determine whether the Commonwealth of Kentucky (1) spent grant funds effectively and efficiently; and (2) complied with applicable Federal laws and regulations and Department guidelines governing the use of funding. We also addressed the extent to which the funds awarded enhanced the ability of State grantees to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

In most instances, the Kentucky Office of Homeland Security administered its grant programs in compliance with requirements in Federal grant guidance and regulations. Grant funds were spent on allowable items and activities, and there were adequate controls over the approval of expenditures and reimbursement of funds. However, we identified three areas for program improvement: the State Homeland Security Strategy, inventory control procedures, and performance measurement of preparedness improvements.

We made five recommendations to FEMA and the Commonwealth of Kentucky for improvements which, if implemented, should strengthen program management, performance, and oversight. FEMA concurred with three recommendations, and Kentucky Office of Homeland Security has taken corrective actions to resolve and close two recommendations pertaining to inventory controls. (OIG-13-41, February 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-41_Feb13.pdf

Connecticut's Management of Homeland Security Program Grants Awarded During Fiscal Years 2008 Through 2010

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, as amended, requires DHS OIG to audit individual States' management of SHSP and UASI grants. This report responds to the reporting requirement for the State of Connecticut.

In most instances, the State did an effective job of administering grant program requirements in accordance with grant guidance and regulations. The State Agency, Department of Emergency Services and Public Protection, through its Division of Emergency Management and Homeland Security administers the grants and developed written procedures for program administration, linked its Homeland Security Strategic Plan goals and objectives to the national priorities and DHS' mission areas, and allocated and spent funds based on national and State priorities. The State also had adequate controls over the approval of expenditures and reimbursement of funds. However, improvements are needed in strengthening subgrantee monitoring and obligating grant funds timely.

We made two recommendations that FEMA can take to initiate improvements which, if implemented, should help strengthen grant program management, performance, and oversight. FEMA concurred with both recommendations. (OIG-13-43, February 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-43_Feb13.pdf

Massachusetts' Management of Homeland Security Grant Program Awards for Fiscal Years 2008 Through 2011

The Commonwealth of Massachusetts received approximately \$122 million in SHSP and UASI grants awarded by FEMA during FYs 2008 through 2011. This audit was mandated by Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, to determine whether the State distributed and spent SHSP and UASI grant funds effectively and efficiently, and in compliance with laws and regulations.

In most instances, the Commonwealth of Massachusetts distributed and spent the awards in compliance with applicable laws and regulations. However, it needs to update and improve its Homeland Security Strategies, develop a performance measurement system to assess preparedness, obligate grant funds within required time limits, and strengthen onsite monitoring of subgrantees to ensure their compliance with Federal procurement and property management requirements. More than \$4 million in questioned costs was identified, primarily resulting from the Commonwealth exceeding the limitations on management and administration expenses in FYs 2008 through 2011.

The 11 recommendations call for FEMA to initiate improvements, which if implemented, should help strengthen program management, performance, and oversight. FEMA concurred with 8 of the 11 recommendations, while the other 3 recommendations are pending a decision on the interpretation of the Public Law and FEMA grant guidance. The Commonwealth of Massachusetts' Executive Office of Public Safety and Security agreed or agreed in part with 8 of the 11 recommendations. (OIG-13-44, February 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-44_Feb13.pdf

Indiana's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008-2010

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, as amended, requires DHS OIG to audit individual States' management of SHSP and UASI grants. This responds to the reporting requirement for the State of Indiana.

In most instances, the State of Indiana distributed and spent the awards in compliance with applicable laws and regulations. However, we identified several areas in which FEMA and the State can improve grant management. Specifically, the State needs to revise its State Homeland Security Strategy and the Indianapolis Urban Area Homeland Security Strategy to include measurable

objectives with realistic target dates for completion, obligate grant funds promptly, and monitor subgrantee compliance with inventory management requirements. Additionally, FEMA should ensure that the State closely monitors the obligation and expenditure of UASI grants. These issues existed because FEMA and the State of Indiana did not provide sufficient guidance and oversight of the grant process. We made five recommendations for FEMA to initiate improvements which, if implemented, should help strengthen grant program management, performance, and oversight. FEMA concurred with all five recommendations. (OIG-13-45, February 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-45_Feb13.pdf

Costs Claimed by the Port of Los Angeles Under Port Security Grant Number 2009-PU-R1-0176

The objective of the audit was to determine whether costs claimed by Port of Los Angeles were allowable, allocable, and reasonable according to the grant agreement and applicable Federal requirements. FEMA granted \$6 million to the Port of Los Angeles for a port-wide fiber optics project. We questioned \$174,060 of the \$5,703,711 claimed by the port. The questioned costs were costs incurred at the Cabrillo Way Marina that were transferred to the Port of Los Angeles FEMA grant project. The port could not support the basis for the transfer. We also determined that the port fulfilled the requirements for submitting quarterly reports, paying prevailing wages, and complying with the requirement to use American-made goods. We also concluded that the quarterly reports contained adequately supported expenditure and jobs data. We recommended that FEMA resolve the questioned cost. The Associate Administrator concurred with the recommendation.

(OIG-13-46, February 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-46_Feb13.pdf

FEMA's Efforts To Recoup Improper Payments in Accordance With the Disaster Assistance Recoupment Fairness Act of 2011 (5)

We assessed the cost-effectiveness of FEMA's efforts to recoup improper payments in accordance

with DARFA. Consistent with the provision of the *Debt Collection Improvement Act*, FEMA needs to review and process nearly 30,000 DARFA debt recoupment cases totaling approximately \$130 million. Specifically, FEMA needs to (1) refer to the Treasury Financial Management Service's Offset Program (Treasury) nearly 7,000 cases totaling about \$29 million where the debtor's response time to FEMA inquiries has expired; and (2) review and process the remaining cases totaling over \$101 million, whether debts are collected or compromised internally by FEMA or referred to Treasury for collection.

Additionally, contrary to FEMA's Management Directive: *Waiving Debts Pursuant to the Disaster Assistance Recoupment Fairness Act of 2011*, FEMA did not use a comprehensive quality assurance assessment to adjudicate DARFA waiver applications because it only reviewed debts that FEMA initially determined it should not waive. FEMA's quality assurance assessment did not review any debts that initially were authorized a waiver.

Finally, as of March 8, 2013, FEMA granted waivers for applicants in approximately 86 percent of the cases it has reviewed. FEMA granted 17,496 waivers and denied 2,880 waivers totaling \$97,468,998 and \$15,227,128, respectively. FEMA has expended an estimated \$12,357,103 on related activities.

We made two recommendations to ensure that FEMA reviews and processes DARFA debt recoupment cases. FEMA concurred with these recommendations and is taking steps to implement them.

(OIG-13-51, March 2013, EMO)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-51_Mar13.pdf

DISASTER ASSISTANCE GRANTS

The Robert T. Stafford Disaster Relief and Emergency Assistance Act, Public Law 93-288, as amended (Stafford Act), governs disasters declared by the President of the United States. Title 44 of the Code of Federal Regulations (CFR) provides

further guidance and requirements for administering disaster assistance grants awarded by FEMA. We review grants to ensure that grantees or subgrantees account for and expend FEMA funds according to Federal regulations and FEMA guidelines.

We issued 27 disaster assistance grant reports during the period. Those reports disclosed questioned costs totaling \$164,968,401, of which \$17,116,786 was unsupported. A list of the reports, including questioned costs and unsupported costs, is provided in appendix 4.

FEMA Should Deobligate \$226,096 of Unneeded Public Assistance Grant Funds Awarded to the Town of Dauphin Island, Alabama — Tropical Storm Ida

The Town of Dauphin Island, Alabama (Town), received a Public Assistance (PA) award of \$2.5 million from the Alabama Emergency Management Agency (State), a FEMA grantee, for damages resulting from Tropical Storm Ida, which occurred in November 2009. The award provided 75 percent FEMA funding for debris removal activities and repairs to roads and park facilities. We reviewed costs totaling \$1.4 million claimed under the grant. While the Town generally accounted for FEMA funds on a project-by-project basis, we identified \$226,096 of excess project funding that should be deobligated and put to better use because the funding is no longer needed to complete work under the grant. We also determined that the Town was awarded \$103,365 under two small projects for permanent repair work that had not been completed within timeframes established by regulation. We recommended that the Regional Administrator, FEMA Region IV, (1) deobligate and put to better use \$226,096 of unneeded Federal funding, and (2) instruct the State to closely monitor the progress of the Town's work under small projects to ensure that they are completed by a newly established deadline approved by the State.

(DA-13-01, November 2012, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DA-13-01_Nov12.pdf

FEMA Should Recover \$2.8 Million of Public Assistance Grant Funds Awarded to Town of Dauphin Island, Alabama — Hurricanes Gustav and Ike

The Town of Dauphin Island, Alabama (Town), received PA awards totaling \$5.5 million from the Alabama Emergency Management Agency (State), a FEMA grantee, for damages resulting from hurricanes Gustav and Ike, which occurred in August and September 2008, respectively. The awards provided 75 percent FEMA funding for debris removal activities and repair of damaged roads and culverts. We reviewed costs totaling \$5.3 million claimed under the grants. Although the Town generally accounted for FEMA funds on a project-by-project basis, we identified (1) \$1,969,541 of project funding that should be deobligated and put to better use because work under the projects is complete and the funding is no longer needed, (2) \$912,782 of Federal funds that the State overpaid the Town under several projects, and (3) \$6,919 of ineligible project costs. We recommended that the Regional Administrator, FEMA Region IV, (1) deobligate \$1,969,541 of unneeded Federal funding and put it to better use, (2) instruct the State to promptly recover Federal overpayments totaling \$912,782 and return them to FEMA, (3) instruct the State to review its cash disbursement and reconciliation procedures to ensure that payments to subgrantees are in compliance with 44 CFR 13.21(b), (4) instruct the State to notify the Town to implement procedures to ensure that project receipts and expenditures are properly reconciled, and (5) disallow \$6,919 of ineligible costs claimed for nondisaster-related damages.

(DA-13-02, November 2012, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DA-13-02_Nov12.pdf

FEMA Should Recover \$5.3 Million of Public Assistance Grant Funds Awarded to the University of Southern Mississippi — Hurricane Katrina

Of the \$12.2 million audited, we recommended that FEMA recover \$5.3 million. FEMA awarded the University of Southern Mississippi (University) \$41.1 million through the Mississippi Emergency

Management Agency (State), a FEMA grantee, for damages from Hurricane Katrina, which occurred in August 2005. The award provided 100 percent FEMA funding for emergency protective measures and repair of buildings, equipment, utilities, and recreational facilities. We reviewed costs totaling \$10.4 million. We also performed a limited review of costs totaling \$1.8 million for procurement and insurance issues. Although the University accounted for FEMA projects on a project-by-project basis as required by Federal regulations and FEMA guidelines, its claim included \$358,528 of costs that were not reduced by insurance proceeds; \$2.0 million of project funding for activities covered by another Federal agency; and \$2.8 million for contracts that were not procured according to Federal procurement requirements, of which \$979,803 was not supported by adequate documentation. In addition, the University received \$2.1 million of FEMA funding for damaged facilities under alternate project criteria that was not reduced for temporary relocation costs provided for the damaged facilities. We recommended the Regional Administrator, recover the questioned costs of \$5.3 million and instruct the State to reemphasize to the University its requirement to comply with Federal procurement regulations and FEMA guidelines when acquiring goods and services under the FEMA award. (DA-13-03, November 2012, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DA-13-03_Nov12.pdf

FEMA Should Recover \$7.7 Million of Public Assistance Grant Funds Awarded to the City of Lake Worth, Florida — Hurricane Wilma

The City of Lake Worth, Florida (City), received an award of \$12.4 million from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from Hurricane Wilma, which occurred in October 2005. The award provided 100 percent FEMA funding for debris removal activities, emergency protective measures, and permanent repairs to buildings and facilities. We reviewed costs totaling \$10.4 million claimed under the grant. Although the City generally accounted for FEMA funds on a project-by-project basis, the City did not

comply with Federal procurement requirements when awarding contracts valued at \$6,998,095 for repairs to the electrical and distribution system. We also identified \$684,437 of ineligible costs claimed by the City, consisting of \$476,455 that were not adequately supported, \$180,626 of costs covered by insurance, \$8,624 of costs for small project activities that were not completed, and \$18,732 of excessive labor costs. We recommended that the Regional Administrator, FEMA Region IV, (1) disallow \$6,998,095 of ineligible costs claimed for contracts that were not procured in accordance with Federal requirements unless FEMA decides to grant an exception for all or part of costs as provided for in 44 CFR 13.36(c), and determines the costs were reasonable; (2) instruct the State to remind the City that it is required to comply with Federal procurement standards when acquiring goods and services under FEMA awards; (3) disallow \$476,455 of unsupported project costs; (4) disallow \$180,626 of ineligible cost for activities covered by insurance; (5) disallow \$8,624 of ineligible costs for small project work not completed; and (6) disallow \$18,732 of ineligible labor costs.

(DA-13-04, November 2012, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DA-13-04_Nov12.pdf

FEMA Should Recover \$2.2 Million of Public Assistance Grant Funds Awarded to Memphis Light, Gas and Water Division – Severe Weather June 2009

The Memphis Light, Gas and Water Division (Utility) received an award of \$7.9 million from the Tennessee Emergency Management Agency (State), a FEMA grantee, for damages resulting from severe storms, tornadoes, straight-line winds and flooding which occurred in June 2009. The award provided 75 percent FEMA funding for debris removal activities, emergency protective measures, and permanent electrical repair work. We reviewed costs totaling \$7.9 million. Although the Utility accounted for FEMA grant funds according to Federal regulations and FEMA guidelines, its claim included \$2,192,069 for contracts that were not procured according to Federal procurement requirements and \$26,395 of ineligible contract and force account charges. We

recommended that the Regional Administrator, FEMA Region IV, (1) disallow \$2,192,069 of ineligible costs for contracts that were not procured in accordance with Federal procurement requirements, unless FEMA makes an affirmative decision that the contract costs are fair and reasonable, and waives the procurement requirements; (2) instruct the State to reemphasize to the Utility its requirement to comply with Federal procurement regulations and FEMA guidelines when acquiring goods and services under FEMA awards; (3) reemphasize to the State its requirement, as grantee, to adequately review costs claimed by subgrantees for compliance with applicable Federal procurement requirements and FEMA guidelines; and (4) disallow the \$26,395 of ineligible contract and force account charges.

(DA-13-05, November 2012, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DA-13-05_Nov12.pdf

FEMA Should Recover \$894,764 of Public Assistance Grant Funds Awarded to the Town of Dauphin Island, Alabama – Hurricane Katrina.

The Town of Dauphin Island, Alabama (Town), received a PA award of \$4.6 million from the Alabama Emergency Management Agency (State), a FEMA grantee, for damages resulting from Hurricane Katrina, which occurred in August 2005. The award provided 100 percent FEMA funding for debris removal activities, construction of a 5-year emergency berm, and repair to roads. We reviewed costs totaling \$4.4 million claimed



New Orleans, LA, September 10, 2005 – FEMA Urban Search and Rescue members search for residents impacted by Hurricane Katrina. FEMA Public Affair / Photo by Jocelyn Augustino

under the grant. The Town generally accounted for FEMA funds on a project-by-project basis, but it did not fully comply with Federal procurement requirements when awarding a contract valued at \$894,764 for road repairs. We recommended that the Regional Administrator, FEMA Region IV, (1) disallow the \$894,764 of ineligible costs claimed for the road repair contract that was not procured in accordance with Federal requirements unless FEMA determines that the costs were reasonable, as FEMA may decide to grant an exception for all or part of any unreasonable costs as provided for in 44 CFR 13.36(c), and (2) instruct the State to remind subgrantees that they need to perform a cost or price analysis to determine the reasonableness of contractor's bids.

(DA-13-06, November 2012, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DA-13-06_Nov12.pdf

FEMA Should Recover \$701,028 of Public Assistance Grant Funds Awarded to Memphis Light, Gas and Water Division — Severe Weather February 2008

The Memphis Light Gas and Water Division (Utility) received an award of \$3.2 million from the Tennessee Emergency Management Agency (State), a FEMA grantee, for damages resulting from severe storms, tornadoes, straight-line winds and flooding in February 2008. The award provided 75 percent FEMA funding for debris removal activities, emergency protective measures, and permanent electrical repair work. We reviewed costs totaling \$3.2 million. The Utility accounted for FEMA grant funds according to Federal regulations and FEMA guidelines, but its claim included \$692,390 for contracts that were not procured according to Federal procurement requirements and \$8,638 of ineligible force account equipment and labor charges. We recommended that the Regional Administrator, FEMA Region IV, (1) disallow \$692,390 of ineligible costs for contracts that were not procured in accordance with Federal procurement requirements, unless FEMA makes an affirmative decision that the contract costs are fair and reasonable and waives the procurement requirements; (2) instruct the State to reemphasize to the Utility its requirement to comply with Federal procurement regulations

and FEMA guidelines when acquiring goods and services under FEMA awards; (3) reemphasize to the State its requirement, as grantee, to review costs claimed by subgrantees adequately for compliance with applicable Federal procurement requirements and FEMA guidelines; and (4) disallow the \$8,638 of ineligible force account equipment and labor charges.

(DA-13-07, November 2012, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DA-13-07_Nov12.pdf

FEMA Should Recover \$470,244 of Public Assistance Grant Funds Awarded to the City of Lake Worth, Florida — Hurricanes Frances and Jeanne

The City of Lake Worth, Florida (City), received a PA award of \$12.2 million from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from hurricane Frances and Jeanne, which occurred in September 2004. The awards provided 100 percent FEMA funding for the first 72-hours of debris removal and emergency protective measures undertaken during the disaster and 90 percent funding thereafter. The awards also provided 90 percent permanent funding for permanent repairs to buildings and other facilities. We reviewed costs totaling \$10.8 million. The City generally accounted for FEMA funds on a project-by-project basis, it did not comply with Federal procurement requirements when awarding contracts valued at \$4,519,772 for repairs to their electrical and distribution system. We also identified \$470,244 of ineligible costs claimed by the City, consisting of \$385,890 of costs that were not adequately supported, \$38,390 of excessive labor costs, \$21,289 of costs covered by insurance, \$8,570 of costs for small project activities that were not completed, and \$16,105 of nondisaster related costs. We recommended that the Regional Administrator, FEMA Region IV, (1) instruct the State to remind the City that they are required to comply with Federal procurement standards when acquiring goods and services under FEMA awards, (2) disallow \$385,890 (Federal share \$348,775) of unsupported project costs, (3) disallow \$38,390 (Federal share \$28,792) of ineligible labor costs, (4) disallow \$21,289 (Federal share

\$19,160) of ineligible costs for activities covered by insurance, (5) disallow \$8,570 (Federal share \$7,713) of ineligible costs for small project work not completed, and (6) disallow \$16,105 (Federal share \$14,495) of ineligible costs for nondisaster activities.

(DA-13-08, December 2012, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DA-13-08_Dec12.pdf

FEMA Should Recover \$1.9 Million of Public Assistance Grant Funds Awarded to Hancock County Utility Authority – Hurricane Katrina

The Hancock County Utility Authority (Authority) received a PA award totaling \$2.9 million from the Mississippi Emergency Management Agency (State), a FEMA grantee, for damages resulting from Hurricane Katrina, which occurred in August 2005. The award provided 100 percent FEMA funding for emergency protective measures and permanent repairs to buildings and facilities. We audited four large projects with awards totaling \$2.3 million. The Authority did not (1) separately account for project expenditures as required by Federal regulations, (2) fully comply with Federal procurement requirements when awarding contracts totaling \$1,888,228 for permanent work, and (3) have adequate documentation to support \$14,278 of contract costs. We recommended that the Regional Administrator, FEMA Region IV, (1) instruct the State to remind subgrantees of their requirement to account for large projects on a project-by-project basis; (2) disallow \$1,888,228 of ineligible costs claimed for contracts that were not procured in accordance with Federal requirements, unless FEMA decides to grant an exception for all or part of the costs as provided for Federal regulations and Section 705(c) of the Stafford Act, as amended; (3) instruct the State to remind subgrantees of their requirement to comply with Federal procurement regulations and FEMA guidelines; (4) disallow \$14,278 of unsupported contract costs; and (5) reemphasize to the State and FEMA Region IV PA personnel of the need to adequately review costs claimed by subgrantees for adherence to Federal regulations and FEMA guidelines.

(DA-13-09, February 2013, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DA-13-09_Feb13.pdf

FEMA Should Recover \$8.5 Million of Public Assistance Grant Funds Awarded to the City of Gulfport, Mississippi, for Debris Removal and Emergency Protective Measures – Hurricane Katrina

The City of Gulfport, Mississippi, received a PA award of \$233.9 million from the Mississippi Emergency Management Agency (State), a FEMA grantee, for damages from Hurricane Katrina, which occurred in August 2005. The award provided 100 percent FEMA funding for debris removal, emergency protective measures, and permanent repairs to buildings and facilities. We limited our audit to \$54.7 million awarded under projects for debris removal and emergency protective measures. Although the City accounted for FEMA projects on a project-by-project basis as required, we determined that the City earned \$296,792 of interest on FEMA advanced funds that it should remit to FEMA and put to better use. In addition, the City's claim included \$8,186,346 of costs that were duplicate, unsupported, noncompliant with Federal contracting requirements, and unauthorized. We recommended that the Regional Administrator, FEMA Region IV, (1) recover the \$296,792 of earned interest and the \$8,186,346 of questioned costs; (2) instruct the State to reemphasize to its subgrantees their requirement to comply with Federal procurement regulations and FEMA guidelines; (3) reemphasize to the State its requirement to ensure that subgrantees are aware of requirements imposed on them by Federal statutes and regulations, and to monitor subgrantee activity for compliance with applicable Federal requirements; and (4) require the City to determine who is legally liable for the removal of the biohazard debris and seek reimbursement of cleanup costs from such party.

(DA-13-10, February 2013, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DA-13-10_Feb13.pdf

FEMA Should Recover \$131,064 From a \$3.0 Million Public Assistance Grant Awarded to the City of Norfolk, Virginia, for Tropical Storm Ida and a Nor'easter

The City of Norfolk, Virginia (City), received an award of \$3.0 million from the Virginia Division of Emergency Management (State), a FEMA grantee,

for damages resulting from Tropical Storm Ida and a Nor'easter, which occurred in November 2009. The award provided 75 percent FEMA funding for debris removal activities, emergency protective measures, and permanent repairs to buildings and facilities. We reviewed costs totaling \$1.2 million. The City generally accounted for FEMA funds according to Federal regulations and FEMA guidelines. We questioned \$131,064 of contract costs claimed for repairs to an underground electrical utility vault because the City did not fully comply with Federal procurement requirements. We recommended that the Regional Administrator, FEMA Region III, disallow the \$131,064 (Federal share \$98,298) of ineligible contract costs unless FEMA grants the City an exception for all or part of the costs as provided for in 44 C.F.R. 13.6 and Section 705(c) of the Stafford Act, as amended. (DA-13-11, March 2013, EMO)
http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DA-13-11_Mar13.pdf

FEMA Should Recover \$34,219 From a \$3.0 Million Public Assistance Grant Awarded to Bibb County, Georgia

Bibb County, Georgia, received a PA award of \$3.0 million from the Georgia Emergency Management Agency (State), a FEMA grantee, for damages resulting from severe thunderstorms and strong tornado winds, which occurred in May 2008. The award provided 75 percent FEMA funding. We limited our audit to \$2.8 million awarded under projects for debris removal and emergency protective measures. Although the County generally accounted for FEMA funds according to Federal regulations and FEMA guidelines, the County did not have adequate support for \$22,309 of costs claimed for equipment use, and did not reduce its claim for \$11,910 of project income received from the sale of mulch. We recommended that the Regional Administrator, FEMA Region IV, disallow the \$22,309 of costs claimed for equipment use that were not adequately supported, and disallow the \$11,910 of ineligible project income. (DA-13-12, March 2013, EMO)
http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DA-13-12_Mar13.pdf

FEMA Should Recover \$3.2 Million of Public Assistance Grant Funds Awarded to the Moss Point School District – Hurricane Katrina

Of the \$17.4 million audited, the report recommended that FEMA recover \$3.2 million. FEMA awarded the Moss Point School District (District) \$24.8 million through the Mississippi Emergency Management Agency (State), a FEMA grantee, for damages from Hurricane Katrina, which occurred in August 2005. The award provided 100 percent FEMA funding for debris removal activities, emergency protective measures, and permanent repairs to buildings and facilities. We reviewed costs totaling \$17.4 million. The District did not: (1) separately account for project expenditures as required by Federal regulations, (2) comply with Federal procurement procedures when awarding contracts totaling \$3,144,531 for emergency and permanent work, (3) adequately support and ensure eligibility of claimed costs of \$66,016, and (4) have procedures in place to ensure that interest earned on FEMA advances is remitted to FEMA as required. We recommended that the Regional Administrator, FEMA Region IV, recover the questioned costs of \$3.2 million, instruct the State to remind subgrantees to account for large projects on a project-by-project basis and comply with Federal procurement regulations and FEMA guidelines when acquiring goods and services under the FEMA award, reemphasize to the State and FEMA Region IV PA personnel of the need for an adequate review of costs claimed by subgrantees, and instruct the State to notify the District to remit any interest earned on FEMA advanced funds at least quarterly or reduce project funding accordingly. (DA-13-13, March 2013, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DA-13-13_Mar13.pdf

Regional Transit Authority Needs To Insure Equipment or Forgo \$62 Million in FEMA Public Assistance Funds, New Orleans, Louisiana

The New Orleans Regional Transit Authority (Authority) had not obtained the required insurance for its busses and streetcars making \$62,391,049 of FEMA's PA grant funds ineligible. Furthermore, the Louisiana Governor's Office of Homeland Security and Emergency Prepared-

ness (GOHSEP) needs to improve its oversight as the Authority had open projects that FEMA could deobligate \$7,353,744 and \$1,714,845 in insurance proceeds the Authority had not properly allocated. FEMA had awarded the Authority \$122.39 million for Hurricane Katrina damages. The Authority accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines, but it did not obtain and maintain sufficient flood insurance required as a condition for receiving Federal disaster assistance, had not completed allocation of its insurance proceeds, and had not submitted requests for time extensions. GOHSEP, the grantee, needed to better manage its responsibilities under its grant. We recommended that the Acting Regional Administrator disallow \$62,391,049 for the repair or replacement of buses and streetcars, deobligate \$7,353,744 of unused Federal funds, and allocate \$1,714,845 of insurance proceeds to the appropriate projects.

(DD-13-01, November 2012, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DD-13-01_Nov12.pdf

FEMA Public Assistance Grant Program Funds Awarded to St. John the Baptist Parish, Louisiana
St. John the Baptist Parish, Louisiana (Parish), received PA grant program awards of \$5.9 million for damages from Hurricanes Ike, declared in September 2008. The Parish could not provide adequate documentation to support costs incurred or authorized for contract work, force account labor, equipment rentals, and direct administrative costs for four projects. FEMA could not adequately explain how the debris was considered to be an immediate threat to life, public health, and safety when the Parish did not start removing it for over 2 years after Hurricane Ike occurred. Therefore, we question \$333,294 projects as ineligible because they do not appear to be the direct result of Hurricane Ike.

We recommended that the Acting Regional Administrator disallow \$579,348 in unsupported costs and \$333,294 in ineligible cost unless the Parish can provide adequate documentation to

support them and determines the work is a direct result of Hurricane Ike. FEMA should also deobligate \$42,975 in unused Federal funds and put those funds to better use. Finally, FEMA should ensure that GOHSEP takes steps to improve its grants management procedures, to include procedures for—

- Informing subgrantees of their responsibility to comply with Federal requirements,
- Monitoring subgrantees' operations to ensure compliance with Federal requirements,
- Performing timely closeouts of completed projects, and Submitting quarterly progress reports that comply with FEMA's PA Guide for all uncompleted large projects.

(DD-13-02, January 2013, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DD-13-02_Jan13.pdf

Ottawa Illinois Elementary School District Should Obtain Required Flood Insurance or FEMA Should Disallow \$14 Million in Public Assistance Grant Funds

Ottawa Elementary School District #141 (Ottawa) did not obtain flood insurance required as a condition for receiving \$16.3 million Federal disaster assistance for damages to its Central School. Ottawa received an award from the Illinois Emergency Management Agency, a FEMA grantee, for damages caused by severe storms and flooding that occurred September 13 to October 5, 2008. As a result, we questioned \$13,958,266, which represents \$15,947,786 estimated for eligible repairs reduced by \$1,989,520 in anticipated insurance proceeds. We recommended that FEMA disallow \$13,958,266 as ineligible unless Ottawa either obtains flood insurance coverage in the amount of \$15,947,786 or FEMA provides a waiver for the requirement. FEMA should also require the state to develop and implement procedures to ensure subgrantees comply with Federal requirements for insurance.

(DD-13-03, January 2013, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DD-13-03_Jan12.pdf

FEMA Improperly Applied the 50 Percent Rule in Its Decision to Pay for the Replacement of the Martinsville High School, Martinsville, Illinois

FEMA Region V officials did not correctly apply the 50 Percent Rule when deciding to replace, rather than repair, Martinsville High School. In addition, school officials did not follow Federal procurement standards when contracting with an architectural and engineering firm and did not obtain the required insurance coverage for the new school. As a result, we questioned as ineligible \$9,272,138 the school claimed. Martinsville Community Unit School District #C-3 received an award of \$13.5 million from the Illinois Emergency Management Agency, a FEMA grantee, for damages caused by severe storms and flooding in the summer of 2008. The report also noted \$2,244,614 in excess funding FEMA can deobligate.

(DD-13-04, January 2013, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DD-13-04_Jan13.pdf

FEMA Should Disallow \$7.6 Million in FEMA Public Assistance Grant Funds Awarded to Audubon Commission, New Orleans, Louisiana

The Audubon Commission (Commission) received an award of \$12.3 million from GOHSEP, a FEMA grantee, for disaster recovery work resulting from Hurricane Katrina. We advised

FEMA of two issues. First, FEMA should disallow \$7.6 million on 29 projects that are not the Commission's legal responsibility, which Federal regulations require to be eligible for funding. Second, of the 29 projects in question, FEMA should assess the ongoing need for 20 projects totaling \$6.9 million because the Commission has not initiated work on these projects in the 7 years since Hurricane Katrina. These conditions occurred because neither FEMA nor GOHSEP fulfilled their responsibilities in managing funds awarded to the Commission. As a result, we recommended that FEMA (1) disallow \$7.6 million; (2) discontinue obligation of funds until FEMA resolves all issues related to the determination of legal responsibility; (3) require GOHSEP to recover all Federal funds paid to the Commission if FEMA and GOHSEP cannot determine legal responsibility; (4) and work with GOHSEP to review the projects that are not yet started, assess the need for those projects, and either deobligate the funds or require the legal applicant to start work on the projects within 6 months and complete the projects within 18 months.

(DD-13-05, January 2013, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DD-13-05_Jan13.pdf

FEMA Should Recover \$6.7 Million of Ineligible or Unused Funds Awarded to Cameron Parish, Louisiana for Hurricane Rita

Cameron Parish, Louisiana (Parish), received a PA Grant award of \$63.2 million from GOHSEP, a FEMA grantee, for damages caused by Hurricane Rita that occurred in September 2005. The Parish generally accounted for grant funds on a project-by-project basis as required by Federal regulations. However, the Parish did not always expend the funds according to Federal regulations and FEMA guidelines. The Parish claimed \$3,775,600 of ineligible, duplicate, and excessive project management costs; \$1,778,703 for ineligible contract costs for a noncompetitive contract; \$514,714 for miscellaneous ineligible costs; \$240,034 for excessive billings, and \$83,075 in unallocated insurance. As a result, we questioned \$6,392,126 of ineligible costs that the Parish claimed and we recommended that FEMA



Greensburg, KS, May 16, 2006 – FEMA Disaster Assistance Employees Shirley Marlett, Mike Farrell, Donna Johnson, Shelagh Keleyhers, and Bruce Bowman process applications for assistance at a Mobile Disaster Recovery Center. The disaster resulted from a F5 super-tornado that flattened the town. FEMA Public Affair / Photo by Greg Henshall

disallow these costs. We also recommended that FEMA deobligate and put to better use \$317,245 of unused Federal funds on completed projects and take steps to ensure that GOHSEP improves its grant management procedures, including contracting, subgrantee claim support, and timely project close out.

(DD-13-06, February 2013, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DD-13-06_Feb13.pdf

FEMA Should Recover \$881,956 of Ineligible Funds and \$862,983 of Unused Funds Awarded to St. Charles Parish School Board, Luling, Louisiana

St. Charles Parish School Board (School Board) received an award of \$6.58 million from GOHSEP, a FEMA grantee, for damages resulting from Hurricanes Katrina (2005), Gustav (2008), and Ike (2008). The School Board accounted for FEMA grant funds on a project-by-project basis as required by Federal regulations. However, the School Board did not always follow Federal regulations including those for procurement for contracts. As a result, we recommended that FEMA disallow \$881,956 as ineligible projects costs for hurricanes Katrina and Gustav. Additionally, we recommended that FEMA deobligate \$862,983 in unused Federal funds and put those funds to better use, require GOHSEP to submit an accounting to FEMA as soon as possible for all completed School Board projects, and improve its oversight of School Board grant activities in future disasters.

(DD-13-07, February 2013, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DD-13-07_Feb13.pdf

The California Department of Parks and Recreation, Sacramento, California, Successfully Managed FEMA's Public Assistance Grant Funds

The California Department of Parks and Recreation successfully managed FEMA's PA grant funds for Disaster Number 1646-DR-CA. Department officials generally expended and accounted for PA funds according to Federal grant regulations and FEMA guidelines for the two projects we audited and can return \$254,145 in

unused funds. We recommended that the FEMA Region IX Administrator deobligate \$254,145 (Federal share \$190,609) from Projects 145, 260, 368, 372, 413, and 603 and put those Federal funds to better use.

(DS-13-01, November 2012, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DS-13-01_Nov12.pdf

The Town of San Anselmo, California, Did Not Properly Account for and Expend FEMA's Public Assistance Grant Funds

The Town of San Anselmo, California (Town), did not properly account for and expend FEMA's PA grant funds for disaster number 1628-DR-CA. We were unable to verify the validity and supportability of the \$1,599,777 in disaster costs that the Town charged to Project 3625 and is claiming as part of a first appeal. The claim includes costs that are unsupported or ineligible for PA funding, and the Town's records were insufficient to provide an audit trail in support of the claim. As a result, we question the Town's claim in its entirety.

We recommend that the Region Administrator, FEMA Region IX (1) disallow the Town's first appeal claim for the \$1,599,777 in costs for Project 3625 (Federal share \$1,199,833) and require the Town to submit a revised claim with only project expenses that are eligible for Federal disaster assistance, and are supported with adequate documentation; (2) remind the Town of its responsibilities for fiscal controls and that accounting procedures must permit the tracing of funds, records must be maintained to identify the source and application of funds provided for financially assisted activities, accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, and contract and subgrant award documents; and (3) thoroughly evaluate for eligibility any costs the Town submits for Project 3625 and disallow costs not in compliance with Federal requirements and FEMA guidelines.

(DS-13-02, December 2012, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DS-13-02_Dec12.pdf

The City of San Buenaventura, California, Did Not Properly Account for and Expend FEMA's Public Assistance Grant Funds

The City of San Buenaventura, California (City), did not properly account for and expend FEMA's PA grant funds for disaster number 1577-DR-CA. Of the \$2,131,549 in project charges we reviewed, the City did not properly account for and expend \$1,517,065 in accordance with Federal grant regulations and FEMA guidelines. Additionally, the City has \$86,585 in unneeded funding that can be deobligated and put to better use.

We recommended that the FEMA Region IX Administrator (1) disallow \$1,014,589 (Federal share \$760,942) for ineligible repair and hazard mitigation costs incurred under Project 897; (2) disallow \$467,946 (Federal share \$350,960) for ineligible hazard mitigation costs under Projects 897 and 906, and to avoid duplicating hazard mitigation costs questioned under recommendation #1, do not deduct \$233,973 to the extent of FEMA's disallowance of costs questioned in recommendation #2; (3) disallow \$268,503 (Federal share \$201,377) for ineligible project replacement costs under Project 906; and (4) deobligate \$86,585 (Federal share \$64,939) from Project 905 and put those Federal funds to better use.

(DS-13-03, January 2013, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DS-13-03_Jan12.pdf

FEMA Should Disallow \$21,113 of the \$654,716 in Public Assistance Grant Funds Awarded to the Alaska Department of Natural Resources, Wasilla, Alaska

FEMA should disallow \$21,113 of the \$654,716 in PA grant funds awarded to the Alaska Department of Natural Resources, Wasilla, Alaska (Department), for disaster number 1663-DR-AK. Of the \$305,319 in project charges we reviewed, the Department generally managed FEMA's PA grant funds according to Federal grant regulations and FEMA guidelines. However, the Department charged Projects 79, 81, and 84 with a total of \$21,133 of ineligible administrative and force account labor costs.

We recommended that the FEMA Region X Administrator (1) disallow \$16,176 (Federal share \$12,132) of ineligible administrative costs charged to Projects 79 and 81; (2) disallow \$4,304 (Federal share \$3,228) of ineligible force account labor costs charged to Project 79, if these costs are included in the final cost claim; and (3) recoup \$653 (Federal share \$490) of ineligible force account labor costs charged to Projects 84.

(DS-13-04, March 2013, EMO)

http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DS-13-04_Mar13.pdf

The California Department of Parks and Recreation Did Not Account for or Expend \$1.8 Million in FEMA Grant Funds According to Federal Regulations and FEMA Guidelines

The California Department of Parks and Recreation, Sacramento, California (Department), officials did not account for or expend \$1,252,823 of the \$2,688,919 we audited according to Federal regulations and FEMA guidelines, and have \$527,426 in unneeded funding that can be deobligated and put to better use. This occurred as a result of (1) unneeded funding that was not yet deobligated, (2) improper procurement, (3) unsupported project costs, (4) ineligible improvement costs, (5) ineligible costs related to a facility not in active use at the time of the disaster, and (6) work performed outside of the FEMA-approved scope of work.

We recommend that the Regional Administrator, FEMA Region IX, (1) deobligate \$527,426 (\$395,570 Federal share) in unneeded funds associated with 1703 (\$111,459), 1903 (\$9,715), 3391 (\$319,552), and 3481 (\$86,700) and timely put such funds to better use; (2) disallow the total contract cost of \$373,331 (\$279,998 Federal share) for Project 2404 as ineligible based on the Department officials' noncompliance with mandatory procurement requirements, unless FEMA grants the Department an exception for all or part of the costs; (3) disallow a total of \$353,357 (\$265,018 Federal share) charged to Projects 218 (\$164,726), 1903 (\$136,648), and 3481 (\$51,983) as unsupported because of insufficient documentation, unless Department officials can provide adequate documentation to support these costs;

(4) disallow \$301,534 (\$226,151 Federal share) in ineligible costs charged to Project 3480 because Department officials did not limit their charges to the FEMA-estimated cost for restoring the bridge to its predisaster condition, as required; (5) disallow \$203,151 (\$152,363 Federal share) in ineligible charges for Project 3073 as a result of Department officials' noncompliance with applicable criteria related to a facility that was not in *active use* at the time of the disaster; and (6) disallow a total of \$21,450 (\$16,088 Federal share) in ineligible project costs charged to Project 3481 (\$11,450) and 3488 (\$10,000) that were outside of the FEMA-approved scope of work. (DS-13-05, March 2013, EMO)
http://www.oig.dhs.gov/assets/GrantReports/2013/OIG_DS-13-05_Mar13.pdf

FEMA Should Recover \$48 Million of Public Assistance Grant Funds Awarded to Erie County, New York – Severe Weather October 2006

Erie County awarded contracts without full and open contracting competition and, as such, the County did not expend \$39.4 million according to Federal regulations and FEMA guidelines. In addition, the County claimed \$9 million for costs that were unsupported. We determined that, though the County is ultimately responsible for its recordkeeping and costs incurred, the grantee did not provide adequate day-to-day management nor monitor subgrantee activities. The report recommended that the Regional Administrator (1) recover \$39.4 million of ineligible contract costs, (2) recover \$9 million of unsupported costs, and (3) develop and enforce policies and procedures to ensure grantee and subgrantees in the State of New York properly handle PA grant funds. (OIG-13-23, Revised, March 2013, EMO)
http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-23_Jan13.pdf

Erie County, New York, Generally Followed Regulations for Spending Public Assistance Grant Funds for Flooding in August 2009

Erie County generally expended PA funds according to Federal regulations and FEMA guidelines. It received an award of \$10.2 million for damages caused by heavy rains in 2009. The report noted \$73,251 of unused

Federal funds that FEMA could deobligate and \$13,567 of unsupported administrative costs. We recommended that the Regional Administrator of FEMA Region II deobligate \$73,251 as unneeded project funding and disallow \$13,567 as unsupported costs. (OIG-13-25, January 2013, EMO)
http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-25_Jan13.pdf

INVESTIGATIONS

Mother and Daughter Steal from FEMA

We investigated Minnesota women who fraudulently applied for FEMA benefits after Hurricane Katrina by claiming damages to a fictitious New Orleans residence. After our investigation, the mother was sentenced to 36 months probation, restitution in the amount of \$8,600. Her daughter was sentenced to 60 months probation and restitution in the amount of \$33,502.

FEMA Fraud in Oxford, IA

We investigated an Oxford Junction, Iowa, applicant who filed for FEMA assistance after falsely claiming that her primary residence was damaged as a result of a declared disaster. Our investigation determined that she had moved from the residence several weeks before the disaster. She pleaded guilty to one count of Disaster Fraud and was sentenced to 4 months confinement, 60 months of supervised release, and was ordered to pay \$7,155 in restitution.

FEMA Fraud in Joplin, MO

We investigated a Joplin, Missouri, woman who filed for FEMA assistance while falsely claiming that her primary residence was damaged in the tornado that struck the Joplin area. Our investigation determined that her home had been in disrepair prior to the tornado and did not suffer any new damage. She pleaded guilty to one count of Disaster Fraud and was sentenced to 6 months confinement, 36 months probation, and was ordered to pay \$5,628 in restitution.

FEMA Fraud in Cedar Rapids, IA

We investigated a Cedar Rapids, Iowa, man who filed for FEMA assistance while falsely claiming that his primary residence had been damaged in a declared disaster. He pleaded guilty to one count of Disaster Fraud and was sentenced to 27 months confinement and ordered to pay \$8,802 in restitution.

FEMA Fraud Yields 15 Months Imprisonment

We investigated a man who filed for FEMA assistance while falsely claiming that his primary residence was located in Joplin, Missouri, and that his residence and some personal property were damaged by the tornado. He was sentenced to 15 months incarceration followed by 60 months probation. He was also ordered to pay \$5,114 in restitution.

FEMA Fraud in Iowa

We investigated a man who falsely claimed in an application for FEMA benefits that his primary residence was located in Oakville, Iowa, and that his residence and some personal property were damaged by a flood, wind and rain. After our investigation, he pleaded guilty to one count of Disaster Fraud and was sentenced to 18 months imprisonment, 24 months supervised release, and was ordered to pay \$21,811 in restitution.

Texas Wildfire FEMA Fraud

Our investigation revealed that a Crockett, Texas, man fraudulently filed an application for assistance after claiming that his primary residence was damaged by a wildfire. After the false filing, the man received a total of \$30,200. After our investigation, he pleaded guilty to Mail Fraud and was sentenced to serve 6 months in prison and 60 months of supervised release. He was also ordered to pay \$30,200 in restitution.

Texas Man Tries To Steal Almost \$1 Million from FEMA

With the U.S. Small Business Administration OIG, we jointly investigated a Houston, Texas, area real estate broker who allegedly prepared and submitted false applications for disaster benefits following Hurricane Ike. The subject had been

approved to receive almost \$1 million in benefits, but only \$74,700 had been disbursed when the scheme was uncovered. He was sentenced to 60 months imprisonment for Conspiracy and 108 months imprisonment for Fraud in Connection with a Major Disaster. The sentences are to be served concurrently. In addition, he was ordered to serve 36 months of supervised release following his incarceration and pay a \$30,000 fine.

FEMA Employee Falsifies Travel Vouchers

We investigated a FEMA employee who created fictitious business websites and submitted false receipts from these companies with his travel vouchers in order to receive the maximum lodging rate even though he was actually paying less than that. He was sentenced to 24 months probation and ordered to pay \$29,571 in restitution.

FEDERAL LAW ENFORCEMENT TRAINING CENTER

Independent Review of the Federal Law Enforcement Training Center's Reporting of FY 2012 Drug Control Obligations

KPMG, under contract with DHS OIG, issued an Independent Accountants' Report on the Table of Prior Year Drug Control Obligations for the Federal Law Enforcement Training Center (FLETC). FLETC's management prepared the Table of Prior Year Drug Control Obligations and the accompanying Unreasonable Burden Statement (collectively, the Alternative Report) to comply with the requirements of ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007. Based on the review, nothing came to KPMG's attention that caused it to believe that the Alternative Report for the year ended September 30, 2012, is not presented, in all material respects, in conformity with ONDCP's Circular. KPMG did not issue any recommendations in this review. (OIG-13-28, January 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-28_Jan13.pdf

OFFICE FOR CIVIL RIGHTS AND CIVIL LIBERTIES

We received 813 Civil Rights and Civil Liberties complaints from October 1, 2012, through March 31, 2013. Of those 813 complaints, we opened 11 investigations and referred 767 complaints to the Department's Office for Civil Rights and Civil Liberties or other component agencies. No remaining complaints are pending DHS OIG review to determine whether the complaints should be referred or opened for investigation. Of the 11 investigations which were opened, 3 have been closed and referred to the Office for Civil Rights and Civil Liberties or other component agencies for action deemed appropriate, and 8 remain open.

OFFICE OF POLICY

The Visa Waiver Program

The Visa Waiver Program (VWP) allows citizens from designated countries to enter the United States and stay for up to 90 days without obtaining a visa from a U.S. consulate. DHS conducts biennial reviews of VWP countries to ensure that they are complying with VWP requirements. DHS, in consultation with the Department of State, also determines the eligibility of candidate countries that would like to join the VWP. The purpose of our review was to determine the adequacy of processes used to determine (1) a country's initial designation as a VWP participant, and the continuing designation of current VWP countries, and (2) how effectively the VWP Office collaborates with key stakeholders.

We determined that the VWP Office needs to communicate the standards needed to achieve compliance with Visa Waiver Program requirements and the criteria used to assess compliance. In addition, the VWP Office is experiencing untimely reporting of results, inadequate staffing levels within the VWP Office, and uncertainty of its location in the DHS organizational structure.

We recommended that the VWP Office develop processes for 1) communicating with embassy and

foreign representatives the standards for VWP countries to achieve compliance, 2) for meeting mandated timeframes for reporting on a country's compliance with program requirements; and 3) be appropriately staffed to fulfill its oversight responsibility, and 4) be located within an organizational structure that will enhance its overall performance and reporting capabilities.

(OIG-13-07, November 2012, ISP)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-07_Nov12.pdf

TRANSPORTATION SECURITY ADMINISTRATION

MANAGEMENT REPORTS

Personnel Security and Internal Control at TSA's Legacy Transportation Threat Assessment and Credentialing Office

The DHS Transportation Security Administration (TSA) legacy Transportation Threat Assessment and Credentialing Office was established as the lead for conducting security threat assessments and credentialing initiatives for domestic passengers on public and commercial modes of transportation, transportation industry workers, and individuals seeking access to critical infrastructure. Two programs, the Secure Flight Operations Center and the Security Threat Assessment Operations Adjudication Center, were established to conduct case-specific adjudications of potential threats to transportation security. Because of the sensitive nature of these adjudications, periodic background investigations are essential to security, and internal control measures are critical to effective oversight of personnel between investigations. We concluded that TSA employee background investigations met Federal adjudicative standards, but were not timely. The Secure Flight Operations Center and the Security Threat Assessment Operations Adjudication Center identified potential insider threat risks; however, limited resources weaken internal control at the Security Threat Assessment Adjudication Center and the shift and supervisory structure at the Secure Flight Operation Center use resources inefficiently. Difficulty establishing a shared culture and a pattern of poor

managerial practices has hindered achieving the legacy Transportation Threat Assessment and Credentialing office's mission. We made eight recommendations to improve background investigations, internal controls, staffing models, database development coordination, and use of TSA or DHS formal complaint processes, and to establish an independent panel for legacy Transportation Threat Assessment and Credentialing employees to request review of reassignments. TSA concurred with seven of these recommendations, and three have been closed.

(OIG-13-05, October 2012, ISP)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-05_Oct12.pdf

TSA's National Deployment Force – FY 2012 Follow-Up

TSA's National Deployment Force officers support airport screening operations during emergencies, seasonal demands, severe weather conditions, or increased passenger activity requiring additional screening personnel above those normally available to airports. In June 2011, Congressman John L. Mica, U.S. House of Representatives, wrote a letter requesting that we provide updated information on our 2008 report, *Transportation Security Administration's National Deployment Force*.

Congressman Mica asked specifically that we review (1) all costs associated with National Deployment Office deployments; (2) all expenditures for deployments to Glacier Park International Airport, Yellowstone Airport, Missoula International Airport, Bert Mooney Airport, and Springfield Branson National Airport; (3) when, where, and why the National Deployment Force has been deployed; (4) National Deployment Force standard operating procedures; (5) the process used for selecting Transportation Security Officers (TSOs); (6) the number and frequency of supervisory deployments; and (7) the progress that TSA has made in implementing recommendations from our 2008 report.

Since our 2008 report, TSA has developed a financial system to track and document program-related costs, established processes to determine the criteria and priority for deployment decisions,

implemented procedures that facilitate documentation needed to support deployment decisions, and either established or updated standard operating procedures relating to key deployment functions. Our review showed that TSA was overly reliant on its deployment force to fill chronic staffing shortages at airports in Alaska. We also determined that: screening equipment certifications were not updated; requests for National Deployment Force support did not always include screening equipment in use at the requesting airport; procedures for performing and documenting cost-benefit analyses had not been established; and, assessments of alternatives to hiring shortages were not routinely conducted and documented as part of the deployment decision-making process.

We made six recommendations to improve the operation of TSA's National Deployment Force. (OIG-13-14, December 2012, ISP)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-14_Dec12.pdf

Transportation Security Administration's Aviation Channeling Services Provider Project

The TSA Aviation Channeling Services Provider project was initiated in response to concern that airports and airlines should be able to choose vendors for relaying information used to issue airport security badges. Our objective was to determine whether the TSA Aviation Channeling Services Provider project selected vendors according to Federal policies and procedures, and effectively planned for the implementation of the new services.

Although TSA selected three vendors according to Federal policies and procedures, it did not properly plan, manage, and implement the project. As a result, airports nationwide experienced difficulties, causing a backlog of background checks. To address the backlog, TSA temporarily allowed airports to issue badges without the required background checks. Consequently, at least five airports granted badges to individuals with criminal records, giving them access to secured airport areas. TSA did not track which airports temporarily issued badges to individuals without

the required background checks. Therefore, individuals with criminal records may still have access to secured areas in our Nation's airports.

We recommended that TSA develop a lessons learned report to use for future projects showing challenges that occurred throughout the Aviation Channeling Services Provider project; establish a policy that requires all projects include a comprehensive plan; communicate customer service expectations to vendors and monitor their performance for accountability; and require inspectors during FY 2013 to conduct a review of badges issued without the required background checks. TSA concurred with our four recommendations.

(OIG-13-42, February 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-42_Feb13.pdf

INVESTIGATIONS

Senior TSA Official Murders His TSA Lover

We were made aware that a Supervisory Transportation Security Officer (TSO) had been found dead in her apartment. The victim had multiple stab wounds and when the death was ruled a homicide, we began a joint investigation with the local police department. Our investigation developed evidence which indicated that the victim was having an affair with a TSA management official, an Assistant Federal Security Director (AFSD). When interviewed by our agents, the AFSD confessed to the murder. He nonetheless later asserted his right to a jury trial and after having been found guilty, sentenced to life in prison.

Two TSA Airport Officials Guilty of Smuggling

We received information that an Atlanta, Georgia, area TSO, who also worked as a detention officer at a local facility, was under investigation for smuggling contraband into the facility and selling it to inmates. The TSO had allegedly also agreed to smuggle narcotics through the airport. We opened an investigation and arranged to have the

screeener transport material which he believed to be illegal narcotics through the airport with the knowing assistance of a second TSO. Both were arrested and pleaded guilty. The initial smuggling TSO was sentenced to 132 months incarceration and 60 months probation, with a \$16,000 fine. The second TSO was sentenced to 72 months incarceration and 60 months of probation and was fined \$5,000.

TSO Arrested For Stealing Passenger Cash

We were notified that a TSO at Los Angeles International Airport had been arrested for theft by the Los Angeles World Airports Police Department. The arrest occurred after a passenger complained of money taken from a wallet during the screening process. A review of security footage showed the TSO removing money from the passenger's wallet and placing it in his pocket. When searched incident to arrest, the TSO possessed more than \$700. The TSO stated that the money was his and denied stealing it. After joint investigation with the Federal Bureau of Investigation (FBI) he pleaded guilty to one count of Officer or Employee of United States Converting Property of Another. He was sentenced to 12 months probation.

UNITED STATES CITIZENSHIP AND IMMIGRATION SERVICES

MANAGEMENT REPORTS

Improvements Needed for SAVE To Accurately Determine Immigration Status of Individuals Ordered Deported

Our statistical sample tests of immigration status information provided by the Systematic Alien Verification for Entitlements (SAVE) from October 1, 2008, to April 1, 2012, identified a 12 percent error rate. This error rate affected the high-risk population of individuals who had been ordered deported but remained in the United

States. In other words, in nearly 1 out of every 8 queries, SAVE erroneously verified that an individual who is no longer legally in the U.S. had lawful immigration status. We determine that the U.S. Citizenship and Immigration Services (USCIS) Central Index System, the primary system that SAVE accesses to validate an individual's immigration status, was generally not updated when the Immigration Court issued a decision to deport, remove, or exclude an individual. Instead, the immigration status codes were updated after an individual had physically left the United States, a process which may take years. We recommended that the Deputy Director of USCIS identify and develop data interfaces necessary for SAVE to reflect the timely status of individuals who have lost status, conduct periodic evaluations to validate the accuracy of SAVE initial verification, and analyze the results to identify other populations potentially at risk of erroneous responses.

(OIG-13-11, Revised, December 2012, ITA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-11_Dec12.pdf

INVESTIGATIONS

USCIS Official Caught With Child Pornography

While on temporary duty in Hawaii at a USCIS facility, a USCIS employee provided another employee with a USB thumb drive that appeared to contain child pornography. A search warrant was obtained for the thumb drive, and the search confirmed numerous images of child pornography were on it. When interviewed, the subject admitted that the thumb drive containing child pornography was his. A later search of his California residence yielded additional images on his home computers. A forensic analysis of all seized digital media revealed more than 3,000 depictions of child pornography. The subject resigned and pleaded guilty to one count of Possession of Child Pornography. He was sentenced to 37 months incarceration and 120 months of supervised release.

UNITED STATES COAST GUARD

MANAGEMENT REPORTS

Identification, Reutilization, and Disposal of Excess Personal Property by the United States Coast Guard

We performed this audit to determine whether the USCG had adequate policies, procedures, and processes to identify, reutilize, and dispose of excess personal property from FY 2008 through FY 2010. The USCG did not have adequate policies, procedures, and processes to identify and screen, reutilize, and dispose of excess personal property properly. It did not consistently screen excess personal property for reutilization and did not follow existing policies for disposal, which in some cases were inadequate or contradictory. As a result, the USCG could not ensure that personal property was efficiently reutilized or properly disposed of to prevent unauthorized use or theft. Additionally, the USCG did not implement processes to ensure that all personal property requiring demilitarization or commerce trade controls was disposed of in accordance with appropriate laws. The USCG also did not centrally manage classified personal property to ensure that it accounted for and properly disposed of such property. The USCG concurred with six of the seven recommendations, and partially concurred with one recommendation.

(OIG-13-19, December 2012, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-19_Dec12.pdf

Independent Review of U.S. Coast Guard's Reporting of FY 2012 Drug Control Performance Summary Report

KPMG, under contract with the DHS OIG, issued an Independent Accountants' Report on the FY 2012 Drug Control Performance Summary Report for the USCG. USCG's management prepared the Performance Summary Report to comply with the requirements of the ONDCP Circular *Drug Control Accounting*, dated May 1, 2007. Based on the review, nothing came to KPMG's attention that caused it to believe that the Performance Summary Report for the fiscal year

ended September 30, 2012, is not presented, in all material respects, in conformity with ONDCP's Circular, or that management's assertions are not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular. KPMG did not issue any recommendations as a result of this review.

(OIG-13-27, January 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-27_Jan13.pdf

Independent Review of U.S. Coast Guard's

Reporting of FY 2012 Drug Control Obligations

KPMG, under contract with DHS OIG, issued an Independent Accountants' Report on the Table of FY 2012 Drug Control Obligations for the USCG. USCG's management prepared the Table of FY 2012 Drug Control Obligations Report and related disclosures to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007. Based on the review, nothing came to KPMG's attention that caused it to believe that the Table of FY 2012 Drug Control Obligations and related disclosures for the year ended September 30, 2012, are not presented, in all material respects, in conformity with ONDCP's Circular, or that management's assertions are not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular. KPMG did not issue any recommendations as a result of this review.

(OIG-13-31, January 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-31_Jan13.pdf

INVESTIGATIONS

Former Employee Steals Coast Guard Equipment

We were notified that an inventory of stock material belonging to the USCG in New Orleans, Louisiana, failed to account for 15 electronic switches with an estimated value of \$75,000. Our joint investigation with the USCG Investigative Service eventually indicated that the switches were stolen by a former USCG employee who had recently retired. Further investigation indicated that over a period of time, the former employee had actually stolen switches valued at approximately

\$120,000 and sold them on eBay. After his arrest, he pleaded guilty of two counts of Mail Fraud and was sentenced to 12 months and one day incarceration followed by 24 months of supervised release. He was also ordered to pay \$127,600 in restitution.

UNITED STATES CUSTOMS AND BORDER PROTECTION

MANAGEMENT REPORTS

United States Customs and Border Protection's Radiation Portal Monitors at Seaports

We determined whether the Domestic Nuclear Detection Office (DNDO) and U.S. Customs and Border Protection (CBP) deploy and use radiation portal monitors to ensure the most efficient cargo screening at seaports. We reported that the components do not fully coordinate or centrally manage the program to ensure effective and efficient operations. CBP does not consistently gather and review utilization information to ensure that it is fully utilizing all monitors. CBP does not always monitor and promptly evaluate changes in the screening environment at seaports to relocate radiation portal monitors as necessary. DNDO and CBP do not accurately track and monitor their inventory of radiation portal monitors. Given the limited life and the lack of funding for new monitors, CBP and DNDO should better coordinate to utilize, relocate, and maintain inventory to best use resources and to continue screening of all cargo entering the United States. The components concurred with our recommendations and will identify a single office responsible for coordinating and centrally managing the program, establish guidelines to track and report the utilization of monitors at every seaport, and develop and document a collaborative process to ensure that monitor relocation is effectively planned and implemented to meet security needs.

(OIG-13-26, January 2013, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-26_Jan13.pdf

Independent Review of U.S. Customs and Border Protection's Reporting of FY 2012 Drug Control Obligations

KPMG, under contract with DHS OIG, issued an Independent Accountants' Report on the Table of FY 2012 Drug Control Obligations for CBP. CBP's management prepared the Table of FY 2012 Drug Control Obligations Report and related disclosures to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007. Based on the review, except for CBP not asserting that the assumptions used in the estimation methods were not subjected to periodic review, nothing came to KPMG's attention that caused it to believe that the Table of FY 2012 Drug Control Obligations and related disclosures for the year ended September 30, 2012, are not presented, in all material respects, in conformity with ONDCP's Circular. KPMG did not issue any recommendations as a result of this review. (OIG-13-34, January 2013, OA)
http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-34_Jan13.pdf

Independent Review of U.S. Customs and Border Protection's Reporting of FY 2012 Drug Control Performance Summary Report

KPMG, under contract with DHS OIG, issued an Independent Accountants' Report on the FY 2012 Drug Control Performance Summary Report for CBP. CBP's management prepared the Performance Summary Report to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007. Based on the review, nothing came to KPMG's attention that caused it to believe that the Performance Summary Report for the year ended September 30, 2012, are not presented, in all material respects, in conformity with ONDCP's Circular, or that management's assertions are not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular. KPMG did not issue any recommendations as a result of this review. (OIG-13-35, January 2013, OA)
http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-35_Jan13.pdf

Management Letter for U.S. Customs and Border Protection's FY 2012 Consolidated Financial Statements

KPMG, under contract with DHS OIG, reviewed

CBP internal control over financial reporting. The management letter discusses 22 observations for management's consideration identified during CBP's FY 2012 consolidated financial statements audit. These observations were discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies. These issues were determined to be below the level of a significant deficiency. Significant deficiencies were presented in the *Independent Auditors' Report*, dated January 25, 2013. (OIG-13-48, March 2013, OA)
http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-48_Mar13.pdf

Independent Auditors' Report on U.S. Customs and Border Protection's FY 2012 Financial Statements

KPMG, under contract with DHS OIG, audited the consolidated financial statements of CBP as of and for the years ending September 30, 2012, and September 30, 2011. KPMG concluded that CBP's consolidated financial statements for those fiscal years are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. However, KPMG identified four significant deficiencies in internal control over financial reporting:

- Drawback of Duties, Taxes, and Fees
- Property, Plant, and Equipment
- Entry Process
- Information Technology

KPMG considers the first significant deficiency above to be a material weakness. The results of KPMG's tests of compliance with certain provisions of laws, regulations, and contracts disclosed no instances of noncompliance or other matters that are required to be reported. (OIG-13-53, March 2013, OA)
http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-53_Mar13.pdf

INVESTIGATIONS

Man Attempts To Bribe Border Official

We were informed that a Supervisory U.S. Customs and Border Protection Officer (SCBPO) at the Progreso, Texas, Port of Entry had been repeatedly contacted by a Mexican national, who stated that he would give the SCBPO \$3,000 if the officer would let him and two other undocumented aliens through the border without proper immigration documents. We arranged for a series of events, including an exchange of currency, which resulted in the arrest and guilty plea of the would-be briber. The briber was sentenced to 18 months confinement.

Foreign National Seeks To Bribe Her Way into the United States

We were notified that an in-bound passenger from Australia at Los Angeles International Airport had been denied admission into the United States and had attempted to bribe CBP Officers with \$4,000 to let her in. The arriving passenger provided \$1,000 to the CBP Officers as a partial bribe payment, stating that she would pay the remaining \$3,000 at a later date. After our investigation, she pleaded guilty to one count of Bribery and was sentenced to 12 months and 1 day in Federal custody.

Border Patrol Agent Sexually Assaults Woman

We began a joint investigation with the Riverside County, California, Sheriff's Department after a female alleged that she had been stopped by a Border Patrol Agent (BPA) in a remote location and sexually assaulted by the BPA. Following our investigation, the subject BPA resigned from the Border Patrol and pleaded guilty to California State charges. He was sentenced to 96 months in state prison with an additional 72 months to be served concurrently.

Border Patrol Agent Sells Official Equipment on eBay

We initiated a joint investigation with U.S. Immigration and Customs Enforcement (ICE), Homeland Security Investigations after receiving information that a BPA based in the San Diego, California area, was selling stolen DHS law enforcement equipment on eBay. Our investigation

revealed that the stolen items included sophisticated night vision goggles. A check revealed that at least four pairs of government owned goggles were missing, including one with a serial number that matched the set sold to an individual in China on eBay. We conducted a search warrant of the BPA's home which yielded illegal drugs and child pornography on his personal computer. Following his arrest, the BPA pleaded guilty to one count of Theft of Government Property, one count of Interstate Transportation of Stolen Goods, and one count of Possession of Images of Minors Engaged in Sexually Explicit Conduct. He was sentenced to 37 months of confinement and 60 months supervised release. He was also ordered to pay \$9,937 in restitution.

Border Patrol Agent Accepts Bribe Money

We and our partners in the Tucson, Arizona, Border Corruption Task Force received information that a BPA had been observed meeting with known members of a drug trafficking organization. While under investigation, the BPA accepted an \$8,000 bribe payment to allow a vehicle to pass unhindered through a border patrol checkpoint. After his arrest, the BPA pleaded guilty to one count of Public Official Accepting a Bribe. He was sentenced to 8 months of incarceration, followed by 24 months supervised release, and an ordered to pay \$8,000 in restitution.

UNITED STATES IMMIGRATION AND CUSTOMS ENFORCEMENT

MANAGEMENT REPORTS

Independent Review of U.S. Immigration and Customs Enforcement's Reporting of FY 2012 Drug Control Obligations

KPMG, under contract with DHS OIG, issued an Independent Accountants' Report on the Table of Prior Year Drug Control Obligations for ICE. ICE's management prepared the Table of Prior Year Drug Control Obligations Report and related disclosures to comply with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated May 1, 2007. Based on the

review, except for ICE not obtaining approval for a change in methodology for calculating certain obligations, nothing came to KPMG's attention that caused them to believe that the Table of Prior Year Drug Control Obligations and related disclosures for the year ended September 30, 2012, are not presented, in all material respects, in conformity with ONDCP's Circular, or that management's assertions are not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular. KPMG did not issue any recommendations as a result of this review. (OIG-13-30, Revised, February 2013, OA)
http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-30_Feb13.pdf

Review of U.S. Immigration and Customs Enforcement's Reporting of FY 2012 Drug Control Performance Summary Report

KPMG, under contract with DHS OIG, issued an Independent Accountants' Report on the FY 2012 Drug Control Performance Summary Report for the ICE. ICE's management prepared the Performance Summary Report to comply with the requirements of the ONDCP Circular *Drug Control Accounting*, dated May 1, 2007. Based on the review, nothing came to KPMG's attention that caused them to believe that the Performance Summary Report for the year ended September 30, 2012, are not presented, in all material respects, in conformity with ONDCP's Circular, or that management's assertions are not fairly stated, in all material respects, based on the criteria set forth in ONDCP's Circular. KPMG did not issue any recommendations as a result of this review. (OIG-13-32, January 2013, OA)
http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-32_Jan13.pdf

INVESTIGATIONS

ICE Special Agent in Charge Guilty of Child Pornography

We were contacted by the Broward County, Florida, Child Exploitation Task force who informed us that they had developed evidence indicating that a senior ICE law enforcement officer was involved in child pornography. Along with the Broward County Sheriff's Office and the FBI, we executed a search warrant of the

subject's home and discovered evidence of child pornography. After our investigation, the ICE agent pleaded guilty to knowingly transporting child pornography and was immediately remanded into custody. He was later sentenced to 70 months Federal incarceration to be followed by 240 months of supervised release.

ICE Deportation Officer Smuggles Marijuana

Based on information supplied, we began a surveillance of a Phoenix, Arizona, ICE Deportation Officer (DO), and watched as he loaded marijuana into his government vehicle and drove away. When an Arizona Department of Safety (DPS) officer attempted a traffic stop, the ICE DO initially stopped and then fled in his government vehicle, leading DPS and our agents on a 45-minute vehicle pursuit. During the pursuit, he was observed throwing bundles of marijuana from the moving vehicle. The pursuit ended after the ICE DO crashed his government vehicle. He pleaded guilty to Possession with Intent to Distribute Marijuana, and was later was sentenced to 87 months incarceration to be followed by 60 months supervised release. He was also ordered to pay \$16,952 in restitution for the government vehicle that sustained damage at the time of his arrest. We were joined in this investigation by the DPS and the Drug Enforcement Administration.

ICE Contract Employee Possesses and Distributes Child Pornography

We received notification from the Montgomery County (Maryland) Police Department that they seized the government-issued computer of an ICE contract employee. Pursuant to a multiagency joint investigation, we assisted in the recovery of evidence which proved that the employee was in possession of, and trafficked in, child pornography. After a 5-day jury trial in state court, he was found guilty on three felony counts of Receipt, Transportation and Possession of Child Pornography. He was sentenced to 60 months incarceration for each count (to be served concurrently), followed by 60 months of supervised release.

Son of ICE Analyst Smuggles Aliens and Narcotics

During our investigation into the suspected unauthorized use of a government law enforce-

ment computer by an ICE intelligence analyst in Arizona, we discovered indications that her son, who was not a government employee, was involved in alien and narcotics smuggling. Following further investigation, the son was charged and pleaded guilty to Harboring Illegal Aliens for Profit and was sentenced to 14 months incarceration, to be followed with 36 months supervised release. This was a joint investigation with the FBI and the Border Corruption Task Force.

UNITED STATES SECRET SERVICE

Adequacy of USSS' Internal Investigation of Alleged Misconduct in Cartagena, Colombia

In April 2012, United States Secret Service (USSS) employees were in Cartagena, Colombia, preparing for a Presidential visit to the Summit of the Americas. During these preparations, several USSS employees were suspected of soliciting prostitutes. In response, USSS took the following steps: (1) managers in Cartagena responded to the alleged solicitation, (2) USSS' internal affairs office investigated the alleged solicitation, and (3) USSS revised policies and supervision staffing for protective visits. We assessed USSS' response to the alleged solicitation of prostitutes by its employees and determined that USSS responded expeditiously and thoroughly to the allegations. We did not make any recommendations.

(OIG-13-24, January 2013, ISP)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-24_Jan13.pdf

INVESTIGATIONS

Man Impersonates DHS Agent

We were notified that a Massachusetts man had contacted a local businesswoman and claimed to be a high-ranking DHS agent who was seeking professional services while working directly for the White House and various political leaders. Our joint investigation with USSS revealed that the individual in question had previously been

convicted for impersonating a Drug Enforcement Administration agent. After further investigation, we arrested him and he pleaded guilty to one count of Falsely Pretending to be an Officer or Employee of the United States. He was sentenced to 6 months of incarceration followed by 12 months of supervised release.

MULTIPLE COMPONENTS

MANAGEMENT REPORTS

DHS' Oversight of Interoperable Communications

We performed this audit to determine whether DHS provided effective oversight of interoperable radio communications. We determined that DHS did not provide effective oversight to ensure that its components achieved Department-wide interoperable radio communications. It did not establish an effective governing structure that had the authority and responsibility to oversee its goal of achieving Department-wide interoperability. Without a governing structure, DHS had limited interoperability policies and procedures, and component personnel did not have interoperable radio communications. As a result, DHS personnel do not have interoperable communications that they can rely on during daily operations, planned events, and emergencies. Until DHS develops an effective governing structure and makes a concerted effort to attain Department-wide interoperability, overall progress will remain limited.

Our report included two recommendations for DHS: (1) create a structure with the necessary authority to ensure that the components achieve interoperability; and (2) develop and disseminate policies and procedures to standardize Department-wide radio activities, including program settings such as naming conventions to ensure interoperability. DHS did not concur with the first recommendation and concurred with the second recommendation.

(OIG-13-06, November 2012, OA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-06_Nov12.pdf

Further Development and Reinforcement of Department Policies Can Strengthen DHS' Intelligence Systems Security Program

We reviewed the DHS enterprise-wide security program for Top Secret/Sensitive Compartmented Information intelligence systems. Pursuant to FISMA, we reviewed the Department's security management, implementation, and evaluation of its intelligence activities, including its policies, procedures, and system security controls for enterprise-wide intelligence systems. Since our FY 2011 evaluation, the Office of Intelligence and Analysis (I&A) has improved its oversight of Department-wide systems and established programs to monitor ongoing security practices. I&A has developed and implemented a training program to educate DHS' growing number of personnel assigned security duties on intelligence systems. In addition, progress has been made in collaboration with other DHS components in centralizing plans and priorities for mitigating security weaknesses, streamlining system configuration management, and maintaining a systems inventory. However, we identified deficiencies at the USCG in system authorizations and specialized training and incident response, contingency planning, and security capital planning at the USSS. Also, we identified deficiencies in the Department-wide management of supply chain threats and security capital planning. We made two recommendations to I&A, two recommendations to USCG, and three recommendations to USSS. DHS and its components concurred with all our recommendations. Fieldwork was conducted between April and July 2012.

(OIG-13-21, January 2013, ITA)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_SLP_13-21_Mar13.pdf

DHS Involvement in OCDETF Operation Fast and Furious

Our review of the Organized Crime and Drug Enforcement Task Force (OCDETF) Operation Fast and Furious determined that the operation was primarily staffed and managed by Department of Justice Bureau of Alcohol, Tobacco, Firearms, and Explosives, although one ICE special agent also participated. At the direction of the ATF lead agent, the ICE special agent engaged in activities for which the operation has become notorious. Specifically, he and other task force members suspended surveillance of weapons suspected of being illegally purchased for resale to Mexican drug trafficking organizations.

We determined that senior DHS and ICE management were not aware of the operation's flawed investigative methodology while the operation was underway. However, some ICE staff in Arizona was aware of the ill-advised methodology and the special agent's activities that supported it. Yet ICE Arizona senior leaders said they did not learn about the methodology until the operation was concluding. The senior leaders initially cooperated with the operation by suspending ICE weapons smuggling investigations and assigning the special agent to the operation.

We recommended that ICE determine whether its senior leaders in Arizona fulfilled their duty to enforce weapons smuggling statutes and adhered to ICE standards. We also recommended that ICE adjust language in its new policy to ensure that similar problems do not occur again.

(OIG-13-49, Revised, March 2013, ISP)

http://www.oig.dhs.gov/assets/Mgmt/2013/OIG_13-49_Mar13.pdf

OTHER OFFICE OF INSPECTOR GENERAL ACTIVITIES



OVERSIGHT OF NONDEPARTMENTAL AUDITS

During this period, we completed 43 desk reviews of Single Audit reports issued by independent public accountant organizations. Single Audit reports refer to audits conducted according to the *Single Audit Act of 1996*, as amended by Public Law 104-156.

Of the 43 desk reviews, we issued 4 comment letters to grantees, and an additional 4 letters are currently in process for review and signature. We use the results of audits and investigations of grantees and subgrantees as a tool for identifying areas for further analysis, and for helping DHS improve grants management practices and program performance. We will support DHS in its efforts to monitor and follow up on recommendations from independent external audits of DHS' grantees and subgrantees under the *Single Audit Act*, as amended. In addition, we will perform quality reviews of independent auditors to ensure consistency and adherence to Single Audit guidelines.

SUMMARY OF SIGNIFICANT REPORTS UNRESOLVED OVER 6 MONTHS

Timely resolution of outstanding audit recommendations continues to be a priority for both our office and the Department. As of this report date, we are responsible for monitoring 107 reports containing 357 recommendations that have been unresolved for more than 6 months. Management decisions have not been made for significant reports, as follows:

FEMA-related disaster assistance grant reports	20
Management reports	87
Total	107

OIG DISAGREEMENTS WITH DHS MANAGEMENT DECISIONS

In the report resolution process described in OMB Circular A-50, revised, DHS personnel reach management decisions on how they will act on OIG recommendations. OIG personnel are then to review management's decisions, planned corrective actions, and the timeframes for resolving report recommendations to ensure that needed improvements are made in DHS operations and programs in a timely manner. When OIG disagrees with significant DHS management decisions, it is our responsibility to report those disagreements to management and the Congress. This section describes significant DHS management decisions with which OIG disagrees.

FEMA's Decisions To Replace Rather Than Repair Buildings at the University of Iowa (DD-12-17, June 19, 2012)

FEMA Region VII officials did not correctly apply FEMA's 50 Percent Rule when approving funding to replace the Hancher Voxman-Clapp and Art Building East building complexes at the University of Iowa. Also, the decision to replace Art Building East was unsupported and likely based on inaccurate cost data. FEMA's 50 Percent Rule policy provides the decision-making tool to determine whether FEMA should fund the repair or replacement of a disaster-damaged building.



Hancher Voxman-Clap Complex when flooded in 2008.

Because of the misapplication, FEMA is now committed to replace, rather than repair, buildings where the properly calculated repair costs did not exceed 50 percent of the replacement costs. FEMA made its November 2008 replacement decisions with flawed calculations that included unallowable code-triggered upgrades and unsupported replacement cost estimates.

FEMA estimated that repair costs would exceed the required 50 percent threshold for HVC with a ratio of 50.1 percent, and Art Building East with a ratio of 50.9 percent. However, properly calculated, repair cost ratios were 35.0 percent and 38.3 percent, respectively, well short of the needed 50 percent. Since 2008, the estimated cost to replace the buildings has grown from \$58 million to \$297 million, but the repair-to-replacement ratio has remained below 50 percent. We recommended that FEMA pay to repair the buildings rather than replace them, and deobligate \$75.4 million. The audit did not examine the documentation supporting the increased estimated repair and replacement costs. Instead, we based the recommendation to deobligate on FEMA's current cost estimates.

DHS Response: FEMA disagreed with our recommendations stating that its existing policy was ambiguous and that, regardless, its own policies do not have the effect of law and cannot bind FEMA. On October 24, 2012, DHS' Under Secretary for Management, who is the DHS Resolution Official for recommendations where a component disagrees with the OIG, upheld FEMA's decisions saying that, based on the information provided, he could not determine whether FEMA's decisions were aberrations or poorly documented exercises of FEMA's latitude in making these types of decisions.

OIG Disagreement: There was no ambiguity regarding FEMA's policy, which has been clearly documented for over a decade; code-triggered upgrades are not allowable on the repair side of the 50 Percent Rule calculation. Because of the high cost of code-triggered upgrades, allowing these upgrades in the replacement calculation could result in the replacement of buildings with only minor disaster-related damage. Although we appreciate that, based on reliance on FEMA's erroneous decisions, the applicant has spent years and millions of dollars planning to replace these buildings, FEMA's errors and the applicant's reliance on these errors does not make the projects eligible for replacement. Unless FEMA develops new policies, we will continue to question costs in our grant audit reports based on the current, well-established 50 Percent Rule.

These funding decisions have a practical implication that may cost the Federal Government hundreds of millions of dollars beyond the \$75 million in Federal funds at stake. Other grant applicants with flood-damaged buildings, to whom FEMA has denied new building funding in the past, could attempt to appeal FEMA's repair decisions based on its decision to fund replacement of these buildings.

Wellton-Mohawk Irrigation and Drainage District, Wellton, Arizona
(W-08-02, January 14, 2002)

FEMA has not recovered \$3.8 million from the Wellton-Mohawk Irrigation and Drainage District (Wellton-Mohawk) as recommended in our report titled *Wellton-Mohawk Irrigation and Drainage District, Wellton, Arizona* (OIG-08-02). We are concerned that FEMA paid \$3.8 million to Wellton-Mohawk for the estimated value of rock Wellton-Mohawk extracted from its own property. As a result, FEMA disbursed funds to Wellton-Mohawk for costs it did not incur.

FEMA Response: FEMA disagreed with the recommendation, stating the grant to Wellton-Mohawk was reasonable and appropriate.

OIG Disagreement: The impasse remains, despite DHS' Under Secretary for Management concurring with the recommendation and directing FEMA to take action. The Under Secretary for Management is DHS' Resolution Official for OIG reports.

LEGISLATIVE AND REGULATORY REVIEWS



Under the *Inspector General Act*, we review and comment on existing and proposed legislation and regulations affecting DHS programs and operations to foster economy and efficiency, and detect fraud, waste, and abuse. We also participated on the Council of Inspectors General on Integrity and Efficiency, which provides a means to comment on existing and proposed legislation and regulations that have government-wide effect and will participate in DHS' Regulatory Affairs Management System Pilot Program Training.

During this reporting period, we reviewed more than 100 legislative and regulatory proposals, draft DHS policy directives, and other matters. For example, we reviewed and provided comments to the DHS management on one matter summarized below.

H.R. 4053 Improper Payments Elimination and Recovery Improvement Act of 2012

OIG reviewed the proposed H.R. 4053, *Improper Payments Elimination and Recovery Improvement*

Act of 2012. Based on the proposed act and Office of Management and Budget Circular A-123, Appendix C, the Inspector General is required to determine DHS' compliance with IPERA and evaluate the accuracy and completeness of agency reporting, and evaluate agency performance in reducing and recapturing improper payments.

OIG contracted with KPMG to determine whether DHS complied with IPERA. In March 2013, OIG issued *DHS' FY 2012 Compliance with the Improper Payments Elimination and Recovery Act of 2010*, OIG-13-47. Based on our review, we determined that DHS needs to improve controls to ensure the accuracy and completeness of improper payment reporting. Specifically, it needs to improve its review processes to ensure that the risk assessments properly support the components' determination of programs susceptible to significant improper payments. Furthermore, DHS needs to adequately segregate duties and improve its policies and procedures to identify, reduce, and report DHS and the components improper payments.

CONGRESSIONAL TESTIMONY AND BRIEFINGS



The Deputy Inspector General testified before congressional committees three times during this time period. Testimony prepared for these hearings may be accessed on our website at www.oig.dhs.gov.

The Deputy Inspector General testified at the following hearings:

- November 29, 2012 – House Committee on Transportation and Infrastructure, Subcommittee on Aviation, at a hearing entitled, “How Best to Improve Our Nation’s Airport Passenger Security System Through Common Sense Solutions.”
- March 19, 2013 – House Committee on Oversight and Government Reform at a hearing entitled, “DOD and DHS: Implementing Agency Watchdogs’ Recommendations Could Save Taxpayers Billions.”
- March 19, 2013 – House Committee on Homeland Security, Subcommittee on Oversight and Management Efficiency at a hearing entitled, “DHS Information Technology: How Effectively Has DHS Harnessed IT to Secure Our Borders and Uphold Immigration Laws.”

Testimony was also provided by the Assistant Inspector General for Audits at the following hearing:

- March 19, 2013 – House Committee on Homeland Security, Subcommittee on Emergency Preparedness, Response, and Communications at a hearing titled, “Homeland Security Grants: Measuring Our Investments.”

We briefed congressional members and their staffs at a steady pace throughout the reporting period. Our office conducted more than 45 briefings for congressional staff on the results of our work, including (1) *DHS’ Oversight of Interoperable Communications* (OIG-13-06); (2) *Adequacy of USSS’ Internal Investigation of Alleged Misconduct in Cartagena, Colombia* (OIG-13-24); (3) *Evaluation of DHS’ Information Security Program for Fiscal Year 2012* (OIG-13-04); and (4) *DHS Involvement in OCEETF Operation Fast and Furious* (OIG-13-49). We attended meetings to discuss other congressional concerns including Departmental management challenges and Superstorm Sandy response and recovery.

We will continue to meet frequently with congressional members and staff to discuss our evaluations of the Department’s programs and operations and to brief them on completed and planned work.

APPENDIXES



Appendix 1^(a)

Audit Reports With Questioned Costs

Report Category	Number		Questioned Costs	Unsupported Costs
	Reports	Recommendations		
A. Reports pending management decision at the start of the reporting period (b)	51	99	\$883,918,530	\$18,939,038
B. Reports issued/processed during the reporting period with questioned costs	30	72	\$300,143,848	\$147,561,804
Total Reports (A+B)	81	171	\$1,184,062,378	\$166,500,842
C. Reports for which a management decision was made during the reporting period (c)	30	51	\$872,507,072	\$5,431,565
(1) Disallowed costs	15	24	\$2,029,040	\$795,539
(2) Accepted costs	19	24	\$683,221,767	\$3,551,924
D. Reports put into appeal status during period	0	0	\$0	\$0
E. Reports pending a management decision at the end of the reporting period	51	120	\$311,555,306	\$161,069,277
F. Reports for which no management decision was made within 6 months of issuance	24	52	\$77,072,773	\$13,507,473

Notes and Explanations:

- (a) See Note (a) on page 54, Appendix 1b.
- (b) Corrections were made to the beginning balance due to prior period adjustments.
- (c) The sum of numbers and dollars in Section C lines C (1) and C (2) will not always equal the total in Section C because some reports contain both accepted and disallowed costs and recommendations may be resolved by DHS OIG before DHS determines the final disposition on the total questioned costs. Also, resolution may result in values different from the original recommendations.

Management Decision – This occurs when DHS management informs us of its intended action in response to a recommendation, and we determine that the proposed action is acceptable.

Accepted Costs – These are previously questioned costs accepted in a management decision as allowable costs to a Government program. Before acceptance, we must agree with the basis for the management decision.

Questioned Costs – These costs result when auditors question expenses resulting from alleged violations of provisions of laws, regulations, grants, cooperative agreements, or contracts. A “questioned” cost is a finding which, at the time of the audit, is not supported by adequate documentation or is unreasonable

or unallowable. A funding agency is responsible for making management decisions on questioned costs, including an evaluation of the findings and recommendations in an audit report. A management decision against the auditee would transform a questioned cost into a disallowed cost. Our amounts in the Total Questioned Cost column represent only the Federal share of questioned costs. These questioned costs include ineligible and unsupported costs.

Unsupported Costs – These costs are a subset of Total Questioned Costs and are also shown separately under the Unsupported Costs column as required by the *IG Act*. These costs were not supported by adequate documentation at the time of the audit.

Federal Share – Represents that portion of a grant award that is funded by the Federal government. The Federal government does not always provide 100 percent funding for a grant. The grantee (usually a state) or the subgrantee (usually a local government or non-profit entity) may be responsible for funding the non-Federal share. In this report, DHS OIG reports only the Federal share of questioned costs as a monetary benefit to the Federal government because funds provided by the grantee or subgrantee would not be returned to the Federal government.

Appendix 1b^(a)**Audit Reports With Funds Put to Better Use**

Report Category	Number		Amount
	Reports	Recommendations	
A. Reports pending management decision at the start of the reporting period	16	21	\$120,985,862
B. Reports issued during the reporting period	13	16	\$15,884,551
Total Reports (A+B)	29	37	\$136,870,413
C. Reports for which a management decision was made during the reporting period (b)	15	20	\$112,105,990
(1) Value of recommendations agreed to by management for deobligation/avoidance	13	16	\$33,436,888
(2) Value of recommendations not agreed to by management (allowed by management)	2	3	\$75,434,259
D. Reports put into the appeal status during the reporting period	0	0	0
E. Reports pending a management decision at the end of the reporting period	14	17	\$24,764,423
F. Reports for which no management decision was made within 6 months of issuance	3	4	\$16,938,939

Notes and Explanations:

- (a) The *Inspector General Act, as amended*, requires Inspectors General and agency heads to report cost data on management decisions and final actions on audit reports. The current method of reporting at the “report” level rather than at the individual audit “recommendation” level results in incomplete reporting of cost data. Under the Act, an audit “report” does not have a management decision or final action until all questioned cost items or other recommendations have a management decision. Under these circumstances, the use of the “report” based rather than the “recommendation” based method of reporting distorts the actual agency efforts to resolve and complete action on audit recommendations. For example, although management may have taken timely action on all but one of many recommendations in an audit report, the current “all or nothing” reporting format does not recognize their efforts. To resolve this issue, we present DHS management decisions on reports and recommendations.
- (b) The sum of numbers and dollar values in Section C lines C (1) and C (2) will not always equal the total in Section C, because some reports contain both allowed and disallowed costs and recommendations may be resolved by DHS OIG before DHS determines the final disposition on disallowed and accepted costs. In addition, resolution may result in values different from the original recommendations.

Funds Put to Better Use – Auditors can identify ways to improve the efficiency, effectiveness, and economy of programs, resulting in cost savings over the life of the program. Unlike questioned costs, the auditor recommends methods for making the most efficient use of Federal dollars, such as reducing outlays, deobligating funds, or avoiding unnecessary expenditures.

Appendix 2¹**Compliance – Resolution of Reports and Recommendations**

MANAGEMENT DECISION IS PENDING	
09/30/2012	
Reports open and unresolved more than 6 months	124
Recommendations open and unresolved more than 6 months	467
03/31/2013	
Reports open and unresolved more than 6 months	107
Recommendations open and unresolved more than 6 months	357
CURRENT INVENTORY	
Open reports at the beginning of the period	320
Reports issued this period	77
Reports closed this period	108
Open reports at the end of the period	289
ACTIVE RECOMMENDATIONS	
Open recommendations at the beginning of the period	1,402
Recommendations issued this period	355
Recommendations closed this period	518
Open recommendations at the end of the period	1,239

¹ Includes management and disaster assistance grant reports

Appendix 3

Management Reports Issued

Report Number	Date Issued	Report Title	Total Questioned Costs ^(a)	Unsupported Costs ^(b)	Funds Put to Better Use
1. OIG-13-01	10/12	Costs Incurred by Volunteer Fire and Rescue of Harrison Township, IN, Under Station Construction Grant Number EMW-2009-FC-06054R	\$0	\$0	\$0
2. OIG-13-02	10/12	Costs Claimed by Snoqualmie Pass, WA, Fire & Rescue Under Fire Station Construction Grant Number EMW-2009-FC-02883R	\$0	\$0	\$0
3. OIG-13-03	10/12	Costs Claimed by the Port Authority of New York and New Jersey Under Transit Security Grant No. 2009-RA-R1-0105	\$0	\$0	\$0
4. OIG-13-04	10/12	Evaluation of DHS' Information Security Program for Fiscal Year 2012	\$0	\$0	\$0
5. OIG-13-05	10/12	Personnel Security and Internal Control at TSA's Legacy Transportation Threat Assessment and Credentialing Office	\$0	\$0	\$0
6. OIG-13-06	11/12	DHS' Oversight of Interoperable Communications	\$0	\$0	\$0
7. OIG-13-07	11/12	The Visa Waiver Program	\$0	\$0	\$0
8. OIG-13-08	11/12	The State of Illinois' Management of Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 Through 2008	\$0	\$0	\$0
9. OIG-13-09	11/12	Major Management Challenges Facing the Department of Homeland Security	\$0	\$0	\$0
10. OIG-13-10	11/12	The Commonwealth of Virginia's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008 Through 2010	\$660,657	\$0	\$0

Appendix 3

Management Reports Issued (continued)

Report Number	Date Issued	Report Title	Total Questioned Costs ^(a)	Unsupported Costs ^(b)	Funds Put to Better Use
11. OIG-13-11 ^(c)	12/12	Improvements Needed for SAVE To Accurately Determine Immigration Status of Individuals Ordered Deported (Revised)	\$0	\$0	\$0
12. OIG-13-12	12/12	Costs Claimed by the Chicago Transit Authority for the Subway Security and SCADA Project – Video Analytics and Intrusion Detection, and the Public Transport Anti-Terrorism Team Program, Grant Numbers 2009-RA-RI-0106 and 2009-RA-RI-0093	\$0	\$0	\$0
13. OIG-13-13	11/12	Federal Emergency Management Agency Needs To Improve Its Internal Controls Over the Use of Disaster Assistance Employees	\$0	\$0	\$0
14. OIG-13-14	12/12	TSA's National Deployment Force – FY 2012 Follow-Up	\$0	\$0	\$0
15. OIG-13-15	12/12	FEMA's Sheltering and Temporary Essential Power Pilot Program	\$0	\$0	\$0
16. OIG-13-16	12/12	The State of Rhode Island's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008 Through 2010	\$0	\$0	\$0
17. OIG-13-17	12/12	FEMA's Efforts To Recoup Improper Payments in Accordance With the Disaster Assistance Recoupment Fairness Act of 2011 (4)	\$0	\$0	\$0
18. OIG-13-18	12/12	Annual Report to Congress on States' and Urban Areas' Management of Homeland Security Grant Programs Fiscal Year 2012	\$0	\$0	\$0
19. OIG-13-19	12/12	Identification, Reutilization, and Disposal of Excess Personal Property by the United States Coast Guard	\$0	\$0	\$0

Appendix 3

Management Reports Issued (continued)

Report Number	Date Issued	Report Title	Total Questioned Costs ^(a)	Unsupported Costs ^(b)	Funds Put to Better Use
20. OIG-13-20	11/12	Independent Auditors' Report on DHS' FY 2012 Financial Statements and Internal Control over Financial Reporting	\$0	\$0	\$0
21. OIG-13-21	1/13	Further Development and Reinforcement of Department Policies Can Strengthen DHS' Intelligence Systems Security Program (Unclassified Summary)	\$0	\$0	\$0
22. OIG-13-22	1/13	Costs Claimed by Chicago Fire Department Under Fire Station Construction Grant Number EMW-2009-FC-05246R	\$0	\$0	\$0
23. OIG-13-24	1/13	Adequacy of USSS' Internal Investigation of Alleged Misconduct in Cartagena, Colombia	\$0	\$0	\$0
24. OIG-13-26	1/13	United States Customs and Border Protection's Radiation Portal Monitors at Seaports	\$0	\$0	\$0
25. OIG-13-27	1/13	Independent Review of U.S. Coast Guard's Reporting of FY 2012 Drug Control Performance Summary Report	\$0	\$0	\$0
26. OIG-13-28	1/13	Independent Review of the Federal Law Enforcement Training Center's Reporting of FY 2012 Drug Control Obligations	\$0	\$0	\$0
27. OIG-13-29	1/13	Independent Review of the Federal Emergency Management Agency's Reporting of FY 2012 Drug Control Obligations	\$0	\$0	\$0
28. OIG-13-30 ^(d)	2/13	Independent Review of U.S. Immigration and Customs Enforcement's Reporting of FY 2012 Drug Control Obligations (Revised)	\$0	\$0	\$0

Appendix 3

Management Reports Issued (continued)

Report Number	Date Issued	Report Title	Total Questioned Costs ^(a)	Unsupported Costs ^(b)	Funds Put to Better Use
29. OIG-13-31	1/13	Independent Review of U.S. Coast Guard's Reporting of FY 2012 Drug Control Obligations	\$0	\$0	\$0
30. OIG-13-32	1/13	Review of U.S. Immigration and Customs Enforcement's Reporting of FY 2012 Drug Control Performance Summary Report	\$0	\$0	\$0
31. OIG-13-33	1/13	Wisconsin's Management of Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008 Through 2010	\$0	\$0	\$0
32. OIG-13-34	1/13	Independent Review of U.S. Customs and Border Protection's Reporting of FY 2012 Drug Control Obligations	\$0	\$0	\$0
33. OIG-13-35	1/13	Independent Review of U.S. Customs and Border Protection's Reporting of FY 2012 Drug Control Performance Summary Report	\$0	\$0	\$0
34. OIG-13-36	2/13	DHS Contracts Awarded Through Other Than Full and Open Competition During Fiscal Year 2012	\$0	\$0	\$0
35. OIG-13-37	2/13	Costs Claimed by the Northern Illinois Railroad Corporation Under Transit Security Grant Number 2009-RA-RI-0098	\$113,032	\$113,032	\$0
36. OIG-13-38	2/13	Management Letter for the FY 2012 DHS Financial Statements and Internal Control over Financial Reporting Audit	\$0	\$0	\$0
37. OIG-13-39	2/13	DHS Can Make Improvements to Secure Industrial Control Systems	\$0	\$0	\$0

Appendix 3

Management Reports Issued (continued)

Report Number	Date Issued	Report Title	Total Questioned Costs ^(a)	Unsupported Costs ^(b)	Funds Put to Better Use
38. OIG-13-40	2/13	FEMA's Use of Risk-based Monitoring for Grantee Oversight	\$0	\$0	\$0
39. OIG-13-41	2/13	Kentucky's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded Fiscal Years 2008-2010	\$0	\$0	\$0
40. OIG-13-42	2/13	Transportation Security Administration's Aviation Channeling Services Provider Project	\$0	\$0	\$0
41. OIG-13-43	3/13	Connecticut's Management of Homeland Security Program Grants Awarded During Fiscal Years 2008 Through 2010	\$0	\$0	\$0
42. OIG-13-44	2/13	Massachusetts' Management of Homeland Security Grant Program Awards for Fiscal Years 2008 Through 2011	\$4,069,772	\$0	\$0
43. OIG-13-45	2/13	Indiana's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008-2010	\$0	\$0	\$0
44. OIG-13-46	2/13	Costs Claimed by the Port of Los Angeles Under Port Security Grant Number 2009-PU-R1-0176	\$174,060	\$174,060	\$0
45. OIG-13-47	3/13	Department of Homeland Security's FY 2012 Compliance with the Improper Payments Elimination and Recovery Act of 2010	\$0	\$0	\$0
46. OIG-13-48	3/13	Management Letter for U.S. Customs and Border Protection's FY 2012 Consolidated Financial Statements	\$0	\$0	\$0

Appendix 3

Management Reports Issued (continued)

Report Number	Date Issued	Report Title	Total Questioned Costs ^(a)	Unsupported Costs ^(b)	Funds Put to Better Use
47. OIG-13-49 ^(e)	3/13	DHS Involvement in OCDETF Operation Fast and Furious (Revised)	\$0	\$0	\$0
48. OIG-13-51	3/13	FEMA's Efforts To Recoup Improper Payments in Accordance With the Disaster Assistance Recoupment Fairness Act of 2011 (5)	\$130,157,926	\$130,157,926	\$0
49. OIG-13-53	3/13	Independent Auditors' Report on U.S. Customs and Border Protection's FY 2012 Financial Statements	\$0	\$0	\$0
50. OIG-13-55	3/13	Effectiveness of the Infrastructure Security Compliance Division's Management Practices to Implement the Chemical Facility Anti-Terrorism Standards Program	\$0	\$0	\$0
Total, Appendix 3			\$135,175,447	\$130,445,018	0

Notes and Explanations:

Report Number Acronyms:

OIG – A report with an OIG number is a Management report, except report numbers OIG-13-23 and OIG-13-25. These reports were issued as Disaster Assistance Grant Reports and are listed in appendix 4.

Report numbers OIG-13-50, OIG-13-52, and OIG-13-54 were intentionally not used during this reporting period.

Notes and Explanations:

- (a) DHS OIG reports the Federal share of costs it questions. The Total Questioned Cost column includes the Federal share of ineligible and unsupported costs.
- (b) The Unsupported Costs column is a subset of Total Questioned Costs and is shown separately as required by the *IG Act*.
- (c) OIG-13-11 was reissued from its original date of November 20, 2012.
- (d) OIG-13-30 was reissued from its original date of January 29, 2013.
- (e) OIG-13-49 was reissued from its original date of March 15, 2013.

Appendix 4

Disaster Assistance Grant Reports Issued

Report Number	Date Issued	Report Title	Total Questioned Costs ^(a)	Unsupported Costs ^(b)	Funds Put to Better Use
1. DA-13-01	11/12	FEMA Should Deobligate \$226,096 of Unneeded Public Assistance Grant Funds Awarded to the Town of Dauphin Island, Alabama – Tropical Storm Ida	\$0	\$0	\$226,096
2. DA-13-02	11/12	FEMA Should Recover \$2.8 Million of Public Assistance Grant Funds Awarded to the Town of Dauphin Island, Alabama – Hurricanes Gustav and Ike	\$917,971	\$0	\$1,477,156
3. DA-13-03	11/12	FEMA Should Recover \$5.3 Million of Public Assistance Grant Funds Awarded to the University of Southern Mississippi – Hurricane Katrina	\$2,873,000	\$979,803	\$2,404,317
4. DA-13-04	11/12	FEMA Should Recover \$7.7 Million of Public Assistance Grant Funds Awarded to the City of Lake Worth, Florida – Hurricane Wilma	\$7,682,532	\$476,455	\$0
5. DA-13-05	11/12	FEMA Should Recover \$2.2 Million of Public Assistance Grant Funds Awarded to Memphis Light, Gas and Water Division – Severe Weather, June 2009	\$1,663,848	\$0	\$0
6. DA-13-06	11/12	FEMA Should Recover \$894,764 of Public Assistance Grant Funds Awarded to the Town of Dauphin Island, Alabama – Hurricane Katrina	\$894,764	\$0	\$0
7. DA-13-07	11/12	FEMA Should Recover \$701,028 of Public Assistance Grant Funds Awarded to Memphis Light, Gas and Water Division – Severe Weather February 2008	\$525,770	\$0	\$0
8. DA-13-08	12/12	FEMA Should Recover \$470,244 of Public Assistance Grant Funds Awarded to the City of Lake Worth, Florida – Hurricanes Frances and Jeanne	\$418,935	\$348,775	\$0

Appendix 4

Disaster Assistance Grant Reports Issued (continued)

Report Number	Date Issued	Report Title	Total Questioned Costs ^(a)	Unsupported Costs ^(b)	Funds Put to Better Use
9. DA-13-09	02/13	FEMA Should Recover \$1.9 Million of Public Assistance Grant Funds Awarded to the Hancock County Utility Authority – Hurricane Katrina	\$1,902,506	\$14,278	\$0
10. DA-13-10	2/13	FEMA Should Recover \$8.5 Million of Public Assistance Grant Funds Awarded to the City of Gulfport, Mississippi, for Debris Removal and Emergency Protective Measures – Hurricane Katrina	\$8,186,346	\$5,705,762	\$296,792
11. DA-13-11	3/13	FEMA Should Recover \$131,064 From a \$3.0 Million Public Assistance Grant Awarded to the City of Norfolk, Virginia, for Tropical Storm Ida and a Nor'easter	\$98,298	\$0	\$0
12. DA-13-12	3/13	FEMA Should Recover \$34,219 From a \$3.0 Million Public Assistance Grant Awarded to Bibb County, Georgia	\$25,665	\$16,732	\$0
13. DA-13-13	3/13	FEMA Should Recover \$3.2 Million of Public Assistance Grant Funds Awarded to the Moss Point School District – Hurricane Katrina	\$3,210,547	\$37,886	\$0
14. DD-13-01	11/12	Regional Transit Authority Needs To Insure Equipment or Forgo \$62 Million in FEMA Public Assistance Funds, New Orleans, Louisiana	\$64,105,894	\$0	\$7,353,744
15. DD-13-02	1/13	FEMA Public Assistance Grant Funds Awarded to St. John the Baptist Parish, Louisiana	\$912,642	\$579,348	\$42,975
16. DD-13-03	1/13	Ottawa Illinois Elementary School District Should Obtain Required Flood Insurance or FEMA Should Disallow \$14 Million in Public Assistance Grant Funds	\$10,468,699	\$0	\$0

Appendix 4

Disaster Assistance Grant Reports Issued (continued)

Report Number	Date Issued	Report Title	Total Questioned Costs ^(a)	Unsupported Costs ^(b)	Funds Put to Better Use
17. DD-13-04	1/13	FEMA Improperly Applied the 50 Percent Rule in Its Decision To Pay for the Replacement of the Martinsville High School, Martinsville, Illinois	\$6,954,104	\$0	\$1,683,461
18. DD-13-05	1/13	FEMA Should Disallow \$7.6 Million in Public Assistance Grant Funds Awarded to the Audubon Commission, New Orleans, Louisiana	\$7,552,785	\$0	\$0
19. DD-13-06	2/13	FEMA Should Recover \$6.7 Million of Ineligible or Unused Funds Awarded to Cameron Parish, Louisiana, for Hurricane Rita	\$5,877,412	\$0	\$831,959
20. DD-13-07	2/13	FEMA Should Recover \$881,956 of Ineligible Funds and \$862,983 of Unused Funds Awarded to St. Charles Parish School Board, Luling, Louisiana	\$868,865	\$709,745	\$861,995
21. DS-13-01	11/12	The California Department of Parks and Recreation Sacramento, California, Successfully Managed FEMA's Public Assistance Grant Funds	\$0	\$0	\$190,609
22. DS-13-02	12/12	The Town of San Anselmo, California, Did Not Properly Account for and Expend FEMA's Public Assistance Grant Funds	\$1,199,833	\$1,199,833	\$0
23. DS-13-03	1/13	The City of San Buenaventura, California, Did Not Properly Account for and Expend FEMA Public Assistance Grant Funds	\$1,313,279	\$0	\$64,939
24. DS-13-04	3/13	FEMA Should Disallow \$21,113 of the \$654,716 in Public Assistance Grant Funds Awarded to the Alaska Department of Natural Resources, Wasilla, Alaska	\$15,850	\$0	\$0

Appendix 4

Disaster Assistance Grant Reports Issued (continued)

Report Number	Date Issued	Report Title	Total Questioned Costs ^(a)	Unsupported Costs ^(b)	Funds Put to Better Use
25. DS-13-05	3/13	The California Department of Parks and Recreation Did Not Account for or Expend \$1.8 Million in FEMA Grant Funds According to Federal Regulations and FEMA Guidelines	\$939,618	\$265,018	\$395,570
26. OIG-13-23 ^(c)	3/13	FEMA Should Recover \$48 Million of Public Assistance Grant Funds Awarded to Erie County, New York – Severe Weather October 2006 (Revised)	\$36,349,063	\$6,772,976	\$0
27. OIG-13-25	1/13	Erie County, New York, Generally Followed Regulations for Spending Public Assistance Grant Funds for Flooding in August 2009	\$10,175	\$10,175	\$54,938
Total, Appendix 4			\$164,968,401	\$17,116,786	\$15,884,551

Report Number Acronyms:

DA Disaster Assistance Audit, Atlanta Office
 DD Disaster Assistance Audit, Dallas Office
 DS Disaster Assistance Audit, Oakland Office

Notes and Explanations:

- (a) DHS OIG reports the Federal share of costs it questions. The Total Questioned Cost column includes the Federal share of ineligible and unsupported costs.
- (b) Unsupported Costs column is a subset of Total Questioned Costs and is shown separately according to the requirements of the *IG Act*.
- (c) OIG-13-23 was reissued from its original date of January 29, 2013.

Appendix 5

Schedule of Amounts Due and Recovered/Deobligated

Report Number	Date Issued	Auditee	Amount Due	Recovered/Deobligated Costs
1. DO-01-03 (2003)	4/03	Los Angeles City Department of Public Works	\$1,548,357	\$1,548,357
2. DD-11-04 (2004)	7/04	Grant Management: Texas' Compliance with Disaster	\$27,136	\$27,136
3. DD-03-05 (2005)	2/05	Grants Management: Louisiana's Compliance With Disaster Assistance Program's Requirements	\$299,676	\$299,676
4. GC-LA-06-54	9/06	Review of Hurricane Katrina Activities, St. Bernard Parish, Louisiana	\$515,492	\$515,492
5. DA-09-06	12/08	Hurricane Wilma Activities for City of Boca Raton, Florida	\$5,556,499	\$5,511,857
6. DS-09-06	6/09	Boone County Fire Protection District, Columbia, Missouri	\$111,821	\$111,821
7. DS-09-13	9/09	California Department of Water Resources	\$2,122,491	\$2,122,491
8. DS-09-14	9/09	City of Oakland, California	\$215,075	\$210,316
9. DA-10-11	6/10	City of Pass Christian, Mississippi	\$112,608	\$112,608
10. OIG-11-60	3/11	Ohio Law Enforcement Terrorism Prevention Program Subgrants Fiscal Years 2004-2006	\$4,007,094	\$4,007,094
11. DA-11-15	4/11	North Carolina Department of Transportation – Disaster Activities Related to Hurricane Ivan	\$152,238	\$152,238
12. DD-11-15	8/11	FEMA Public Assistance Grant Funds Awarded to St. Mary's Academy, New Orleans, Louisiana	\$2,010,469	\$2,010,469

Appendix 5**Schedule of Amounts Due and Recovered/Deobligated (continued)**

Report Number	Date Issued	Auditee	Amount Due	Recovered/Deobligated Costs
13. DA-11-23	8/11	FEMA Public Assistance Grant Funds Awarded to Gulf Coast Community Action Agency, Gulfport, Mississippi	\$2,724,633	\$2,724,633
14. DS-11-13	9/11	FEMA Public Assistance Grant Funds Awarded to County of Sonoma, California	\$172,730	\$172,730
15. DD-12-06	2/12	FEMA Public Assistance Grant Funds Awarded to St. Charles Parish, Louisiana	\$715,229	\$715,229
16. DA-12-12	3/12	FEMA Public Assistance Grant Funds Awarded to Massachusetts Department of Conservation and Recreation	\$267,999	\$267,999
17. DA-12-14	3/12	FEMA Public Assistance Grant Funds Awarded to City of Virginia Beach, Virginia	\$117,906	\$56,984
18. DA-12-18	5/12	FEMA Public Assistance Grant Funds Awarded to Henderson Point Water and Sewer District, Pass Christian, Mississippi	\$584,505	\$584,505
19. DD-12-11	5/12	FEMA Public Assistance Grant Funds Awarded to City of Bogalusa, Louisiana	\$69,032	\$69,032
20. DA-12-19	5/12	FEMA Public Assistance Grant Funds Awarded to Catholic Charities Housing Association of Biloxi, Inc. Biloxi, Mississippi	\$65,528	\$65,528
21. DD-12-16	6/12	FEMA Public Assistance Grant Funds Awarded to City of Greensburg, Kansas	\$103,406	\$103,406
22. DD-12-14	6/12	FEMA Public Assistance Grant Program Funds Awarded to City of Milwaukee, Wisconsin	\$3,729	\$3,729

Appendix 5

Schedule of Amounts Due and Recovered/Deobligated (continued)

Report Number	Date Issued	Auditee	Amount Due	Recovered/Deobligated Costs
23. DA-12-23	8/12	FEMA Public Assistance Grant Funds Awarded to South Florida Water Management District Under Hurricane Charley	\$22,160	\$22,160
24. DD-12-20	9/12	FEMA Public Assistance Grant Funds Awarded to St. Charles Parish, Louisiana	\$1,112	\$1,112
25. INV	10/12 through 3/13	Recoveries as a result of investigations	\$100,000	\$100,000
Total, Appendix 5			\$21,626,925	\$21,516,602

Report Number Acronyms:

GC	Disaster Assistance Audit, DHS OIG Gulf Coast Hurricane Oversight Office
DA	Disaster Assistance Audit, Atlanta Office
DD	Disaster Assistance Audit, Dallas Office
DO/DS	Disaster Assistance Audit, Oakland Office
INV	Recoveries, other than administrative cost savings, which resulted from investigative efforts

Appendix 6²

Contract Audit Reports

Report Category	Questioned Costs	Unsupported Costs	Disallowed Costs
We processed no contract audit reports meeting the criteria of the <i>National Defense Authorization Act for FY 2008</i> during the reporting period April 1, 2012–September 30, 3012.	N/A	N/A	N/A

² The *National Defense Authorization Act for FY 2008* requires that we list all contract audit reports issued during the reporting period containing significant audit findings; briefly describe the significant audit findings in the report; and specify the amounts of costs identified in the report as unsupported, questioned, or disallowed. This act defines significant audit findings as unsupported, questioned, or disallowed costs in excess of \$10 million or other findings that the Inspector General determines to be significant. It defines contracts as a contract, an order placed under a task or delivery order contract, or a subcontract.

Appendix 7

Peer Review Results

Section 989C of the *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010*, Public Law 111-203, contains additional semiannual reporting requirements pertaining to peer review reports of OIG audit and investigative operations. Federal Inspectors General are required to engage in peer review processes related to both their audit and investigative operations. In compliance with section 989C, our office is reporting the following information related to peer reviews of our operations conducted by other Inspectors General. We are also including information about peer reviews we conducted of other OIGs.

For audits, peer reviews of an audit organization's system of quality controls are conducted on a 3-year cycle. These reviews are conducted according to the Council of Inspectors General on Integrity and Efficiency's *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, and are based on requirements established by the Government Accountability Office in its *Government Auditing Standards (Yellow Book)*. Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail.

For investigations, quality assessment peer reviews of investigative operations are conducted on a 3-year cycle as well. Such reviews result in a determination that an organization is "in compliance" or "not in compliance" with relevant standards. These standards are based on *Quality Standards for Investigations* and applicable Attorney General guidelines. The Attorney General guidelines include the *Attorney General Guidelines for Offices of Inspectors General with Statutory Law Enforcement Authority* (2003), *Attorney General Guidelines for Domestic Federal Bureau of Investigation Operations* (2008), and *Attorney General Guidelines Regarding the Use of Confidential Informants* (2002).

Audits

Peer Review Conducted of DHS OIG Audit Operations

Our audit offices received a peer review rating of "pass" as a result of our latest peer review completed by the United States Postal Service (USPS) OIG in June 2012, for the fiscal year ending September 30, 2011. We implemented all but one recommendation made by USPS OIG regarding scheduling audit manual training. Audit Manual training will be scheduled as soon as possible.

Peer Review Conducted by DHS OIG of Other OIG Audit Operations

We conducted a peer review of the Department of Health and Human Services OIG Office of Audit Services for the fiscal year ending September 2011. No recommendations were issued in the System Review Report.

Investigations

Peer Review Conducted of DHS OIG Investigative Operations

Our investigative operations are being peer reviewed by the Department of Defense OIG for the fiscal year ending September 2011. The Department of Defense OIG began the review in the first quarter of FY 2013 and is currently preparing the draft report.

Peer Review Conducted by DHS OIG of other OIG Investigative Operations

Our investigative office will conduct a peer review of the Department of Labor OIG for the fiscal year ending 2013. The review is scheduled for the fourth quarter of FY 2013.

Appendix 8

Acronyms

AFSD	Assistant Federal Security Director
BPA	Border Patrol Agent
CBP	Customs and Border Protection
CFATS	Chemical Facility Anti-Terrorism Standards
CFR	Code of Federal Regulations
CTA	Chicago Transit Authority
DARFA	<i>Disaster Assistance Recoupment Fairness Act</i>
DHS	Department of Homeland Security
DNDO	Domestic Nuclear Detection Office
DO	Deportation Office
DPS	Department of Safety
EMO	Office of Emergency Management Oversight
FBI	Federal Bureau of Investigation
FEMA	Federal Emergency Management Agency
FISMA	<i>Federal Information Security Management Act</i>
FLETC	Federal Law Enforcement Training Center
FY	fiscal year
GOHSEP	Governor's Office of Homeland Security and Emergency Preparedness
I&A	Office of Intelligence and Analysis
ICE	United States Immigration and Customs Enforcement
INV	Office of Investigations
IPERA	<i>Improper Payments Elimination and Recovery Improvement Act of 2012</i>
ISCD	Infrastructure Security Compliance Division
ISP	Office of Inspections
IT	Information technology
ITA	Office of Information Technology Audits
KPMG	KPMG LLP
MEMA	Mississippi Emergency Management Agency
NPPD	National Protection and Programs Directorate
OA	Office of Audits
OCDETF	Organized Crime and Drug Enforcement Task Force
OIG	Office of Inspector General
OLA	Office of Legislative Affairs
OM	Office of Management
ONDCP	Office of National Drug Control Policy
OPA	Office of Public Affairs
PA	Public Assistance

Appendix 8

Acronyms (continued)

POA&M	Plans of action and milestones
SAVE	Systematic Alien Verification for Entitlements
SCADA	Supervisory Control and Acquisition System
SCBPO	Supervisory Customs Border Protection Officer
SHSP	State Homeland Security Program
TSA	Transportation Security Administration
TSGP	Transit Security Grant Program
TSO	Transportation Security Officer
UASI	Urban Areas Security Initiative
USCG	United States Coast Guard
USCIS	United States Citizenship and Immigration Services
USPS	United States Postal Service
USSS	United States Secret Service
VWP	Visa Waiver Program

Appendix 9

OIG Contacts and Locations

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William Hillburg	Acting Director, Office of Public Affairs

Appendix 10

Index to Reporting Requirements

The specific reporting requirements described in the *Inspector General Act*, including Section 989C of the *Dodd-Frank Wall Street and Consumer Protection Act of 2010*, are listed below with a reference to the pages on which they appear.

Requirement:	Pages
Review of Legislation and Regulations	48-49
Significant Problems, Abuses, and Deficiencies	10-43
Recommendations With Significant Problems	10-43
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Matters Referred to Prosecutive Authorities	Statistical Highlights
Summary of Instances Where Information Was Refused	N/A
List of Audit Reports	56-61
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Summary of Reports in Which No Management Decision Was Made	53-55
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Should you be unable to access our website, you may submit your complaint in writing to: DHS Office of Inspector General, Attention: Office of Investigations Hotline, 245 Murray Drive, SW, Building 410/Mail Stop 2600, Washington, DC, 20528; or you may call 1 (800) 323 8603; or fax it directly to us at (202) 254 4297.

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