

DEPARTMENT OF HOMELAND SECURITY  
Office of Inspector General



SEMIANNUAL REPORT TO THE CONGRESS  
October 1, 2003 - March 31, 2004

# Statistical Highlights of OIG Activities

**October 1, 2003 through March 31, 2004**

**Dollar Impact (in thousands)**

Questioned Costs .....	\$18,884,149
Funds Put to Better Use .....	61,041

Management Agreement That Funds Be:

Recovered .....	3,331,271
De-obligated.....	0

Funds Recovered (Investigative Recoveries).....	3,317
Funds Recovered (Audit Recoveries).....	11, 803,011

Fines and Restitutions.....	569,866
Administrative Cost Savings and Recoveries.....	253,840

**Activities**

Reports Issued (Audits and Evaluations).....	62
Reports Issued and Oversight Reviews (Investigations) .....	188
Contract Reports Processed .....	0
Single Audit Reports Processed.....	38
Defense Contract Audit Agency.....	1
Investigation Initiated .....	394
Investigations Closed.....	157
Open Investigations .....	646
Investigations Referred for Prosecution.....	91
Investigations Accepted for Prosecution.....	21
Investigations Declined for Prosecution .....	22
Investigations Referred for Administrative Action .....	33

Arrests .....	90
Indictments .....	98
Convictions .....	61
Personnel Actions.....	10

Total Complaints Received .....	3,490
Total Hotlines Received.....	874
Complaints Referred (to programs or other agencies).....	2,942
Complaints Closed.....	2,597



# Homeland Security

April 30, 2004

The Honorable Tom Ridge  
Secretary  
U.S. Department of Homeland Security  
Washington, D.C. 20528

Enclosed herewith is our third semiannual report to the Congress since the establishment of the Department of Homeland Security (DHS) and the Office of Inspector General (OIG) last January. This report covers the period ended March 31, 2004. Per Section 5(b) of the Inspector General Act of 1978, as amended, please transmit this report, along with any comments, to the appropriate congressional committees and subcommittees no later than thirty days from today.

As mentioned in the Executive Summary, of particular note during this period is our assessment of the department's progress, one year after its creation, in meeting its most significant management challenges. We acknowledge the progress that the department has made to date, and point out that much more remains to be done. Considering the enormity and complexity of reorganizing disparate agencies (each with problems of its own); creating new entities; and consolidating and integrating them all into a cohesive whole, it is hardly surprising that this effort remains a work in progress. We plan to make such assessments an annual practice, and we hope that you and the Congress will find them as useful as we do in evaluating the department's performance.

Also of note is the completion of the first DHS financial statement audit. While the auditors were unable to render an opinion on the "activity statements," they did render an opinion, a qualified one, on the consolidated balance sheet and statement of custodial activity. The department is to be commended for agreeing to an audit in its especially challenging first year. Having undergone a first year audit, the department now has a baseline against which to measure performance going forward, and the knowledge gained from the experience is likely to make meeting this year's accelerated reporting deadline easier than it would otherwise be.

Continuing my practice of using this space substantively to raise concerns, one especially serious matter merits highlighting. As I mentioned in my last report, we continue to encounter resistance from the department's various internal law enforcement groups with respect to our exercise of our statutory responsibility to be the primary investigative entity as to alleged criminal and

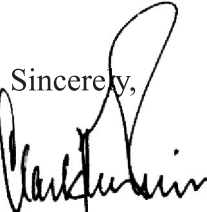
serious non-criminal misconduct on the part of DHS employees, contractors, and grantees. We continue to find that these “internal affairs” units periodically fail to inform us when such allegations come to their attention or they fail to do so in a timely fashion, despite our authority under the Inspector General Act, despite recent Congressional pronouncements identifying the OIG as the primary investigative entity for such matters, and despite memoranda of understanding between us and each such unit requiring such notification. It is imperative that we be advised promptly so that we can determine whether an allegation is serious enough to merit an OIG investigation and, if so, we can begin that investigation right away.

As worrisome as this is, more worrisome still is that these units continue to block the issuance of a management directive regarding the OIG from you to all department employees that we have drafted and that has been held up in the department clearance process for nearly a year. That directive would invite employees to refer allegations directly to the OIG without having to report them to the department first.

While continuing to block the issuance of the directive that we drafted and rejecting two compromise proposals that we have made since then, certain department components have recently issued directives to their employees **requiring** them to report allegations directly to those components’ management and threatening them with discipline if they fail to do so. Employees are given the option of reporting to OIG as well, but we believe that most employees would report only to management, since they could be penalized for not doing so and there is no incentive for reporting additionally to OIG.

We believe that such a policy is exactly backwards, and, as such, it blatantly violates the letter and spirit of the Inspector General Act. That law explicitly invites employees to report allegations to an OIG in confidence, empowers OIGs to receive and investigate such allegations, and prohibits management retaliation against employees who choose to come forward. Resolving this matter satisfactorily is my top priority, and I would appreciate your full support.

We look forward to continuing to work with you and your management team in the months ahead as you build upon the department’s successes in its first year and as you strive to address the challenges that remain and those yet to come.

Sincerely,  
  
Clark Kent Ervin  
Inspector General

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# Executive Summary

This is the third Semiannual Report to the Congress issued by the Department of Homeland Security's (DHS) Office of Inspector General (OIG) since the establishment of the department in January 2003. It is issued pursuant to the provisions of Section 5 of the Inspector General Act of 1978, as amended, and covers the period from October 1, 2003 to March 31, 2004. All activities and results reported herein fall within this reporting period, unless otherwise noted. The report is organized to reflect the organization of the department and OIG.

During this reporting period, the OIG completed significant audit, inspection, and investigative work to promote the economy, efficiency, effectiveness and integrity of DHS programs and operations. Specifically, the OIG issued 20 internal audit and inspection reports. The OIG issued at least one internal report for each DHS directorate and critical component. The OIG also issued 41 financial assistance audit reports, and processed an additional 39 reports on DHS programs that were issued by non-DHS OIG auditors. The OIG also issued a report in response to a request from the President's Council on Integrity and Efficiency (PCIE).

Reports that are particularly noteworthy include the following: Review of the Status of DHS Efforts to Address Its Major Management Challenges (OIG-04-21); A Review of Background Checks for Federal Passenger and Baggage Screeners at Airports (OIG-04-08); and the Independent Auditors Report on DHS' FY 2003 Financial Statements (OIG-04-10).

With respect to the Review of the Status of DHS Efforts to Address Its Major Management Challenges, the OIG, as one of its first tasks, consulted with the legacy OIGs, whose staffs the DHS OIG inherited, and identified major management challenges facing the department. These challenges were then used in setting OIG priorities for audits, inspections, and evaluations of DHS programs and operations, and developing OIG performance plans. As part of OIG's fiscal year 2004 performance plan, which may be found on the OIG's web site, we included an assessment of the department's progress in addressing these challenges as of its first anniversary. This report presents that assessment, and includes the status of key recommendations still open at the beginning of the period; observations from OIG audits and inspections completed or nearing completion; and discussions with DHS officials on major DHS program initiatives

and accomplishments during the year. DHS has made significant progress in addressing all of its management challenges. However, some of the planned improvements will take years to develop and implement, and much remains to be done.

Regarding the FY 2003 financial statement audit, the department received a qualified opinion on its consolidated balance sheet and statement of custodial activity. However, the auditors were unable to complete their procedures on the consolidated statements of net cost and changes in net position, the combined statement of budgetary resources, and the consolidated statement of financing. As a result, the auditors were unable to provide an opinion on those statements.

During the reporting period, our audits, inspections, and investigations resulted in questioned costs of \$18,884,149 (of which \$9,221,645 were determined to be unsupported costs); recoveries, restitutions, fines, funds put to better use, and cost savings totaling \$14,347,014; and commitments from DHS management to recover an additional \$3,331,271. Our investigators closed 157 investigations, indicted and/or arrested 188 people, convicted 61 people, and closed 2,597 complaints received through the hotline.

The OIG has a dual reporting responsibility, to the Congress as well as to the Secretary. During the reporting period, the OIG continued its constructive relationship with Congress through numerous meetings, briefings, and dialogue with members and staff of the department's authorizing and appropriations committees and subcommittees on a range of issues relating to the work of the OIG and DHS. The OIG conducted two closed briefings for members and staff of the House Appropriations Committee, Subcommittee on Department of Homeland Security and the House Transportation and Infrastructure Committee, Subcommittee on Aviation on the OIG's undercover testing of domestic passenger and baggage screening procedures at select airports across the United States. OIG provided witnesses and testimony for congressional hearings before members of the House Select Committee on Homeland Security; the House Energy and Commerce Committee, Subcommittee on Oversight and Investigations; the House Government Reform Committee, Subcommittee on Government Efficiency and Financial Management; the Senate Commerce Committee, Subcommittee



on Aviation; and, for a second time, before the House Energy and Commerce Committee, Subcommittee on Oversight and Investigations. Brief summaries of the five hearings are included in the “Congressional Briefings and Testimony” section of this report.

# Department of Homeland Security Profile

On November 25, 2002, President Bush signed the Homeland Security Act (P.L.107-296), officially creating DHS with the primary mission of protecting the American homeland. On January 24, 2003, DHS became operational. Formulation of the new department took a major step on March 1 when, in accordance with the President's reorganization plan, 22 agencies and approximately 180,000 employees were transferred to the new department. By September 30, 2003, all remaining transfers to the new department were complete.

The department's first priority is to protect the nation against further terrorist attacks. Component agencies analyze threats and intelligence, guard our borders and airports, protect our critical infrastructure, and coordinate the response of our nation to emergencies.

The department has been organized into the following five directorates:

- Border and Transportation Security
- Emergency Preparedness and Response
- Science and Technology
- Information Analysis and Infrastructure Protection
- Management

Other critical components of DHS include:

- United States Coast Guard
- United States Secret Service

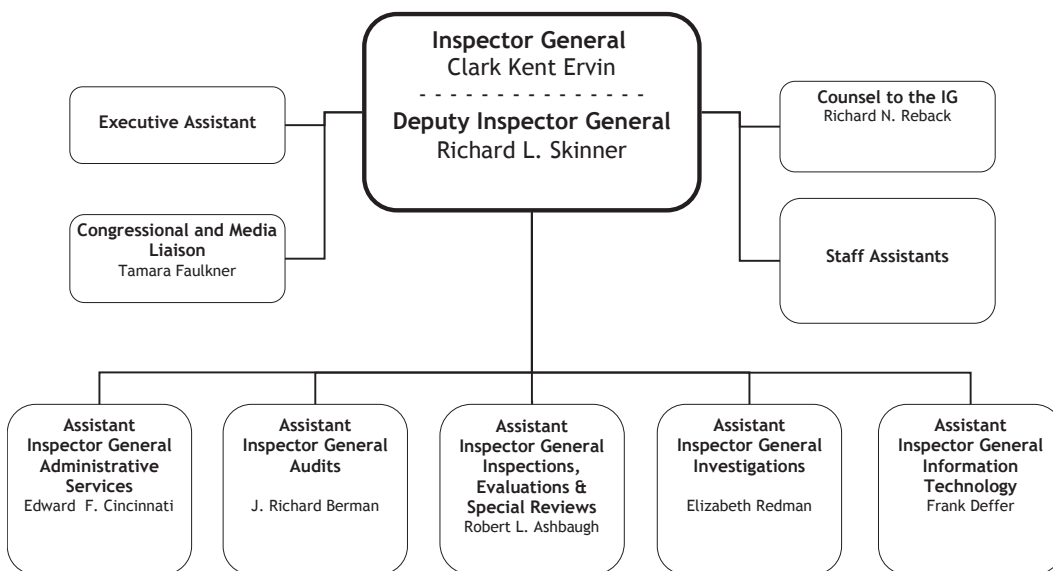
# Office of Inspector General Profile

The Homeland Security Act of 2002 provided for the establishment of an OIG in DHS by amendment to the Inspector General Act of 1978 (P.L.-95-452). 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 the Congress. The Inspector General Act ensures the Inspector General's independence. This independence enhances the OIG's ability to pursue fraud, waste, and abuse aggressively, and to provide objective and credible reports to the Secretary and Congress as to the economy, efficiency, and effectiveness of DHS' programs and operations.

The OIG is authorized to have 457 full-time employees. The OIG is comprised of five functional components, and is based in Washington, D.C., with 19 field offices throughout the country.

## Department of Homeland Security Office of Inspector General Management Team



# Summary of Significant Activity by Directorate

## Border and Transportation Security

### Office of Inspections, Evaluations, and Special Reviews

#### Open Inspector General Recommendations Concerning the Former Immigration and Naturalization Service (INS) from Unaccompanied Juveniles in INS Custody. A Report by the Department of Justice (DOJ) Inspector General

The DOJ OIG reported deficiencies in INS policies and procedures that could have serious consequences for the wellbeing of juveniles. Responsibility for administering the juvenile program in DHS now lies with the Bureau of Immigration and Customs Enforcement (ICE). Some responsibilities regarding juveniles were transferred to the Office of Refugee Resettlement (ORR) of the Department of Health and Human Services. Specifically, ORR is responsible for coordinating and providing for the care and placement of unaccompanied juveniles, which includes identifying and overseeing a sufficient number of qualified people, entities, and facilities to house unaccompanied alien juveniles. DOJ OIG and INS closed eight recommendations. Little attention has been given to closing the remaining open recommendations. OIG reported that formal policies and procedures to define roles and responsibilities between ORR and ICE have not been finalized, and DHS has not updated its juvenile program policies and procedures since the establishment of DHS and the subsequent realignment of immigration functions. Further, there is no established chain of command to enforce juvenile program policies and procedures between the bureaus of Customs and Border Protection (CBP) and ICE. (OIG-04-18, March 2004)

#### Analysis of the Department of Homeland Security's Second Response to the Recommendations Contained in the Department of Justice OIG's June 2003 Report on the Treatment of the September 11 Detainees

OIG analyzed DHS' second response to the recommendations made in the DOJ OIG report titled "The September 11 Detainees: A Review of the Treatment of Aliens Held on Immigration Charges in Connection with the Investigation of the September 11 Attacks," issued on June 2, 2003. The review focused

on the treatment of 762 aliens who were detained on immigration charges in connection with September 11 attacks. DHS assumed responsibility for closing the recommendations when immigration functions transferred from the former INS to DHS. As a result of DHS' second response, the OIG closed two recommendations. However, the OIG concluded that additional work is still needed to resolve some issues and, so, five recommendations remain open. DHS continues to work with DOJ to develop a memorandum of understanding to formalize policies, responsibilities, and procedures for managing a national emergency that involves alien detainees. Still, DHS must develop procedures to ensure the timely serving of charging documents to aliens held on "national security and related grounds" and provide appropriate guidance for justifying and documenting a rationale for imposing the "extraordinary circumstances" exception to the serving of charging documents. DHS also must develop a post-order custody review plan to ensure that the continued lengthy detention of certain aliens is justified. (OIG-04-09, January 2004)

### **Transportation Security Administration (TSA)**

#### **Background Checks for Federal Passenger and Baggage Screeners at Airports**

The Aviation and Transportation Security Act of 2001 directed the TSA to hire airline passenger and baggage screeners by November 19 and December 31, 2002, respectively. The law requires that federal screeners undergo a background investigation, including a criminal history records check and a review of available law enforcement databases and records of other U.S. governmental and international agencies. TSA met the hiring deadlines, employing approximately 55,600 screeners, but, as of June 2003, background checks for more than half of the screener pool were incomplete. TSA did not maintain control over the quantity, quality, or timeliness of background check documentation and processing. TSA's personnel security office did not: (1) develop a comprehensive plan, including screener position risk designations, to administer the background checks effectively; (2) have sufficient staff to meet workload demands; (3) provide substantive oversight of the contractors' performance; or, (4) develop an adequate information tracking system to manage the process. As a result, TSA allowed some screeners to work without first completing a criminal history

records check, did not initiate timely final background checks, and initiated unnecessary background checks on thousands of screeners. The OIG made 12 recommendations for corrective action, including recommendations that TSA review the level of background investigation appropriate for screeners; establish stronger procedures to ensure that critical personnel security steps are completed; expand the resources and systems allocated to these responsibilities; and improve contract oversight and records management practices. (OIG-04-08, January 2004).

### **Office of Investigations**

#### **TSA**

##### **TSA Screener Arrested for Attempted Murder**

On September 1, 2003, a TSA screener at O'Hare International Airport allegedly stabbed someone at the airport metro rail stop platform of the Chicago Transportation Authority. The victim, who was in the company of the suspect's former girlfriend, sustained multiple stab wounds and was transported to the hospital in critical condition. The subject was allegedly wearing his TSA uniform at the time of the attack. The OIG and the Chicago Police Department initiated a joint investigation leading to the arrest of the subject for attempted murder. On September 16, 2003, TSA terminated the subject's employment. On September 18, 2003, OIG agents located and arrested the subject, and on September 20, 2003, the subject was charged with one count of attempted murder. The investigation is ongoing.

##### **TSA Screener Supervisor Arrested for Impersonating a Police Officer**

A joint investigation by the OIG and the Harris County, Texas Sheriff's Department resulted in the arrest of a TSA supervisory screener on two felony charges. The subject was off-duty and wearing a TSA uniform when he allegedly identified himself as a police officer and displayed an unauthorized TSA badge to an elderly man during a confrontation. The confrontation ended with the elderly man sustaining injuries. On February 13, 2004, the subject was charged with

“Impersonating a Police Officer and Injury to an Elderly Person.” The subject was released on bond pending judicial action.

#### TSA Screeners Sentenced for Stealing from Passenger Luggage (Update)

A joint investigation among TSA, the Miami-Dade Police Department, and the OIG resulted in the indictment of two TSA screeners by a federal grand jury on charges of theft from a secured area and conspiracy. The indictments were the result of allegations made by TSA screeners at the Miami International Airport that several TSA screeners were stealing from passenger baggage. Covert cameras installed in the suspect screeners’ work area revealed that the subjects were not only stealing from passenger baggage, but also tagging as having been inspected baggage that was not searched in any manner. One of the screeners pleaded guilty to theft charges and was subsequently sentenced to probation. Both screeners were terminated by TSA.

#### TSA Screener Arrested for Theft

The OIG initiated an investigation into an allegation that a TSA screener assigned to the Portland International Airport stole \$1,300 from the carry-on bag of an airline passenger during the screening process. The investigation determined that the screener did steal the money as alleged, and the screener was subsequently arrested by the Port of Portland Police Department. The screener pleaded guilty to a felony count of first-degree theft. He was subsequently sentenced to serve 30 days, followed by three years of probation, fined \$105, and ordered to attend a gamblers treatment program. The screener was terminated by TSA.

#### **Customs and Border Protection (CBP)**

##### Foreign National Detainee Commits Suicide While in CBP Custody

A female Japanese national attempted to enter the United States at Chicago O’Hare International Airport on May 5, 2003, but was denied entry due to an incorrect visa. She was detained by CBP pending a return flight to Japan scheduled for the following day. She was later discovered hanging by the neck

and unconscious in the CBP female holding cell at O'Hare. The Office of the Cook County Illinois Medical Examiner (OME) determined that she died from asphyxiation as a result of hanging. It was determined that an airline pillowcase had been used in the hanging. Since no trauma or any other indications of foul play were evident, the OME ruled the death a suicide. The Chicago Police Department (CPD) conducted an investigation and concurred with the OME's finding as to the cause of death. Numerous medications were found in the subject's holding cell and among her personal effects. Flurazepam, a sedative and anti-psychotic, was discovered in her bloodstream during a toxicology examination by the OME. The OME was unable to determine the quantity at time of ingestion of the drug. No trace of other drugs was found in her bloodstream.

CBP officials acknowledged permitting the decedent access to her medications after she told them they were for treatment of a heart condition, but CBP was unable to specify the type or amount of drugs provided. Interviews with CBP officers indicated that she spoke English fluently, and did not display any signs of mental illness. Subsequent interviews of family members indicated that the decedent suffered from depression and had been diagnosed with a bi-polar disorder.

All evidence in this investigation supports the finding of the OME and CPD that her death was a suicide. Further, no evidence was developed to suggest any misconduct on the part of any CBP employee.

However, some shortcomings in the procedures of CBP officers relative to her detention were noted. CBP officials did not document the visual monitoring of the decedent during her detention in the detention log for the female holding cell. CBP officials detained her for approximately 30 hours, while the policy calls for detentions of "generally less than 24 hours." CBP officers who were interviewed were unfamiliar with official guidelines for administering medication to detainees, or with policy governing prohibited items inside the holding cells, such as airline pillows/pillowcases. Electronic monitoring capabilities of the detention cells were significantly reduced when power to one of two cameras in the female holding cell was interrupted.



CBP officials in Chicago have since issued revised policies regarding the handling of detainees. Included are policies for administering medication, monitoring detainees, and approving detention in excess of 24 hours. CBP officials have provided training to all CBP immigration inspectors on the new policies. To date, however, there still appears to be no CPB policy regarding permanent items allowed inside holding cells, such as pillows and pillowcases.

#### Death of Illegal Alien in CBP Custody Ruled to be of Natural Causes

An OIG investigation into the death of a Mexican national found that he resisted CBP agents who used non-lethal spray to arrest him for illegally entering the United States. Once subdued, in accordance with Border Patrol policy, the subject was transported to a local hospital for examination. During the examination, the attending physician found that the subject was suffering from pre-existing liver and kidney medical problems. Blood tests indicated the presence of cocaine and alcohol. The subject was released to Mexican medical personnel and subsequently transported to a Mexican hospital for observation. He was then released from the hospital and returned to his home. He died several days later after having returned to the same hospital complaining of health problems. The subject's relatives, Mexican consulate officers, and the Mexican press accused CBP of causing the subject's death. The OIG investigation included a review of Border Patrol policy and procedures, which determined that the agents' use of non-lethal spray during the arrest followed procedures. A review of U.S. medical reports and the Mexican autopsy report, as well as an interview with the U.S. physician, determined that the subject's death was a result of kidney failure, unrelated to actions of the Border Patrol agents.

#### Illegal Alien Murders California Police Officer

An illegal alien was arrested and charged with killing a police officer during a vehicle stop. The OIG investigation was in response to a congressional request to examine the circumstances of the subject's entry into the U.S. after his status in the U.S. was questioned. An investigation established that CBP had previously arrested the subject for illegally entering the U.S., but when Border Patrol agents attempted to process him through the local Bureau of Prisons facility, that

facility declined to accept him because of his heroin intoxication. Instead, the illegal alien was taken to a local medical facility for detoxification. After several days, he was taken back to the original Border Patrol station to be processed for illegally entering the U.S. While at the Border Patrol station, he was mistakenly placed with a group of Mexican nationals who had been apprehended that evening and were scheduled for a voluntary return to Mexico. The OIG investigation identified several systemic problems that led to the release of the illegal alien. Border Patrol officials have now implemented procedures to prevent this type of incident from recurring at that facility. A trial for first-degree murder is scheduled for August 2004.

CBP Inspector Arrested for Obstructing a Peonage Investigation (18 U.S.C. 1581) of Korean Nationals

A CBP immigration inspector was arrested in New York City by agents of the OIG, the Federal Bureau of Investigation (FBI), and ICE after he was identified as using his official position, in concert with other persons arrested, to smuggle female Korean nationals into the United States for the purpose of prostitution. The immigration inspector identified himself as a CBP official to a Korean national, who had overstayed her tourist visa, and threatened immediate deportation if she did not comply with the demands of persons involved in the smuggling operation. Prosecution continues in the Eastern District of New York against the CBP inspector for obstructing a peonage investigation. "Peonage" is the use of laborers bound in servitude because of debt.

CBP Officer and Two Civilians Arrested for Duping Illegal Aliens

As a result of an OIG investigation, a CBP officer and two civilian accomplices were arrested for operating an immigration consulting business, through which they offered to obtain valid immigration documents for foreign nationals. The subjects charged aliens, most of whom did not legitimately qualify for any type of immigration status, \$2,500 to \$7,000 for immigration documents, but failed to provide the documents. Instead, the subjects prepared paperwork to have the aliens deported. While in uniform, the CBP officer intimidated clients waiting in the office for immigration documents from the subjects. All three subjects are

currently negotiating a plea agreement with the United States Attorney's office in San Diego, California.

#### Supervisory CBP Officer Arrested for Housing and Urban Development (HUD) Fraud

The OIG and the HUD OIG jointly investigated an allegation that a supervisory CBP officer fraudulently applied to participate in HUD's "Officer Next Door" program. The program allowed for law enforcement officers to purchase a home at a reduced price and interest rate, so long as the officer agreed to live in the home as his primary residence for at least three years. The investigation disclosed that the CBP officer knowingly falsified the HUD application, claiming that the home was his primary residence. A three count indictment charging the officer with false statements was returned on February 13, 2004. Judicial action is pending.

#### Supervisory Immigration Inspector Arrested for Selling Fictitious Immigration Documents

A supervisory CBP immigration inspector assigned to St. Thomas, U.S. Virgin Islands (USVI), was investigated for allegedly selling false immigration documents to illegal aliens. The OIG investigation determined that the inspector was manufacturing and selling falsified immigration documents. The inspector was subsequently indicted and arrested in St. Thomas, and is being held without bond pending trial in the United States District Court of the USVI.

#### Border Patrol Agent Arrested for Child Abuse

A Border Patrol Agent was arrested for fondling his girlfriend's 10-year-old daughter over a three year period beginning when the child was seven years old. The agent entered a plea of "no contest" to one count of performing a lewd act upon a child, and was sentenced to eight years (suspended) and four years of formal probation.

### Correctional Officer Indicted for Civil Rights Violations

On February 25, 2004, a Louisiana correctional officer was indicted by a federal grand jury in Shreveport, Louisiana, and charged with violating the civil rights of a Mexican national illegal alien in November 2003. The alien was being held at a facility that houses federal detainees pending deportation. During his detention, the alien charged that he was mistreated by the correctional officer and suffered injuries that required medical treatment. The officer was arrested on February 27, 2004, and released on bond pending judicial action.

### False Statements by Bureau of Customs and Border Protection Inspector

An OIG investigation determined that a CBP inspector provided false statements on a citizenship application for a child by claiming to be the child's parent. When questioned by the OIG, the inspector admitted to providing false statements. Prosecution was declined by the United States Attorney's Office, and agency disciplinary action against the employee is pending.

### Supervisory CBP Agent Terminated

In an investigation transferred from DOJ OIG, a supervisory CBP agent in McAllen, Texas, was accused of stealing money from suspected alien smugglers who were in custody. The OIG substantiated that the agent failed to perform his official duties and was responsible for stealing money from the smugglers. The agent, whose employment had been terminated by CBP, appealed his termination to the Merit Systems Protection Board (MSPB). After an MSPB hearing on January 20, 2004, the employee's termination was affirmed.

### CBP Inspector Accused of Stealing Import Fees

A complaint was received alleging that a CBP inspector in Detroit, Michigan stole fees paid by Canadian citizens applying for United States work permits under the North American Free Trade Agreement. The OIG investigation determined that on at least fifteen occasions during August and September 2003, the inspector stole fees amounting to \$840, while processing applicants at the Detroit Canada

Tunnel. The inspector acknowledged his guilt in a signed sworn statement and resigned from CBP. Federal prosecution was declined.

#### CBP Officer Cleared of Illegal Activity Allegation

A confidential informant alleged that a CBP officer was involved in the sale of immigration documents. However, after the informant was tasked to obtain additional information to support an operation to document the subject's activities, the OIG discovered that the informant had been previously arrested for smuggling narcotics. The OIG investigation did not corroborate the information initially reported by the informant, and subsequently determined that the informant falsified the allegation to divert attention from his own illegal activities.

#### South Korean National Reported Theft of Currency at O'Hare International Airport

The OIG investigated the reported theft of \$800 in U.S. currency from a South Korean national who claimed that the money was missing from her purse after she inadvertently left it at the Animal and Plant Health Inspection Service (APHIS) examination site at O'Hare International Airport. Numerous interviews were conducted of airline and government personnel who had access to the purse. A number of people recalled seeing or moving the purse from one location to another while waiting for the owner to claim her property. All denied any knowledge or involvement in the theft. No evidence was found to indicate the involvement of any CBP employees in the theft. However, the investigation did determine that CBP employees could have acted more diligently in monitoring the inspection process to ensure that travelers claimed their property and to make sure that misplaced property is adequately secured.

#### Immigration Inspector Cleared of Accepting Bribes

The OIG initiated an investigation into an allegation that a CBP immigration inspector assigned to the San Francisco International Airport accepted bribes from an attorney for providing assistance to him for past and ongoing administrative

immigration proceedings. The OIG determined that the allegation was unsubstantiated.

Supervisory Immigration Inspector Indicted for Selling Immigration Documents to Illegal Aliens (Update)

A supervisory immigration CBP inspector was indicted by a federal grand jury in Tampa, Florida, and charged with selling immigration documents to illegal aliens. The inspector was arrested, and OIG agents served a search warrant on his residence. The search yielded immigration documents and other materials, which substantiated his personal relationship with an illegal alien. Additionally, the search recovered his credentials, badge, and service weapon which had been previously reported stolen by the inspector. Found in the residence were numerous weapons, including two unregistered machine guns. The inspector was held without bond, pending judicial action. He pleaded guilty to a superseding ten count indictment and is awaiting sentencing. The subject remains held without bond.

*Immigration and Customs Enforcement (ICE)*

Contract Detention Officer Arrested for Sexual Assault of Detainee

A contract detention officer for the Corrections Corp of America, Inc, the contract operators for the ICE Alien Detention Center in Elizabeth, NJ, was arrested for the sexual assault of a female detainee. The assault occurred in the medical center of that facility. Prosecution is pending by the State of New Jersey.

Partial Settlement Reached in Qui Tam Claim Against Nature's Farm

A qui tam claim is one whereby private citizens file lawsuits on behalf of the United States government and share in any recovery. A qui tam claim filed in the Southern District of New York (SDNY) alleged that Nature's Farm, Inc., sent Chilean mushrooms to Canada for packaging at certain canneries and distributors, then sent those same mushrooms from Canada to the United States, falsely disguised as products of Canada. Nature's Farm thereby avoided the 148%

import duty on brine mushrooms from Chile. The scheme required the Canadian canners and distributors to issue false certificates of origin for the mushrooms and also to claim to U. S. Customs officials falsely that the mushrooms were Canadian products. The Bank of China, New York Branch, provided an extension of credit to Nature's Farm for this scheme with knowledge of the trans-shipping element in the hope of recovering its debt from Nature's Farm. The Bank of China has agreed to settlement with the Civil Division, U.S. Attorney's Office, SDNY, for damages in the amount of \$5,250,000. The complaint has been dismissed by judicial action and all proceeds are payable to the United States. On February 18, 2004, the court signed the settlement agreement requiring the Bank of China to make payment within five days. Negotiation settlement continues with other entities named in the qui tam complaint.

#### ICE Special Agent Indicted for Accepting Bribes

The OIG received an allegation that an ICE special agent accepted bribes from illegal immigrants to process them as legal immigrants. The investigation confirmed that the agent did receive money from an individual. On November 12, 2003, a federal grand jury in Atlanta, GA, indicted the agent on multiple counts, one of which was a bribery charge. On November 19, 2003, the agent was arrested and released on bond pending judicial action.

#### ICE Special Agent in Charge Charged with Misconduct

The OIG initiated an investigation into allegations that an ICE Special Agent in Charge failed to report the escape of a defendant during a narcotics investigation. An alien female co-conspirator was released without a formal interview or without first consulting with an immigration officer. The investigation was unable to substantiate any of the allegations and the matter has been returned to ICE for administrative action.

#### ICE Special Agent Charged with Sexual Assault

The OIG initiated an investigation into allegations that an off-duty Special Agent with ICE sexually assaulted two women in a San Mateo, California, bar and

impersonated an FBI agent. The OIG investigation confirmed that the subject sexually assaulted two women, but did not substantiate the impersonation charge. Prosecution was declined. Administrative action is pending.

#### ICE Deportation Officer Pleads Guilty to Making Terrorist Threat (Update)

After receiving a complaint from a State District Court Judge alleging that an ICE deportation officer threatened bodily harm to his estranged wife and her attorney, the OIG and local law enforcement authorities arrested the officer and charged him with making terrorist threats. The deportation officer was sentenced to 18 months of deferred adjudication with community supervision and was ordered to participate in an anger management treatment program. Administrative action is pending.

#### ICE Deportation Officer Cleared of Wrongdoing

The OIG initiated an investigation into an allegation that a deportation officer at an ICE facility inappropriately altered an answer on a citizenship application, thereby allowing the applicant to obtain U.S. citizenship illegally. The investigation determined that the appropriate procedures were followed and the allegation was unfounded.

#### Three INS Deportation Officers Sentenced on Civil Rights Violations (Update)

On February 2, 2004, three INS deportation officers assigned to the legacy INS San Antonio District were sentenced in U.S. District Court, Southern District of Texas, for violating the civil rights of a Mexican national resident alien during an INS roundup of undocumented aliens in Bryan, TX, in March 2001. One of the resident aliens suffered a broken neck and a severed spinal cord due to the mistreatment by the officers. The resident alien died one year later as a result of his injuries. Two of the deportation officers received the maximum sentence possible under the federal sentencing guidelines. One received 78 months incarceration, 36 months supervised release, and a fine of \$12,500. The other received 41 months incarceration, 36 months supervised release, and a fine of \$7,500. The third deportation officer was sentenced to 33 months incarceration,



36 months supervised release, and a fine of \$7,500. All three were immediately remanded to the custody of the U.S. marshals.

### **Customs and Immigration Services (CIS)**

#### **CIS Employee Charged with Embezzlement**

An OIG investigation determined that a CIS examinations assistant embezzled funds from a federal employee organization of which she was the president. The CIS employee had access to the organization's bank account, and withdrew over \$30,000 in cash and money orders for personal use over a five month period. The case was accepted for prosecution by the United States Attorney's Office in the Southern District of Texas, and prosecution is pending.

#### **CIS Employee Exonerated of Association with Drug Traffickers**

A federal drug investigation in Maryland determined that a suspect in that investigation was having regular contact with a CIS employee at her place of employment. The OIG investigation determined that the employee was unaware of the alleged criminal activity of the subject, and the contact by the employee with the subject was social in nature.

#### **ICE Employees Arrested for Alien Smuggling**

An OIG investigation determined that five ICE employees took part in an alien smuggling operation in the El Paso, Texas area. All have been arrested. Four have pleaded guilty, and the fifth is awaiting trial. Prosecution is pending by the U.S. Attorney's Office, El Paso, Texas.

### **APHIS**

#### **Inspector Arrested and Charged with Conspiracy**

An OIG investigation was initiated based on information received from ICE regarding an APHIS inspector. The investigation determined that the inspector

had been involved with other conspirators, prior to his employment with APHIS, in the smuggling, transportation, and distributing of marijuana, narcotics, and currency. The inspector was arrested and charged with two counts of conspiracy, and is currently being detained without bond pending prosecution.

### **Office of Audits**

#### **CBP**

##### Automated Commercial Environment Secure Data Web Portal: Quality of Deliverables Can Be Improved

OIG conducted an audit of CBP's Automated Commercial Environment (ACE) secure data web portal. ACE will allow the private sector trade community to submit data meeting all federal requirements for cargo entering and leaving the U.S., including data used for targeting cargo for inspection, revenue collection, and trade statistics. In the first of three reports, OIG reported on the quality of deliverables, called "releases," received from the prime contractor, a consortium headed by IBM Global Services. Some of the initial deliverables did not meet all requirements and were accepted with conditions by legacy Customs to allow the contract to continue as scheduled. Release 2 was to provide a working system accessible to internal CBP account managers and 41 trade companies, and problems were being encountered in meeting some of the requirements. Because Release 2 was the foundation for all further ACE development efforts, OIG recommended the release not be accepted for delivery until it is complete and meets all contract requirements. OIG also found that a subcontractor providing technical support to the consortium was submitting activity and progress reports with insufficient detail to identify important issues for action, including recommended solutions and alternatives. OIG recommended that the reports be improved. (OIG-04-01, November 2003)

##### Passenger Processing Reengineering

One of the main aims of DHS is to keep track of people entering and leaving the U.S. This is necessary to prevent terrorism, narcotics smuggling, and illegal alien

smuggling, and to enforce trade laws and collect revenue, all while facilitating international travel. Over the next five years, DHS will invest billions of dollars to modernize the passenger processes and systems inherited from the legacy bureaus. Efforts are being made to realign certain operations and systems within the newly created DHS. However, business processing reengineering for the overall federal passenger processing requirements was not conducted. Further, DHS did not have an overall modernization acquisition strategy for the legacy Customs, INS, TSA, and APHIS systems related to passenger processing. An acquisition strategy based on a re-engineered vision of how DHS will process international travelers, in alignment with the enterprise architecture, should result in better and more definitive contract requirements. This would increase the probability of achieving mission requirements while reducing cost. Border and Transportation Security accepted our report recommendations and outlined its planned corrective actions. (OIG-04-25, March 2004)

#### CBP Reporting of FY 2003 Drug Control Funds

Under 21 U.S.C. 1704(d) and the Office of National Drug Control Policy (ONDCP) Circular *Drug Control Accounting*, the OIG was required to review assertions made by management relating to FY 2003 obligations for the National Drug Control Program. The assertions related to the methodology used to calculate the obligations, application of the methodology, reprogrammings or transfers, and compliance with fund control notices issued by the ONDCP.

The auditors reported that the methodology used to derive \$15 million in drug control obligations, out of a total of \$611 million, was not described in CBP's submission. The auditors also noted a material weakness identified during the FY 2003 DHS financial statement audit that related to financial systems functionality and technology. Except for the effects of this material weakness, if any, and the omission of the methodology related to the \$15 million, nothing came to the auditors' attention that caused them to believe that management's assertions were not fairly stated in all material respects, based on the ONDCP's criteria. (OIG-04-16, March 2004)

## ICE

### Air and Marine Operations Centers Need To Improve Written Guidelines For Providing Assistance To Other Agencies

The OIG initiated an audit of the Air and Marine Operations Centers (AMOC) in response to congressional concerns regarding assistance AMOC provided to the Texas Department of Public Safety (DPS) in locating a missing aircraft with Texas state legislators on board. AMOC is a national interagency law enforcement facility utilizing civil aviation and military sensor networks to support law enforcement and national defense operations throughout the Western Hemisphere. The audit assessed the propriety of AMOC's guidelines for rendering assistance to federal, state, and local law enforcement agencies.

The OIG concluded that assistance rendered to the Texas DPS by AMOC was consistent with AMOC's mission and policy of providing assistance to federal, state, and local law enforcement agencies. AMOC's policy was to presume that any request from a law enforcement agency, whether law enforcement oriented or humanitarian in nature, was valid and would not be denied if staffing and resources were available. OIG identified issues regarding AMOC's procedures and operations, and recommended corrective action. (OIG-04-20, March 2004)

### ICE Reporting of FY 2003 Drug Control Funds

Under 21 U.S.C. 1704(d) and the ONDCP Circular *Drug Control Accounting*, the OIG was required to review assertions made by management relating to FY 2003 obligations for the National Drug Control Program. The assertions related to the methodology used to calculate the obligations, application of the methodology, reprogrammings or transfers, and compliance with fund control notices issued by the ONDCP.

The auditors attempted to perform a review of management's assertions; however, ICE was unable to provide, prior to the completion of the review, all of the information needed to assess the reliability of two assertions. Therefore, the

scope of the auditors' work was not sufficient to enable them to express negative assurance on management's assertions. (OIG-04-17, March 2004)

## Science and Technology

### Office of Inspections, Evaluations and Special Reviews

#### Survey of the Science and Technology (S&T) Directorate

The OIG conducted a survey to review the specific missions of S&T's offices and divisions, as well as to define their operational relationships. In addition, the survey diagrammed S&T's organization and business processes, and identified obstacles impeding its ability to become fully operational. The S&T has had to contend with administrative and logistical challenges consistent with new organizations. These difficulties partially resulted from its dependence upon services from other federal agencies and other DHS directorates that are themselves not fully staffed. The OIG identified several issues that may warrant future inspections, evaluations, or audits. Included among those issues are the lack of specificity regarding the level of coordination between S&T and other DHS directorates to formulate an integrated strategic plan, and possible duplication of its efforts with those of other federal entities.

(OIG-04-24, March 2004)

# Information Analysis & Infrastructure Protection

## Office of Inspections, Evaluations, and Special Reviews

### Survey of the Information Analysis and Infrastructure Protection (IAIP) Directorate

IAIP's charge is to support the strategic mission of DHS by analyzing and integrating terrorist threat information, mapping threats against physical and cyber vulnerabilities to critical infrastructure and key assets, and implementing steps to protect the lives of Americans. This survey enabled the OIG to gain knowledge of the missions and to define the operational relationships between the offices and divisions within the IAIP and to trace the flow of internal and external terrorist threat information. In addition, the survey identified specific challenges that may impede IAIP's ability to become fully operational, namely, (1) understaffing caused in part by delays in processing clearances; (2) ambiguities regarding the intelligence gathering and analysis roles, respectively, of the Central Intelligence Agency-led Terrorist Threat Integration Center, the FBI-led Terrorist Screening Center, and IAIP's Office of Information Analysis; (3) internal and external connectivity issues with other databases and communications systems; and (4) its inability to house staff at a single location. Issues noted in this survey may form the basis for future OIG reviews. (OIG-04-13, March 2004)

## Emergency Preparedness and Response Directorate

### Office of Investigations

#### 9/11 Victim Charged with Grand Larceny and Insurance Fraud

The 9/11 terrorist attacks left a Manhattan resident's loft in a forced evacuation area, and the resident took up residence at a hotel. After applying for and receiving over \$69,000 in insurance payments from two different companies to cover the cost of living expenses while forced out of the loft, the subject applied also for FEMA assistance to pay for the hotel bill. FEMA paid an additional \$5,940 in response to the fraudulent claim. OIG investigators determined that the subject made other similar applications with the American Red Cross and the Safe Horizons Project. The subject was convicted of grand larceny and insurance fraud. Full restitution, court costs, and fines of \$255,000 were levied.

#### New Jersey Lawyer and Girlfriend Sent to Jail for Defrauding FEMA and 9/11 Charities

A New Jersey lawyer provided his girlfriend, who worked in a New Jersey real estate firm, with fictitious documents confirming her loss of employment and eviction from her residence due to the 9/11 terrorist attacks in New York City. These fraudulent applications resulted in FEMA payments of \$50,000; American Red Cross payments of \$17,000; and Safe Horizons payments of \$3,000. The attorney made fraudulent applications in his own name and received payments of \$4,000 from both the American Red Cross and Safe Horizons. The lawyer and girlfriend were convicted on multiple counts of criminal conduct and sentenced to one year and two to six years of incarceration, respectively.

#### Iowa Severe Storms

In May 1999, a presidential disaster was declared in the Cedar Rapids, Iowa vicinity in the aftermath of severe storms that included flooding and tornadoes.



Federal Emergency Management Agency (FEMA) funded the disaster relief. A husband and wife filed an \$11,187 claim with FEMA after their vacation home was damaged by the storms. The couple falsely claimed that the house was their primary residence in order to be eligible for the available FEMA funding. The OIG investigation proved that their primary residence was located elsewhere in Iowa. The husband and wife were indicted on two counts of false statements, but failed to appear in court. Arrest warrants are outstanding.

#### FEMA Employee Caught Stealing Government Property (Update)

The OIG substantiated allegations that a FEMA employee at the Transportation Logistics Center stole numerous items from the warehouse and then pawned the items at various local pawnshops. The value of the stolen property, most of which was subsequently recovered, was approximately \$1,700. The employee was terminated. On December 5, 2003, the employee pleaded guilty to state theft charges and was sentenced to two years probation, a \$500 fine, and counseling for gambling addiction.

#### Cerro Grande, New Mexico, Fire Assistance Act Program (Update)

A presidential disaster was declared for the area in and around Los Alamos, New Mexico, in May 2000 after the National Park Service initiated a prescribed burn that exceeded the containment capabilities. Congress enacted the Cerro Grande Fire Assistance Act (CGFAA) to compensate victims fully whose claims were not covered by the presidential declaration. The OIG initiated an investigation based on information that the Los Alamos Family Council misused a \$968,542 award intended to provide crisis counseling as a result of the Cerro Grande Fire. The OIG determined that \$177,301 was spent contrary to the provisions of the CGFAA, and that sum was recovered.

#### Nisqually Earthquake (Update)

In June of 2001, a presidential disaster was declared following the Nisqually earthquake in Seattle, Washington. The Compass Center Men's Shelter sustained severe damage and was declared uninhabitable. The residents of the center were

eligible for Temporary Housing and Individual Family Grant assistance. An OIG investigation determined that 62 persons submitted fraudulent applications for and received FEMA assistance by certifying that they were residing at the center when, in fact, they were not. Based on these 62 fraudulent claims, FEMA disbursed \$146,000. An OIG investigation resulted in a number of criminal actions against claimants filing fraudulent applications. During this reporting period, the OIG arrested four participants in the scheme, and a court imposed sentences of up to twelve months incarceration. Four defendants arrested previously have been sentenced and ordered to make restitution in the amount of \$4,638.

#### California Freeze (Update)

In February of 1999, a presidential disaster was declared for California's Central Valley area as a result of freezing temperatures that caused extensive damage to the citrus crop and ultimately entitled citrus workers to a number of FEMA assistance programs based on the loss of income. The OIG identified numerous fraudulent individual assistance applications that caused government funds to be distributed to undeserving claimants. During this reporting period two defendants were indicted on charges of theft, conspiracy, and illegal use of a social security number. The two defendants were arrested and are awaiting additional judicial proceedings.

#### Super Typhoon Paka (Update)

In December 1997, a presidential disaster was declared for the Island of Guam, due to extensive heavy wind, rain, and flood damage as a result of Super Typhoon Paka. FEMA funded a \$1.2 million project to replace the damaged bus shelters throughout the island with 387 new concrete bus shelters. The Governor of Guam's Chief of Staff awarded the bus shelter contract to a business rival of the Governor for the rival's support of the Governor in the 1998 gubernatorial campaign. The Chief of Staff also gathered fraudulent backdated supporting bids from cooperating contractors to satisfy FEMA requirements. During this reporting period, the former Chief of Staff and a local businessman were indicted on 17 counts including bribery, money laundering, bank fraud, conspiracy, and

engaging in financial transactions with the proceeds of illegal activity. Both were arrested subsequent to the federal indictments and are awaiting court proceedings.

#### Two Civilians Indicted for Bribery and Extortion (Update)

On August 7, 2003, two civilians were indicted by a federal grand jury in St. Thomas, USVI, on bribery and extortion charges in connection with a FEMA sponsored roofing program. The indictment alleged that the subjects solicited \$25,000 in payments from construction contractors. It was further alleged that one of the subjects corrupted the Home Protection Roofing Program by accepting over \$65,000 in false payment vouchers from another contractor. On February 18, 2004, the subjects were convicted in U.S. District Court in St. Thomas, USVI, on all counts. Both subjects are awaiting sentencing.

#### Office of Audits

##### Report on Distributing and Spending “First Responder” Grant Funds

Spurred by the attacks of September 11, 2001, Congress, state and local politicians, “first responders,” and the general public have become increasingly aware of the need to increase preparedness against terrorist incidents. Recipients of preparedness funds have frequently complained that the funds are being distributed too slowly. OIG conducted an audit to determine whether first responder funds were being distributed and spent in a timely fashion, and, if not, the reasons for the delay.

States, localities, and first responder organizations have been slow to receive and spend Office for Domestic Preparedness (ODP) first responder grant funds. As of February 2004, the majority of the \$882 million awarded by ODP in FY 2002 and the first half of FY 2003 remained at ODP, as did the majority of the \$1.5 billion awarded in Phase II of the FY 2003 grant program. ODP statistics show drawdowns<sup>1</sup> of 36 percent, 13 percent, and 10 percent, respectively. However,

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<sup>1</sup> The term “drawdown” refers to grant funds disbursed from federal accounts to state grantees to be spent on approved equipment, training, and exercises.

those statistics are somewhat misleading, and the spending picture is not as bad as it appears.

In some instances, states and local jurisdictions had delayed spending funds pending the development of detailed spending plans, believing that spending the funds wisely was more important than spending them immediately. In addition, we identified numerous other reasons for delayed spending. While some of the delays are unavoidable, others can be reduced. ODP's application process was not a major reason for delays. For the most part, state officials praised ODP and believed that ODP processed grant applications in a timely manner.

To ensure that the nation's first responders are prepared for incidents of terrorism, ODP should: (1) require more meaningful reporting by grantees and develop performance standards that can be used to measure the overall success of the grant programs; (2) assist state planning efforts by accelerating the development of federal guidelines for first responder capabilities, equipment, training, and preparedness exercises; and, (3) work with grantees to identify and publicize best practices and strategies that speed spending.

DHS recently proposed a consolidation of its preparedness grant programs, including first responder terrorism grants, and combining ODP and the Office of State and Local Coordination into one office. Through this effort, DHS intends to consolidate its fragmented approach to delivering preparedness grant programs, streamline the grant application process, and better coordinate federal, state, and local grant funding distribution and operations. (OIG-04-15, March 2004)

#### Management of Acquisition Workforce

FEMA's mission was to reduce the loss of life and property and protect our institutions from all hazards. In support of this mission, FEMA processed over 2,600 procurement actions for \$429 million during FY 2002. In March 2003, FEMA became part of DHS. The FEMA OIG audited FEMA's management of its acquisition workforce and concluded that FEMA did not devote sufficient attention or resources to maintaining and updating its acquisition files and policies or managing its acquisition workforce. Numerous deficiencies in FEMA's record

keeping prevented the OIG from performing a thorough analysis of acquisition workforce capability and workload management or determining whether acquisition personnel met training, education, and experience requirements. Also, it was not possible to evaluate workload management; however, there were indications that FEMA needs to manage workload more effectively. The absence of capability and performance information in employee files, and the absence of operational reviews indicated that managers might not have the information needed to manage workload. (OIG-04-12, March 2004)

#### Management Letter on FEMA's Fiscal Year (FY) 2002 Financial Statements

The independent public accounting firm of KPMG LLP, at FEMA OIG's direction, audited the FY 2002 FEMA-wide financial statements as required by the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994. The auditors noted certain matters involving internal control over financial reporting and its operations that they reported in a management letter. These matters were as follows:

- Human Resources: In certain instances, life insurance cost deductions were not adequately supported.
- Cerro Grande Claims Administration: The Office of Cerro Grande Fire Claims' Payment Approval System lacked adequate controls in key areas, including access controls, change control documentation, and separation of duties.
- Mission assignments and interagency agreements: There was a lack of reconciliations and absence of written policies and procedures for the monitoring and maintenance of interagency agreements.
- Grants Management: Weaknesses were found relating to reconciliations and the tracking and receipt of Financial Status Reports.
- Budget Reprogrammings: Improvements to be made in policies and procedures and documentation for budget reprogrammings were noted.
- Information Technology at Region II: Weaknesses were noted relating to user access request forms and the Continuity of Operations Plan.
- Integrated Financial Management Information System (IFMIS): Contract employees and one FEMA employee shared the same highly privileged

IFMIS user account used to migrate IFMIS software code into production (OIG-04-03, December 2003)

National Emergency Management Information System (NEMIS) Access Control System

The NEMIS is the system FEMA, and now Emergency Preparedness and Response (EP&R), uses to manage its disaster response and recovery programs and to authorize millions of dollars in payments related to disaster response and recovery activities. The NEMIS Access Control System (NACS) facilitates the management of NEMIS user access rights and is the primary security control for NEMIS data and functions. FEMA's Information Technology Service Directorate (ITSD) manages NEMIS and NACS.

The purpose of this audit, performed under contract by KPMG LLP, was to determine whether FEMA had developed and maintained NACS in a controlled manner and in accordance with relevant federal guidance. To accomplish this, the audit included reviews of certain NEMIS controls that directly affected NACS. Although NACS provides a reasonable mechanism for controlling access to NEMIS, both NACS and NEMIS controls could be improved. Specifically, NACS control weaknesses existed in the areas of separation of duties, access controls, audit trails, and training. NEMIS control weaknesses that directly affected NACS related to the need for a designated and accountable system owner, security planning, system certification and accreditation, contingency planning, and change management controls. Collectively, these weaknesses reduced FEMA's ability to ensure the confidentiality, availability, and integrity of NEMIS data.

The OIG made 16 recommendations regarding NACS-specific control issues and NEMIS control issues that directly affect NACS. ITSD agreed with the report findings and recommendations, and agreed to prepare, coordinate, and implement a corrective action plan. (OIG-04-02, December 2003)

### *Disaster Assistance Audits*

#### City of San Leandro, CA

The city received an award of \$3.3 million from the California Office of Emergency Services for damages caused by severe flooding. The city's claim included questioned costs of \$110,741 consisting of duplicate benefit costs; non-disaster contract costs; unsupported contract costs; and duplicate material costs. (DS-01-04, November 24, 2003)

#### Alameda County, Hayward, CA

The county received an award of \$6.1 million from the California Office of Emergency Services for damaged caused by severe flooding. The county's claim included questioned costs of \$638,223, consisting of excessive debris removal charges and unsupported project costs. (DS-11-04, March 11, 2004).

#### Kentucky Transportation Cabinet

The Transportation Cabinet received an award of \$5.5 million from the Kentucky Department of Military Affairs to provide emergency protective measures and to repair facilities damaged as a result of floods in March 1997. The Transportation Cabinet's claim included questioned costs of \$162,098, resulting from duplicate charges, permanent repairs to Federal-Aid roads and unauthorized charges. (DA-22-04, March 29, 2004)

#### Municipality of Ceiba, Puerto Rico

The municipality received an award of \$3.1 million from the Puerto Rico Office of Management and Budget to remove debris, provide emergency protective measures, and repair other public facilities damaged as a result of Hurricane Georges. The municipality's claim included questioned costs of \$483,008, resulting from excess charges for debris removal activities and insurance proceeds not credited to FEMA projects. (DA-21-04, March 29, 2004)

### South Carolina's Compliance with Disaster Assistance Program Requirements

The OIG reviewed the disaster grants management system and practices of the South Carolina Emergency Management Division. The objectives of the review were to determine whether the state administered the funds according to applicable federal regulations and FEMA guidelines. The audit disclosed that the State of Carolina needs to improve its procedures for: (1) preparation and submission of Hazard Mitigation Grant (HMG) quarterly progress reports; (2) enforcing its requirement for sub-grantees to submit quarterly public assistance (PA) progress reports; (3) preparation and submission of required Hazard Mitigation program plans and administrative plans for the Individual and Family, Public Assistance, and HMG programs; (4) ensuring that HMG and PA sub-grantees comply with the requirement of the Single Audit Act; (5) allocating management costs under the HMG program; and, (6) using administrative allowances to pay expenses that are extraordinary as defined by federal policy. The OIG recommended that specific improvements be made to these areas. (DA-20-04)

### County of San Mateo, CA

The county received an award of \$3 million from the California Office of Emergency Services for damages caused by flooding. The county's claim included questioned costs of \$279,994, consisting of overstated and ineligible force account labor costs; costs not identified in the scope of the project; unsupported project costs; duplicate claims; and accounting errors. (DS-03-04, November 24, 2003)

### Newhall County Water District, CA

The district received an award of \$4.3 million from the California Office of Emergency Services for emergency and permanent repairs, as well as replacement of water tanks damaged as a result of the Northridge earthquake. The district's claim included questioned costs of \$1,935,231, consisting of unapproved improved project costs. (DS-05-04, January 16, 2004)



City of Oakland, CA

The city received an award of \$1.5 million from the California Office of Emergency Services for damages resulting from winter storms and flooding. The city's claim included questioned costs of \$139,583, consisting of unsupported costs and costs not incurred. (DS-06-04, January 27, 2004)

Santa Barbara County, CA

The county received an award of \$9.9 million from the California Office of Emergency Services for emergency protective measures and repair and replacement of damaged public facilities as a result of flooding. The county's claim included questioned costs of \$433,303, consisting of costs claimed for small projects not started and costs not documented; duplicate contract and material costs; excessive force account equipment costs; cost covered by the statutory administrative allowance; and unsupported costs. (DS-07-04, February 4, 2004)

Santa Barbara County, CA

The county received an award of \$3.8 million from the California Office of Emergency Services for debris removal, emergency protective measures, and permanent repairs to facilities as a result of a severe storm and flooding. The county's claim included questioned costs of \$218,848, consisting of costs claimed for small projects not started and costs not documented, duplicate contract and material costs, cost covered by the statutory administrative allowance; and excessive costs for force account equipment. (DS-08-04, February 4, 2004)

California Department of Water Resources

The department received an award of \$4.1 million from the California Office of Emergency Services for debris removal, emergency protective measures, and repairs of water control facilities damaged as a result of a severe storm and flooding. The department's claim included questioned costs of \$762,265,

consisting of unsupported force account labor costs, duplicate force account labor costs; unsupported project costs; and excessive force account fringe benefits. (DS-09-04, February 5, 2004)

Municipality of Naguabo, Puerto Rico

The municipality received an award of \$2.9 million from the Puerto Rico Office of Management and Budget to remove debris, provide emergency protective measures, repair roads and other public facilities damaged as a result of Hurricane Georges. The municipality's claim included questioned costs of \$1,916,097, resulting from costs that were previously disallowed by FEMA, small projects that were only partially completed or that had errors in funding, and duplication of benefits. Also, \$226,323 was awarded for work not performed under several small and large projects. (DA-09-04, January 12, 2004)

City of Barnesville, Georgia

The city received a total of \$4.4 million under two awards from the Georgia Emergency Management Agency to perform emergency work and repair facilities associated with the city's Eddie Creek Dam and Reservoir, damaged as a result of Tropical Storm Alberto in July 1994 and severe flooding in March 1998. The city's claim included questioned costs of \$1,035,749, consisting of excessive charges and ineligible repair costs. (DA-03-04, November 18, 2003)

Municipality of Rio Grande, Puerto Rico

The municipality received an award of \$5.3 million from the Puerto Rico Office of Management and Budget to remove debris, provide emergency protective measures, and repair roads and other damaged public facilities as a result of Hurricane Georges. The municipality's claim included questioned costs of \$361,077, resulting from pre-disaster damages, duplication of benefits, and incomplete implementation of large and small projects. (DA-08-04, January 12, 2004)

### South Carolina Department of Transportation

The department received an award of \$1.9 million from the South Carolina Emergency Management division to remove snow and provide emergency protective measures as a result of a snowstorm in January 2000. The department's claim included questioned costs of \$147,221, resulting from excessive equipment, fringe benefits, and overtime labor charges. (DA-14-04, February 10, 2004)

### Minnkota Power Cooperative, Inc., Grand Forks, ND

The OIG audited \$6.76 million in FEMA public assistance funds awarded to the Minnkota Power Cooperative (MPC) by the North Dakota Division of Emergency Management. MPC received the award for snow and ice related damages that occurred in March through July 1999.

The city's claim included questioned costs of \$621,590, consisting of unsupported contract equipment costs \$492,155; ineligible contract labor and equipment costs (\$104,910); unsupported contract labor costs (\$12,288); and unreasonable costs on "cost-plus" contracts (\$12,237). Further, MPC did not follow federal procurement regulations to contract for \$4,006,934 in disaster work. As a result, fair and open competition did not occur and FEMA had no assurance that contract costs claimed were reasonable. (DD-01-04, October 29, 2003)

### City of Hoisington, KS

The OIG audited \$2.26 million in FEMA public assistance funds awarded to the City of Hoisington by the Kansas Division of Emergency Management. The city received the award for tornado related damages that occurred on April 21, 2001. The city's claim included questioned costs of \$262,015 consisting of unsupported and ineligible volunteer credits (\$120,534); excessive and unreasonable costs (\$47,880); unsupported contractor labor costs (\$42,933); work not related to the disaster (\$34,910); unallowable markups on contract costs (\$6,148); unsupported contractor equipment costs (\$3,908); unsupported force account labor (\$2,740); duplicate benefits (\$1,782); and unsupported force account equipment and material (\$1,180).

In addition, the city did not follow federal procurement regulations to contract for \$779,269 in construction services. As a result, fair and open competition did not occur and FEMA had no assurance that contract costs were reasonable. (DD-02-04, October 29, 2003)

University of North Dakota, Grand Forks, ND

The OIG audited \$44.1 million in FEMA public assistance funds awarded to the University of North Dakota (UND). The university received the award for damages caused by severe flooding and, winter storms, heavy spring rain, rapid snowmelt, high winds, ice jams, and ground saturation due to high water tables that occurred in February through May 1997. UND's claim included duplicate costs of \$84,977. The OIG questioned these costs. (DD-03-04, December 9, 2003)

Wyoming State Forestry Division, Cheyenne, WY

The OIG audited \$2.67 million in FEMA fire suppression assistance funds awarded to the Wyoming State Forestry Division (SFD). SFD received the award for damages resulting from the Green Knoll forest fire in July 2001.

SFD did not expend and account for FEMA funds according to federal regulations and FEMA guidelines. SFD's claim contained \$341,294 in questioned costs (100 percent FEMA share); unsupported costs based on estimates (\$316,167); ineligible land rehabilitation costs (\$14,617); and, unsupported equipment costs (\$10,510). (DD-05-04, December 11, 2003)

Illinois Department of Transportation

The OIG audited \$2.07 million in FEMA public assistance funds awarded to the Illinois Department of Transportation (IDOT). IDOT received the award to save lives and protect public health and safety resulting from record snow on January 1 and 2, 1999.

Overall, IDOT expended and accounted for FEMA funds according to federal regulations and FEMA guidelines. However, IDOT's claim included questioned

costs of \$78,888 (\$59,166 FEMA share) as follows: overstated labor costs (\$41,859); overstated fringe benefit costs (\$18,359); and, unsupported labor, equipment, and material costs (\$18,670). (DD-07-04, December 23, 2003)

### **Management Disaster Assistance Grant Program**

#### West Virginia's Compliance with Disaster Assistance Program Requirements

The OIG reviewed the disaster grants management system and practices of the West Virginia Office of Emergency Services. The audit objectives were to determine whether the state administered the funds according to applicable federal regulations and FEMA guidelines. The State of West Virginia needs to improve its procedures for: (1) managing administrative allowances; (2) performing financial management functions; (3) disbursing disaster funds; (4) documenting its internal controls and monitoring procedures; (5) preparing state administrative plans; and (6) ensuring that sub-grantees complied with Single Audit Act requirements. (DA-12-04, February 2004)

#### Massachusetts Compliance with Disaster Assistance Program Requirements

The OIG reviewed the disaster grants management system and practices of the Massachusetts Emergency Management Agency (MEMA). The objectives of the review were to determine whether MEMA administered the funds according to federal regulations and FEMA guidelines. MEMA: (1) needs to improve its financial management system to account for properly and report on the status of FEMA disaster assistance programs; (2) must ensure that its accounting system is adequate to ensure that FEMA approved administrative allowances and management grants are used or accounted for in accordance with federal requirements; (3) did not submit Individual and Family Grant (IFG) closeout packages within the required period; (4) did not always submit the required administrative plans for the IFG and PA programs, and the program plans for the HMG; and (5) needs to improve its procedures for obtaining Single Audit reports from sub-grantees. (DA-17-04, February 10, 2004)

### Michigan's Compliance With Disaster Assistance Program's

An independent accounting firm, McBride, Lock & Associates, under contract with the OIG reviewed the disaster grants management system and practices of the Michigan State Police – Emergency Management Division (MSP-EMD). The audit objectives were to determine whether the MSP-EMD administered the grant programs according to federal regulations and accounted for, reported, and used FEMA program funds properly. The audit found opportunities for improvements in several areas including: (1) the financial reporting system for Public Assistance and Hazard Mitigation grants; (2) cash management practices; (3) establishing a current indirect cost rate; (4) timeliness of IFG payments to the sub-recipients; (5) timeliness of closeout efforts; (6) submission and contents of administration and program plans; (7) guidance for sub-grantee single audit reports; (8) establishing documentation of operating and financial reporting procedures; (9) retaining documentation of project ranking process, and (10) monitoring all critical elements for property management. In view of the nature and significance of the findings, McBride, Lock & Associates concluded that the MSP-EMD did not comply, in all material respects, with applicable laws and regulations relative to the findings. (DD-04-04, December 9, 2003)

### Indiana's Compliance With Disaster Assistance Program's Requirements

An independent accounting firm, Soza & Company, Ltd, under contract with the OIG, reviewed the disaster grants management system and practices of Indiana's State Emergency Management Agency (SEMA). The objectives of the review were to determine whether the state administered the funds according to applicable federal regulations and FEMA guidelines. The auditors reported that SEMA: (1) for the IFG program, did not complete grant award activity or submit the final reports to FEMA Region V within the prescribed period; (2) referred to complying with the Single Audit Act of 1984 instead of the Single Audit Act of 1996 in the administrative plans for the IFG and Hazard Mitigation programs; (3) has not implemented a consistent methodology to prepare the Financial Status Report; and, (4) does not track the management grants and administrative allowances according to applicable regulations. In addition, SEMA does not have adequate controls and procedures in place surrounding: (1) physical asset

verifications; (2) separation of duties between asset purchasing and inventory reconciliation; and (3) access to the SMARTLINK. In view of the nature and significance of the findings, the auditors concluded that SEMA did not comply, in all material respects, with applicable laws and regulations relative to the findings. (DD-06-04, December 11, 2003)

## Management Directorate

### Office of Audits

#### Independent Auditors' Report on DHS' Financial Statements

The independent auditor's report on DHS' financial statements was prepared by the independent public accounting firm, KPMG LLP. KPMG gave a qualified opinion on the consolidated balance sheet and statement of custodial activity, meaning that, except for certain items described below, they were presented fairly and free of material misstatements. KPMG was unable to provide an opinion on the remaining statements for the reasons also discussed below.

The qualification on the balance sheet related to: (1) the lack of sufficient documentation provided prior to the completion of KPMG's audit procedures to support \$2.9 billion in property, plant, and equipment at the U.S. Coast Guard; (2) KPMG's inability to observe inventory or otherwise verify \$497 million in operating materials and supplies at the U.S. Coast Guard; and, (3) the lack of sufficient documentation provided prior to the completion of KPMG's audit procedures to support retirement benefits recorded at \$3.3 billion at the U.S. Secret Service and post-employment benefits recorded at \$201 million at the U.S. Coast Guard. Unlike some of the other large bureaus that came into DHS, the U.S. Coast Guard's financial statements had never been audited on a stand alone basis, nor had they been audited at the level of detail required by DHS. It is not uncommon for a large established agency such as the U.S. Coast Guard to require additional time to get its processes and systems in place to facilitate a financial statement audit. The U.S. Secret Service has already started corrective actions related to its retirement benefits.

KPMG was unable to provide an opinion on the consolidated statements of net cost and changes in net position, the combined statement of budgetary resources, and the consolidated statement of financing for several reasons. First, several "legacy" agencies (agencies from which component entities or functions were transferred to DHS) submitted accounting and financial information over which DHS had limited control. Consequently, the auditors were unable to complete



procedures relating to revenue, costs, and related budgetary transactions reported by the legacy agencies to DHS. In addition, the U.S. Coast Guard was unable to provide sufficient documentation prior to the completion of KPMG's audit procedures to support certain revenues, costs and related budgetary transactions.

The report also highlighted material weaknesses in several areas, including: financial management and personnel; financial reporting; financial systems functionality and technology; property, plant, and equipment; operating materials and supplies; actuarial liabilities; and transfers of funds, assets, and liabilities to DHS. KPMG also identified weaknesses in DHS' reporting process for the Federal Managers' Financial Integrity Act of 1982 and instances of non-compliance with the Federal Information Security Management Act. (OIG-04-10, February 2004)

# United States Coast Guard

## Office of Audits

### U.S. Coast Guard Reporting of FY 2003 Drug Control Funds

Under 21 U.S.C. 1704(d) and the ONDCP Circular *Drug Control Accounting*, the OIG was required to review assertions made by management relating to FY 2003 obligations for the National Drug Control Program. The assertions related to the methodology used to calculate the obligations, application of the methodology, reprogrammings or transfers, and compliance with fund control notices issued by the ONDCP.

The auditors reported a material weakness identified during the FY 2003 DHS financial statement audit that related to financial systems functionality and technology. Except for the effects of the material weakness, if any, nothing came to the auditors' attention that caused them to believe that management's assertions were not fairly stated in all material respects, based on the ONDCP's criteria. (OIG-04-19, March 2004)

# United States Secret Service

## Office of Investigations

### United States Secret Service (USSS) Resident Agent in Charge Suspended for Releasing Sensitive Information to the Media

The OIG initiated an investigation into allegations that a USSS Resident Agent in Charge (RAIC) and a Special Agent assigned to the Salt Lake City Resident Office: 1) provided the media sensitive investigative information regarding a kidnapping investigation; 2) the sensitive investigative information may have been grand jury material; and 3) monetary rewards may have been received as a result of furnishing the sensitive investigative information. It was also alleged that the RAIC might have provided the media with additional sensitive investigative information on other investigations unrelated to the kidnapping investigation. The initial allegation that sensitive information regarding the kidnapping investigation was released to the media as reported was substantiated; however, it could not be established that the information released was grand jury material. The allegation that monetary rewards may have been received could not be substantiated. The USSS suspended the RAIC for two days without pay for providing sensitive information in the kidnapping investigation.

### USSS Inspection Division Review

In February 2004, the OIG Office of Investigations conducted an oversight review of the USSS Inspection Division. The Inspection Division is responsible for conducting internal investigations of USSS employee misconduct. The OIG conducted this review to determine whether the Inspection Division was investigating allegations of employee misconduct in a thorough and timely manner. The OIG reviewed all Inspection Division investigations closed between March 1, 2003, and December 31, 2003. The OIG concluded that USSS internal investigations were thoroughly and vigorously pursued and reported to appropriate officials in a timely manner.

## **Office of Audits**

### **National Special Security Events**

Presidential Decision Directive (PDD) 62, Protection Against Unconventional Threats to the Homeland and Americans Overseas, issued in 1998, designates the USSS as the lead federal agency for the design and implementation of operational security plans at designated special events called National Special Security Events (NSSEs). These events include such gatherings as international summits of government leaders, meetings of international organizations, national political party conventions, and national and international sporting events. Such plans cover the methods and means USSS uses to perform its protective responsibilities at NSSEs. USSS performs advance planning and coordination in the areas of venue and motorcade route security, communications, credentialing, and training.

The OIG performed an audit to determine whether the USSS met its responsibilities under PDD 62. OIG concluded that USSS had met its specific responsibilities by planning, developing, and implementing operational security plans for NSSEs, but needed to improve certain policies and procedures (OIG-04-07, February 2004)

# Other OIG Activities

## Office of Inspections, Evaluations, and Special Reviews

### A Report on the Continuing Development of the U.S. Chemical Safety and Hazard Investigation Board

Congress designated the FEMA OIG to serve as the Inspector General for the CSB. The Homeland Security Act of 2002 transferred the FEMA OIG to DHS OIG. The CSB, an independent agency in its sixth year of operation, investigates accidental chemical releases at fixed facilities and report to the public on their causes. Additionally, the CSB is authorized to conduct general studies of chemical accident hazards. Through its reports, the CSB makes recommendations to federal, state, and local governmental entities and other parties to prevent future accidents. The OIG reported that the CSB fulfills some but not all of its statutory responsibilities. The CSB lacks the resources to investigate all accidents within its purview. The CSB's statutory and legislative history suggest that the CSB has a broader responsibility to study whether and how chemical accidents can be prevented than it now exercises. Also, the OIG identified opportunities to enhance the CSB administration. The report, which will be the last review of the CSB by the DHS OIG, made 11 recommendations to help strengthen the agency. (OIG-04-04, January 2004).

### Survey for the PCIE on Oversight Activities of Five OIGs Regarding Homeland Security Grants

The Committee on Government Reform of the U.S. House of Representatives, requested that the President's Council on Integrity and Efficiency (PCIE), the consortium of presidentially appointed Inspectors General, provide information on oversight activities conducted by federal OIGs regarding homeland security grants appropriated by Congress. The DHS OIG coordinated the response for the PCIE and provided descriptions of homeland security grant related oversight activities of the OIGs for the following five federal agencies: the Departments of Homeland Security, Justice, Health and Human Services, and Transportation, and the Environmental Protection Agency. The response provided summary figures and OIG oversight descriptions for these agencies for fiscal year 2004. (March 2004)

## **Office of Audits**

### **Status of DHS' Efforts to Address Management Challenges**

The OIG assessed the department's progress as of its first anniversary in addressing its major management challenges. OIG reviewed the status of key recommendations still open at the beginning of the period; observations from OIG audits and inspections completed, or nearing completion; and discussions with DHS officials on major DHS program initiatives and accomplishments during the year.

OIG reported that the department has made significant progress in addressing all its management challenges. However, some of the planned improvements will take years to develop and implement. Much remains to be done, including the following:

- DHS has consolidated many of its support service operations, including financial management, contracting, and human resources, but control of the operations is still largely decentralized. All three areas present formidable challenges.
- DHS has taken steps to consolidate its preparedness grant programs under one component, but getting first responder funds to the local recipients who need them has been slow. An effective grants management system is needed.
- Financial management functions provided by 19 separate service providers during FY 2003 are now provided by 10 service providers, most under DHS control; however, development and implementation of a single, integrated financial management system is still years away.
- DHS developed and distributed for public comment proposed human resource regulations that will dramatically affect DHS employees, which

could serve as a model for the whole federal government; however, finalizing and implementing these regulations will be challenging.

- DHS has made major strides in protecting U.S. borders, including beginning implementation of the U.S. Visitor and Immigrant Status Indicator Technology (US-VISIT) program, which will provide the capability to record entry and exit information on foreign visitors who travel through U.S. air, sea, and land ports of entry. The challenges, however, are immense and it will take years to address them fully.
- Two of the greatest homeland security challenges facing the department over the past year has been the ongoing effort to implement the Aviation and Transportation Security Act of 2001 and the Maritime Transportation Security Act of 2002. To this end, TSA and the Coast Guard have made great progress in implementing critical components of the legislation and, as a result, our nation's defense against international terrorism has never been stronger. Despite the progress that has been made over the past year, tight legislative deadlines, a shortage of trained and qualified personnel to oversee and implement the legislation, delays in the acquisition and implementation of technological solutions, and a shortage of critical infrastructure to support homeland security initiatives, continue to challenge the department.
- Information technology (IT) remains a major management challenge for DHS. IT systems and tools are fundamental to supporting programs and activities across the department—from counter-terrorism, to border protection, to internal department operations. Effectively managing the IT assets is not only critical to achieving performance goals and the greatest possible returns on investments, but it is also required by legislation. With central responsibility for ensuring effective IT management pursuant to the Clinger-Cohen Act and related legislation, the chief information officer is working to establish department-wide IT strategies and a consolidated framework for meeting mission needs. Key areas of focus include IT security, integrating systems, and ensuring effective information sharing. (OIG-04-21, March 2004)

## U.S. Chemical Safety and Hazard Investigation Board's (CSB) Fiscal Year 2003 Financial Statements

The Accountability of Tax Dollars Act of 2002<sup>2</sup> requires the audit of CSB's FY 2003 financial statements. OIG contracted with the independent public accounting firm Leon Snead & Company, P.C. to perform the required audit.

The purpose of the audit was to: (1) report on the fairness of the presentations in the CSB's FY 2003 financial statements; (2) obtain an understanding of internal controls over financial reporting, perform tests of those controls, and report on material weaknesses identified during the audit; and (3) perform tests of compliance with certain provisions of laws and regulations, and report on noncompliance, which could have a direct and material effect on the financial statements.

The CSB financial statements received an unqualified opinion in FY 2003, meaning that they were fairly presented and free of material misstatements. The audit disclosed no reportable conditions. (OIG-04-06, December 2003)

### Oversight of Non-DHS Audits

The OIG processed 39 audit reports prepared by non-DHS auditors on FEMA programs and activities. The OIG continues to monitor the actions taken to implement the recommendations in those reports. The 39 reports relate to Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

### Significant Reports Unresolved Over Six Months

Timely resolution of outstanding audit recommendations continues to be a priority. As of this report date, DHS OIG is responsible for monitoring 123 reports that contain recommendations that have been unresolved for more than six months. Of the 123 reports, 32 were issued by DHS OIG and 91 were issued by the legacy agencies.

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<sup>2</sup> P.L. 107-289



Management decisions have not been made for the following significant reports. Further explanations follow each report.

- Audit of FEMA's Grant Acceleration Program, Audit Report H-04-03, Issued February 11, 2003.

EP&R disagrees with the OIG recommended action. OIG will request a review by a resolution official.

- There are 28 OMB Circular A-133 single audit reports.

Management is currently reviewing the reports and anticipates resolving the recommendations by September 30, 2004.

- There are nine contract audit reports.

Management is currently reviewing the reports and anticipates resolving the recommendations by September 30, 2004

- There are 48 grant audit reports; of the 48 audit reports, 32 were issued by us, and the other 16 audit reports were issued by FEMA OIG.

Management is currently reviewing the reports and anticipates resolving the recommendations by September 30, 2004

# Legislative and Regulatory Review

Section 4 (a) of the Inspector General Act requires the Inspector General “to review existing and proposed legislation and regulations relating to the programs and operations of [the Department of Homeland Security]” and to make recommendations “concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by [the department] or the prevention and detection of fraud and abuse in such programs and operations.”

In addition, the OIG reviews and comments on DHS directives that involved either departmental programs or operations or OIG missions and functions. During this reporting period, the OIG commented on several DHS directives, some of which are highlighted below:

- The OIG reviewed draft guidance on government purchase card use and agency roles and responsibilities regarding the DHS Purchase Card program. To ensure effective internal controls, DHS has asked the OIG to sample all purchase card transactions regularly.
- Another review concerned a draft directive governing official use of government motor vehicles between an employee’s residence and place of employment (known as “home-to-work” transportation). The directive proposed passenger restrictions such that only federal employees on official business can ride in vehicles used for home-to-work transportation. However, OIG criminal investigators occasionally need state/local law enforcement personnel, witnesses, or persons under arrest to ride as passengers. Therefore, the OIG suggested that DHS broaden these passenger restrictions to allow flexibility in law enforcement operations.

The OIG commented on proposed policy regarding the identification and safeguarding of sensitive but unclassified information originated and received within DHS. The draft policy requires use of the caveat “For Official Use Only (FOUO)” to identify sensitive but unclassified information that is not specifically protected by statute or regulation. The OIG made several suggestions to clarify the policy and to ensure the technical accuracy. For example, one suggestion called for adding language stating that when employees designate information

as FOUO, or remove such a designation, they obtain the concurrence of the applicable component legal counsel.

# Congressional Briefings and Testimony

The OIG continued its constructive relationship with Congress through numerous meetings, briefings, and dialogue with members and staff of the department's authorizing and appropriations committees and subcommittees, on a range of issues relating to the work of the OIG and DHS. The OIG conducted two closed briefings for members and staff of the House Appropriations Committee, Subcommittee on Department of Homeland Security and the House Transportation and Infrastructure Committee, Subcommittee on Aviation on the OIG's undercover testing of domestic passenger and baggage screening procedures at select airports across the United States.

OIG provided witnesses and testimony for congressional hearings before members of the House Select Committee on Homeland Security; the House Energy and Commerce Committee, Subcommittee on Oversight and Investigations; the House Government Reform Committee, Subcommittee on Government Efficiency and Financial Management; the Senate Commerce Committee, Subcommittee on Aviation; and, for a second time, before the House Energy and Commerce Committee, Subcommittee on Oversight and Investigations. With the exception of the March 30, 2004, testimony before members of the Senate Commerce Committee, Subcommittee on Aviation, additional information on these hearings is available on the OIG website. Brief summaries of the five hearings are provided below.

On October 8, 2003, the Assistant Inspector General for Audits (AIGA) testified before Members of the House Select Committee on Homeland Security to discuss financial management and program evaluation at DHS.

The AIGA testified that, in the area of financial systems and reporting, the department must integrate and establish effective controls over the financial systems and operations of the department components, including correcting the weaknesses it has inherited. He noted that the department would need to build a unified financial management structure capable of supporting both efficient financial statement preparation and reliable and timely financial information for managing the department's current operations, including information to support performance based budgeting. With respect to grants and contracts management, the AIGA noted that the department is in need of a sound grants management

program, one that complies with federal requirements and includes effective monitoring of and assistance to states and other grantees. Procurement functions also require close attention by the department. The department absorbed billions of dollars in contracts from the component agencies that were awarded under differing procedures and circumstances. The department must integrate the procurement functions of the legacy agencies, some lacking important management controls. Early attention by the department to strong systems and controls for acquisition and related business processes will be critical, both to ensuring success of the programs and to maintaining integrity and accountability.

On December 16, 2003, the AIGA testified before the House Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce, on the OIG's efforts to review the CBP's targeting and inspection program for sea cargo. The field hearing, which was closed to the public, took place at the Delaware River Port Authority in Camden, New Jersey.

The AIGA provided the subcommittee with a summary of issues reported by the Department of Treasury OIG Customs, on its reviews of Customs, and now CBP's, efforts to target, inspect, and secure ocean-going cargo entering the United States.

The AIGA reported that Treasury OIG's assessment of Customs' targeting concluded that inaccurate manifest data were used to target high-risk vessel containers; some manifest review units (MRU) improperly implemented the targeting process; MRU targeting personnel lacked formal training and performed collateral duties reducing targeting activities; MRU effectiveness was reduced due to limited access to intelligence information; procedures for in-bond shipments did not address how to process automated targeting systems (ATS) targeted shipments at in transit ports; and Customs did not have targeting efficiency measures for vessel containers to assess quantitatively the effectiveness of ATS in targeting potential violators.

With respect to inspection of targeted high-risk shipments, the AIGA noted that at the time, several staffing, procedural, and processing issues existed that would have impaired Customs' ability to detect and deter contraband and weapons of

mass destruction. These issues included: lack of sufficient inspection personnel to conduct examinations; inspections not always performed in accordance with established guidelines; results of examinations not always recorded accurately; examination statistics not reported consistently; and, underutilization of non-intrusive inspection equipment.

The AIGA also summarized the preliminary results of DHS OIG's work related to CBP's cargo inspections, and the reporting of statistics associated with those inspections, at the ports of Houston and El Paso, Texas, and Seattle and Blaine, Washington. The AIGA noted that the OIG intends to issue separate reports on these ports, as well as, a summary report with recommendations to the department.

On March 10, 2004, the Inspector General (IG) presented testimony before members of the House Subcommittee on Government Efficiency and Financial Management of the Government Reform Committee on the FY 2003 financial statement audit at DHS. Additionally, the IG updated the subcommittee on efforts by the department to address the inherent challenges involved in realigning its financial operations and addressing its financial system weaknesses, including financial accounting, contract management, grants management, and information technology. The hearing was the second in a series of hearings related to financial management and sound business practices at the department, for which our office provided testimony.

The IG noted in his opening statement that one of the larger challenges faced by the department was preparing auditable financial statements. At the time of the first hearing, the FY 2003 financial statement audit was already well under way, but the outcome was unclear. Getting an unqualified opinion was the goal, but the realities were that the mid-year creation of the department and its dispersed accounting providers proved too much to overcome in such a short period of time. The IG reported that for FY 2003 the department achieved a qualified opinion on its consolidated balance sheet and a statement of custodial activity.

The IG testified that the department should strive to correct reportable conditions in several areas of its operations, while the chief financial office needs to

address gaps in its staffing, create standard operating procedures that will guide the bureaus and support timely and accurate reporting, and establish clear organizational roles and responsibilities. An additional concern for the subcommittee, and one noted by the IG, was that the chief procurement officer does not have the authority to realign existing procurement resources to meet the procurement service needs of all 22 components better. The IG noted, too, that DHS needs to begin integrating the procurement functions of its component organizations to ensure that good management controls are consistently applied.

Large, complex, and high-cost procurement programs are under way, including CBP's \$5 billion ACE system, the Coast Guard's \$17 billion Deepwater Capability Replacement Project and US-VISIT. The IG noted that the OIG plans to review these major procurements on an ongoing basis.

Additional, significant shortcomings, noted the IG, had been identified in many of the agency's grant programs, and the potential for overlap and duplicate funding has grown, as the number of grant programs has grown. Though the department has made significant strides in this area, particularly in consolidating the preparedness grant programs, the IG noted that DHS must ensure that first responder funds are used effectively for those who need them in a timely manner.

Further, the IG noted that the lack of standardization and systems interoperability in the current environment has made the performance of several administrative functions, such as accounting, acquisition, budgeting, and procurement, tedious, manual, and burdensome. He added that, to address these issues, the department has established the eMerge2 program (Electronically Managing Enterprise Resources for Government Effectiveness and Efficiency), scheduled for implementation by September 2006.

On March 30, 2004, the IG testified before members of the Senate Commerce Committee, Subcommittee on Aviation in a classified setting regarding OIG work on aviation security, including an in-depth discussion of the results of the OIG's review of the aviation passenger and baggage screening processes at selected domestic airports, including details of our undercover tests of screener and equipment performance.

The IG first highlighted the OIG's report on background checks for federal passenger and baggage screeners at airports (*A Review of Background Checks for Federal Passenger and Baggage Screeners at Airport, OIG-04-08*), followed by a brief review of the report, by the Office of Inspections, Evaluations, and Special Reviews, regarding TSA's training and testing of checked baggage screeners to assess allegations that they were given the answers in advance of their certification examinations (*Transportation Security Administration's Checked Baggage Screener Training and Certification: A Letter Report, ISP-02-03*).

On March 31, 2004, the IG testified before members of the House Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce to update the subcommittee on the OIG's efforts to review CBP's targeting program since the field hearing noted earlier at which the AIGA testified. The IG noted that, inasmuch as a successful targeting program is dependent, in part, upon data generated by inspections, his opening statement would include observations regarding CBP's inspection reporting program. Following opening statements by the subcommittee and the witnesses, the committee chairman closed the session to the public and the media, for questions and answers to the witnesses.

In his opening statement, the IG noted that the OIG was engaged in conducting a series of projects to assess CBP's cargo inspections and the reporting of statistics associated with those inspections. Additionally, inspectional reporting was found to be inconsistent and inaccurate, and he noted that, for example, at the Port of Houston, only about 51 percent of Vehicle and Cargo Inspection System exams were input into the Port Tracking System. Accurate and complete reporting of examination results is critical when data from these files is used to develop or refine targeting criteria for high-risk shipments. He noted that in April 2003 OIG initiated work at the Port of Houston and has finished fieldwork at the ports of El Paso and Seattle, and plans to visit the port of Blaine, Washington. Finally, he mentioned that the OIG plans to issue separate reports on these ports, as well as a summary report to CBP detailing all issues requiring headquarters attention.

The IG stated that, generally, OIG found that overall guidelines on what constituted an examination and what procedures and steps should be taken in different types of examinations were unclear and subject to different



interpretation; the inspection procedures associated with each type of inspection were not applied consistently; examination results were not always recorded properly; and the reporting systems did not accurately reflect the examinations performed.

# Appendix 1

## Audit Reports With Questioned Costs

	<b>Report Category</b>	<b>Number</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>
A.	Reports pending management decision at the start of the reporting period	104	\$108,705,749	\$37,073,575
B.	Reports issued/processed during the reporting period with questioned costs	43	\$18,884,149	\$9,221,645
	Total Reports (A+B)	147	\$127,589,888	\$46,295,210
C.	Reports for which a management decision was made during the reporting period	41	\$14,646,911	\$3,941,595
	(1) Disallowed costs	41	\$14,396,047	\$3,941,595
	(2) Accepted costs	3	\$250,864	\$0
D.	Reports put into appeal status during period	0	\$0	\$0
E.	Reports pending a management decision at the end of the reporting period	106	\$112,942,987	\$42,353,625
F.	Reports for which no management decision was made within six months of issuance	69	\$94,412,803	\$33,297,986

### Notes and Explanations:

“Management Decision” occurs when management informs the OIG of its intended action in response to a recommendation and the OIG determines that the proposed action is acceptable.

“Accepted Costs” is previously questioned costs accepted in a management decision as an allowable cost to a government program. Before acceptance, the OIG must agree with the basis for the management decision.

In Category C, lines (1) and (2) do not always equal the total on line C since resolution may result in values greater than the original recommendations.

FY 2003 ending balance has been changed due to discrepancies in our statistics, calculation error and legacy agencies total questioned cost.

Questioned costs – Auditors commonly question costs arising from an alleged violation of a provision of a law, regulation, grant, cooperative agreement or contract. A “questioned” cost is a finding in which, at the time of the audit, a cost 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.

Unsupported costs – It is a cost that is not supported by adequate documentation.

# Appendix 1b

## Audit Reports With Funds Put To Better Use

	<b>Report Category</b>	<b>Number</b>	<b>Amount</b>
A.	Reports pending management decision at the start of the reporting period	14	\$63,406,562
B.	Reports issued during this reporting period	1	\$61,041
	Total Reports (A + B)	15	\$63,467,603
C.	Reports for which a management decision was made during the reporting period	3	\$791,772
	(1) Value of recommendations agreed to by management	3	\$791,772
	(2) Value of recommendations not agreed to by management	0	\$0
D.	Reports put into the appeal status during the reporting period	0	\$0
E.	Reports pending a management decision at the end of the reporting period	12	\$62,675,831
F.	Reports for which no management decision was made within Six months of issuance	11	\$62,614,790

**Notes and Explanations:**

In category C, lines (1) and (2) do not always equal the total on line C since resolution may result in values greater than the original recommendations.

We added our legacy agencies funds put to better use to our FY 2003 ending balances.

Funds put to better use – Audits can identify ways to improve the efficiency of programs, resulting in costs 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, de-obligating funds, or avoiding unnecessary expenditures.

# Appendix 2

## Compliance – Resolution Of Reports And Recommendations

### MANAGEMENT DECISION IS PENDING

	9/30/2003	
Reports open over six months		105
Recommendations open over six months		516

	3/30/2004	
Reports open over six months		123
Recommendations open over six months		444

### CURRENT INVENTORY

Open reports at the beginning of the period		287
Reports issued this period		75
Reports closed this period		60
Open reports at the end of the period		302

### ACTIVE RECOMMENDATIONS

Open recommendations at the beginning of the period		1,451
Recommendation issued this period		364
Recommendations closed this period		197
Open recommendations at the end of the period		1,618

**Notes and Explanations:**

“Open reports” are those containing one or more recommendations for which a management decision or final action is pending.

“Active recommendations” are recommendations awaiting a management decision of final action.

“Final action” is the completion of all management actions—as described in a management decision—with respect of audit findings and recommendations.

The balances for September 30, 2003 have been changed due to discrepancies in our FY 2003 statistics.

# Appendix 3

## Management Reports Issued (In thousands)

Program Office/Report Subject	Report Number	Date Issued	Funds Put To Better Use
1. Automated Commercial Environment Secure Data Portal: Quality of Deliverable Can Be Improved	OIG-04-01	11/03	\$0
2. National Emergency Management Information System Access Control System	OIG-04-02	11/03	\$0
3. Management Letter for Federal Emergency Management Agency's FY 2002 Financial Statements	OIG-04-03	12/03	\$0
4. Review of the Continuing Development of the U.S. Chemical Safety and Hazard Investigation Board	OIG-04-04	1/04	\$0
5. U.S. Chemical Safety and Hazard Investigations Board's FY 2003 Financial Statements	OIG-04-06	12/03	\$0
6. Restricted Report	OIG-04-07	2/04	\$0
7. A Review of Background Checks for Federal Passenger and Baggage Screeners at Airports	OIG-04-08	1/04	\$0
8. Analysis of the Department of Homeland Security's Second Response to the Recommendations Contained in the Department of Justice, Office of Inspector General's June 2003 Report on the Treatment of the September 11 Detainees	OIG-04-09	1/04	\$0



<b>Program Office/Report Subject</b>	<b>Report Number</b>	<b>Date Issued</b>	<b>Funds Put To Better Use</b>
9. Department of Homeland Security FY 2003 Financial Statements	OIG-04-10	2/04	\$0
10. Federal Emergency Management Agency's Acquisition Workforce	OIG-04-12	3/04	\$0
11. Survey of the Information Analysis and Infrastructure Protection Directorate	OIG-04-13	2/04	\$0
12. Distributing and Spending "First Responder" Grant Funds	OIG-04-15	3/04	\$0
13. CBP Reporting of FY 2003 Drug Control Funds	OIG-04-16	3/04	\$0
14. ICE Reporting of FY 2003 Drug Control Funds	OIG-04-17	3/04	\$0
15. "Open Inspector General Recommendations Concerning the Former Immigration and Naturalization Service from Unaccompanied Juveniles in INS Custody, a Report by the Department of Justice Inspector General	OIG-04-18	3/04	\$0
16. U.S. Coast Guard Reporting of FY 2003 Drug Control Funds	OIG-04-19	3/04	\$0
17. AMOC Needs to Improve Written Guidelines for Providing Assistance to Other Agencies	OIG-04-20	3/04	\$0
18. Department of Homeland Security Efforts To Address Its Major Management Challenges	OIG-04-21	3/04	\$0

Program Office/Report Subject	Report Number	Date Issued	Funds Put To Better Use
19. Survey of the Science and Technology Directorate	OIG-04-24	3/04	\$0
20. Passenger Processing Reengineering	OIG-04-25	3/04	\$0
21. Survey for the PCIE on Oversight Activities of Five OIGs Regarding Homeland Security Grants		3/04	<u>\$0</u>
<b>Total</b>			<b><u>\$0</u></b>

# Appendix 4

<b>Financial Assistance Audit Reports Issued</b>						
<b>Report Number</b>	<b>Date Issued</b>	<b>Auditee</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>	<b>Funds Put To Better Use</b>	
1.	DA-01-04	10/03	Piedmont Electric Membership Corporation, North Carolina	\$8,385	\$3,567	\$0
2.	DA-02-04	10/03	Tennessee Board of Regents	\$0	\$0	\$0
3.	DA-03-04	11/03	City of Barnesville, Georgia	\$838,317	\$0	\$0
4.	DA-04-04	11/03	Bibb County, Georgia	\$13,697	\$606	\$0
5.	DA-05-04	11/03	West Virginia Department of Transportation	\$2,615	\$0	\$0
6.	DA-06-04	11/03	Town of Randolph, Vermont	\$1,039	\$1,039	\$0
7.	DA-07-04	12/03	North Carolina National Guard	\$58,884	\$0	\$0
8.	DA-08-04	1/04	Municipality of Rio Grande, Puerto Rico	\$318,201	\$13,919	\$0
9.	DA-09-04	1/04	Municipality of Naguabo, Puerto Rico	\$1,950,810	\$0	\$0
10.	DA-10-04	1/04	City of Andalusia, Alabama	\$0	\$0	\$0
11.	DA-11-04	2/04	Town of Lincoln, Vermont	\$13,787	\$8,747	\$0
12.	DA-12-04	2/04	State of West Virginia Administration of Disaster Assistance Funds	\$0	\$0	\$0
13.	DA-13-04	2/04	Virgin Islands Department of Public Works	\$733,016	\$69,488	\$0
14.	DA-14-04	2/04	South Carolina Department of Transportation	\$110,416	\$0	\$0
15.	DA-15-04	2/04	South Carolina Department of Transportation	\$12,853	\$0	\$0
16.	DA-16-04	2/04	Coastal Electrical Power Association, Mississippi	\$27,056	\$0	\$0
17.	DA-17-04	2/04	State of Massachusetts Administration of Disaster Assistance Funds	\$0	\$0	\$0
18.	DA-18-04	3/04	City of Raleigh, North Carolina	\$17,051	\$7,410	\$0

Report Number	Date Issued	Auditee	Questioned Costs	Unsupported Costs	Funds Put To Better Use
19. DA-19-04	3/04	City of Raleigh, North Carolina	\$40,656	\$9,463	\$0
20. DA-20-04	3/04	State of South Carolina Administration of Disaster Assistance Funds	\$0	\$0	\$0
21. DA-21-04	3/04	Municipality of Ceiba, Puerto Rico	\$373,666	\$0	\$0
22. DA-22-04	3/04	Kentucky Transportation Cabinet	\$121,574	\$0	\$0
23. DD-01-04	10/03	Minnkota Power Cooperative, Inc., North Dakota	\$578,727	\$452,007	\$0
24. DD-02-04	10/03	City of Hoisington, Kansas	\$189,304	\$102,096	\$0
25. DD-03-04	12/03	University of North Dakota	\$76,479	\$0	\$0
26. DD-04-04	12/03	Grant Management: Michigan's Compliance With Disaster Assistance Program's Requirements	\$0	\$0	\$0
27. DD-05-04	12/03	Wyoming State Forestry Division	\$341,294	\$326,677	\$0
28. DD-06-04	12/03	Grant Management: Indiana's Compliance With Disaster Assistance Program's Requirements	\$0	\$0	\$0
29. DD-07-04	12/03	Illinois Department of Transportation	\$59,166	\$14,003	\$0
30. DD-08-04	3/04	City of Overland Park, Kansas	\$7,023	\$0	\$0
31. DS-01-04	11/03	City of San Leandro, California	\$83,056	\$2,099	\$0
32. DS-02-04	11/03	City of Palo Alto, California	\$0	\$0	\$0
33. DS-03-04	11/03	County of San Mateo, California	\$209,996	\$55,258	\$0
34. DS-04-04	12/03	City of Marysville, California	\$43,298	\$42,923	\$0
35. DS-05-04	1/04	Newhall County Water District, Santa Clara, California	\$1,741,708	\$0	\$0

Report Number	Date Issued	Auditee	Questioned Costs	Unsupported Costs	Funds Put To Better Use
36. DS-06-04	1/04	City of Oakland, California	\$104,687	\$104,687	0
37. DS-07-04	2/04	Santa Barbara County, California	\$324,977	\$113,447	\$0
38. DS-08-04	2/04	Santa Barbara County, California	\$164,136	\$94,661	\$0
39. DS-09-04	2/04	California Department of Water Resources	\$571,699	\$372,942	\$0
40. DS-10-04	12/03	California Department of Corrections	\$31,949	28,629	0
41. DS-11-04	3/04	Alameda County, California	<u>\$478,667</u>	<u>29,300</u>	<u>0</u>
<b>Total</b>			<b><u>\$9,648,189</u></b>	<b><u>\$1,852,968</u></b>	<b><u>\$0</u></b>

# Appendix 5

Schedule Of Amounts Due And Recovered					
	Report Number	Date Issued	Auditee	Amount Due	Recovered Costs
1.	A-S-02-04	10/03	State of Arkansas	\$148,436	\$0
2.	C-10-02	9/02	Claiborne Electric Cooperative, Inc., Homer, Louisiana	\$0	\$65,429
3.	C-01-03	12/02	Southwest Arkansas Electric Cooperative, Inc., Texarkana, Arkansas	\$0	\$277,235
4.	C-03-03	1/03	City of Colorado Springs, Colorado	\$0	\$67,962
5.	DA-01-03	4/03	Cobb Electric Membership Corporation, Georgia	\$0	\$174,430
6.	DA-03-03	4/03	Houston County, Georgia	\$0	\$22,574
7.	DA-04-03	1/02	North Carolina State University Raleigh	\$0	\$5,015
8.	DA-05-03	4/03	City of Durham, North Carolina	\$0	\$128,543
9.	DA-08-03	4/03	Jefferson County Department of Public Works, Kentucky	\$0	\$8,255
10.	DA-11-03	5/03	Beaufort County Board of Education, Washington, North Carolina	\$0	\$262,564
11.	DA-12-03	5/03	Manatee County, Florida	\$0	\$87,076
12.	DA-13-03	6/03	Harrison County, Mississippi	\$1,297,249	\$0
13.	DA-16-03	7/03	District of Columbia Department of Public Works	\$0	\$6,408
14.	DA-17-03	7/03	District of Columbia Department of Public Works	\$0	\$60,173
15.	DA-18-03	7/03	Hillsborough County, Florida	\$0	\$65,630
16.	DA-19-03	7/03	North Carolina Department of Environment and Natural Resources	\$0	\$2,880
17.	DA-20-03	8/03	Commonwealth of Puerto Rico, Office of Management and Budget, Administration Of FEMA's Disaster Public Assistance Program	\$371,958	\$0
18.	DA-22-03	8/03	City of Jacksonville, North Carolina	\$0	\$90,837

	<b>Report Number</b>	<b>Date Issued</b>	<b>Auditee</b>	<b>Amount Due</b>	<b>Recovered Costs</b>
19.	DA-23-03	8/03	Lamar County, Alabama	\$0	\$113,392
20.	DA-25-03	9/03	City of Key West, Florida	\$0	\$5,329,655
21.	DA-28-03	9/03	City of Gulf Shores, Alabama	\$0	\$25,868
22.	DA-01-04	10/03	Piedmont Electric membership Corporation North Carolina	\$0	\$8,385
23.	DA-05-04	11/03	West Virginia Department of Transportation	\$0	\$2,615
24.	DA-07-04	12/03	North Carolina National Guard	\$0	\$58,884
25.	DD-02-03	4/03	Grant Program Management- State of Missouri	\$0	\$31,151
26.	DD-08-03	6/03	City of Moore, Oklahoma	\$0	\$28,879
27.	DD-11-03	8/03	Memorial Hermann Hospital, Houston, Texas	\$16,507	\$0
27.	DD-12-03	12/03	State of Texas, Division of Emergency Management	\$527,126	\$0
29.	DD-13-03	9/03	Montana's Compliance with Disaster Assistance Program's Requirements	\$0	\$41,518
30.	DD-03-04	12/03	University of North Dakota	\$0	\$76,479
31.	DD-07-04	12/03	Illinois Department of Transportation	\$0	\$59,166
32.	DO-01-03	4/03	Los Angeles County Department of Public Works, Alhambra, California	\$0	\$1,548,597
33.	DO-04-03	4/03	County of Los Angeles, California	\$0	\$563,720
34.	DO-07-03	5/03	Ventura County Flood Control District, California	\$0	\$45,736
35.	DO-13-03	6/03	Los Angeles County Fire Department, California	\$0	\$578,891
36.	DO-15-03	6/03	City of Milpitas, California	\$0	\$904
37.	DO-16-03	2/04	County of San Luis Obispo, California	\$0	\$1,584
38.	DO-19-03	8/03	Los Angeles County, California	\$0	\$556,976
39.	E-02-03	10/02	Scott County, Tennessee	\$0	\$16,178
40.	E-03-03	10/02	Dougherty County School System, Georgia	\$0	\$389,480

	<b>Report Number</b>	<b>Date Issued</b>	<b>Auditee</b>	<b>Amount Due</b>	<b>Recovered Costs</b>
41.	E-08-03	11/03	Jefferson County, Alabama	\$0	\$212,235
42.	E-13-03	1/03	Tennessee Department of Transportation	\$0	\$131,037
43.	E-14-03	1/03	Seminole County, Florida	\$0	\$105,000
44.	E-17-03	2/03	South Kentucky Rural Electric Cooperative Corporation	\$0	\$14,285
45.	H-S-21-03	2/03	State of New Jersey	\$969,995	\$0
46.	W-02-03	11/02	Facey Medical Foundation, California	\$0	\$201,763
47.	W-10-03	2/03	California Department of Parks and Recreation	\$0	\$21,125
48.	W-11-03	2/03	Alameda County Flood Control and Water Control District Zone 7, California	\$0	\$314,497
			<b>Total</b>	<b><u>\$3,331,271</u></b>	<b><u>\$11,803,011</u></b>



# Appendix 6

## Acronyms

ACE	Automated Commercial Environment
AIGA	Assistant Inspector General Audit
AMOC	Air and Marine Operations Center
APHIS	Animal and Plant Health Inspection Service
ATS	Automated Targeting Systems
CBP	Customs and Border Protection
CGFAA	Cerro Grande Fire Assistance Act
CIS	Citizenship and Immigration Services
CPD	Chicago Police Department
CSB	Chemical Safety and Hazard Investigation Board
DHS	Department of Homeland Security
DOJ	Department of Justice
DPS	Department of Public Safety
EP&R	Emergency Preparedness and Response
FBI	Federal Bureau of Investigation
FEMA	Federal Emergency Management Agency
FOUO	For Official Use Only
FY	Fiscal Year
HMG	Hazardous Mitigation Grant
HUD	Housing and Urban Development
IAIP	Information Analysis and Infrastructure Protection
ICE	Immigration and Customs Enforcement
IDOT	Illinois Department of Transportation
IFG	Individual and Family Grant
IFMIS	Integrated Financial Management Information System
IG	Inspector General
INS	Immigration and Naturalization Service
IT	Information Technology
ITSD	Information Technology Service Directorate
MEMA	Massachusetts Emergency Management Agency
MPC	Minnesota Power Cooperative
MRU	Manifest Review Units
MSP-EMD	Michigan State Police - Emergency Management Division
MSPB	Merit Systems Protection Board
NACS	NEMIS Access Control System
NEMIS	National Emergency Management Information System

NSSE	National Special Security Events
ODP	Office for Domestic Preparedness
OIG	Office of Inspector General
OMB	Office of Management and Budget
OME	Office of the Medical Examiner
ONDCP	Office of National Drug Control Policy
ORR	Office of Refugee Resettlement
PA	Public Assistance
PCIE	President's Council on Integrity and Efficiency
PDD	Presidential Decision Directive
RAIC	Resident Agent in Charge
S&T	Science and Technology
SDNY	Southern District of New York
SEMA	State Emergency Management Agency
SFD	State Forestry Division
TSA	Transportation Security Administration
UND	University of North Dakota
USSS	United States Secret Service
USVI	United States Virgin Islands
US-VISIT	U.S. Visitor and Immigrant Status Indicator Technology

# Appendix 7

## OIG Headquarters and Field Office Contacts

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# Index to Reporting Requirements

The specific reporting requirements prescribed in the Inspector General Act of 1978, as amended, are listed below with a reference to the pages on which they are addressed.

Requirements		Pages
Section 4(a)(2)	Review of Legislation and Regulations	52 - 53
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	6 - 50
Section 5(a)(2)	Recommendations with Significant Problems	6 - 50
Section 5(a)(3)	Prior Recommendations Not Yet Implemented	50 - 51
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Section 5(a)(12)	Management Decision Disagreements	N/A



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