

DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General



SEMIANNUAL REPORT TO THE CONGRESS

April 1, 2003 - September 30, 2003

Statistical Highlights of OIG Activities

April 1, 2003 – September 30, 2003

DOLLAR IMPACT (in thousands)

| | |
|--|----------|
| Questioned Costs | \$46,230 |
| Funds Put to Better Use | \$4,124 |
| Management Agreement That Funds Be: | |
| Recovered | \$504 |
| De-obligated | \$4,124 |
| Funds Recovered (Investigative Recoveries)..... | \$213 |
| Funds Recovered (Audit Recoveries)..... | \$12,079 |
| Fines and Restitutions | \$1,422 |
| Administrative Cost Savings and Recoveries | \$791 |

ACTIVITIES

| | |
|--|-------|
| OIG Reports Issued..... | 67 |
| Contract Reports Processed | 0 |
| Single Audit Reports Processed | 25 |
| Investigations Initiated..... | 423 |
| Investigations Closed..... | 561 |
| Open Investigations | 480 |
| Investigations Referred for Administrative Action | 173 |
| Investigations Accepted for Prosecution..... | 36 |
| Investigations Declined for Prosecution | 7 |
| Arrests | 54 |
| Indictments..... | 57 |
| Convictions | 50 |
| Personnel Actions..... | 4 |
| Total Complaints Received | 4,226 |
| Total Hotlines Received | 1,086 |
| Complaints Referred (to programs or other agencies)..... | 2,540 |
| Complaints Closed..... | 3,435 |

Office of Inspections

During this six-month reporting period, the Office of Inspections, Evaluations, and Special Reviews initiated 11 reviews and completed 2 reviews. The Office issued 2 public reports, one of which contained 9 recommendations for program improvements and corrective actions.



DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General
Washington, DC 20528

October 31, 2003

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

Dear Mr. Secretary:

Section 5(b) of the Inspector General Act of 1978, as amended, requires me to submit to you by today our semiannual report to the Congress for the period ended September 30, 2003, and it requires you to transmit this report to the appropriate congressional committees and subcommittees no later than thirty days hence, along with any report of your own related thereto that you may wish to draft and append. Enclosed herewith please find our report, the second completed since our establishment and the first covering a full six month operating period.

On an admittedly smaller scale, the Office of Inspector General (OIG), like the Department of Homeland Security (DHS) itself, is an amalgam of different offices with different missions, traditions, cultures, areas of expertise, and skill sets, with a base of operations in Washington, D.C. and field offices throughout the country. Over the last six months, we have met the challenge of creating a cohesive, integrated, and fully functional organization to oversee the programs and activities of arguably the most important department in the federal government. Our inspectors, auditors, and investigators have begun to examine each of DHS' five directorates, as well as its two freestanding components, in detail. To highlight one project of particular importance, we are conducting an audit of the department's first financial statements. With regard to financial management issues, it is imperative that sound financial practices and strong controls be instituted at the start of the department's operations, and that progress going forward is tracked and measured.

Recognizing the daunting nature of DHS' mission and the various constraints under which it labors, we have endeavored in each of the reports referenced in the pages that follow to give the department due credit for what we believe to be its successes to date. In those instances where we believe there is room for improvement, we have made recommendations to that effect. We are hopeful that, at least as a general rule, DHS and OIG will agree on our recommendations' merit and that, accordingly, our recommendations will be promptly implemented.

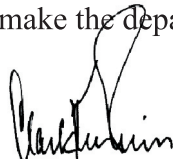
As you know and as this report signifies, the Inspector General has a dual reporting responsibility, to the Congress as well as to you. During this reporting period, OIG has provided numerous briefings to congressional members and their staffs on completed and ongoing work, and members of my senior staff have testified at hearings. We have received numerous requests from members to examine various aspects of DHS operations, and we anticipate that such requests will increase exponentially as time goes by.

While our workload has steadily increased during this period, we have not been given additional resources. Given the complexity of the department's mission and the fact that it is a major contractor and grant dispenser, it is critical that OIG cover the full gamut of DHS programs and operations. The fewer resources OIG has to root out waste, fraud, abuse, and mismanagement in the department, the greater the potential for such pitfalls.

Another area of concern is that we are encountering some resistance to our efforts to discharge our statutory responsibility to be the primary law enforcement entity for investigating criminal and non-criminal misconduct on the part of employees, contractors, and grantees. Allegations of criminal and serious non-criminal wrongdoing on the part of department employees, contractors, and grantees should be promptly reported to OIG so that we can determine for ourselves whether the matter is serious enough to warrant our own investigation. And, each employee must be free to report such allegations directly to the OIG without being obliged first to report such allegations to department managers. Otherwise, the law's provisions will not be fully enforced, and you, the Congress, and the American people will lack the assurance of an independent entity outside the management chain that internal wrongdoing is being thoroughly and aggressively investigated.

On a positive note, at least one department component has reached out to OIG to request our advice on an important matter. We welcome such requests to provide consultative services, and we are hopeful that more department managers will make such requests of us. Though our resources are limited, responding to department and congressional requests will always be a priority. We would especially welcome any request that you might make of us.

In this the 25th anniversary year of the creation of statutory OIGs, we are pleased to present you with this report. We look forward to continuing to work with you and your leadership team to make the department as effective, efficient, and economical as it can be.



Clark Kent Ervin
Acting Inspector General

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Executive Summary

This is the second 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 April 1, 2003, to September 30, 2003. 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.

The OIG has a number of significant accomplishments to report for the last six months of Fiscal Year 2003. Of our initial accomplishments, the consolidation of the respective operations of and the 456 employee slots from various OIGs that had previously overseen the work of whole or partial departments and agencies that are now part of DHS into one functioning, cohesive, and DHS focused organization was the most challenging. Specifically, we: (1) maximized our intellectual capital by staffing projects, where possible, with not only employees with pre-existing expertise in a given issue area, but also with employees new to the subject matter; (2) co-located the approximately 170 Washington-based OIG employees by consolidating our five office locations into one, resulting in an estimated savings of more than \$300,000 and the creation of an esprit de corps; (3) effected a dynamic, interactive relationship with the 19¹ OIG field offices around the country, by means of periodic visits to the field by the Acting Inspector General and other senior headquarters managers and from field managers to headquarters, as well as by staffing projects, where feasible, with personnel from different office locations; and (4) provided such administrative services (i.e., a common payroll system, a common electronic mail communication system, and personnel, budgeting, procurement, training, and travel related support through a contract with an independent service provider) as were needed to effect a seamless transition from legacy OIGs to DHS OIG and to facilitate ongoing operations.

In addition, during this reporting period, we concluded inspections, audits, and investigations of our own, as opposed to the first reporting period, when we essentially summarized the homeland security related work of the legacy OIGs and began to lay out our projected inspection, audit, and investigative program for the rest of the fiscal year. Using the compilation of legacy Inspector General

¹ DHS OIG acquired 21 field offices throughout the country from legacy OIGs. During the reporting period, we closed two of those offices and combined their operations with those of a nearby office.

concerns titled “Significant Management Challenges Facing DHS” as a guidepost, we initiated inspections, evaluations, reviews, and/or audits relative to all five of DHS’ directorates, as well as the two “stand alones,” the U.S. Coast Guard and the U.S. Secret Service.

To be specific, we completed four “management reviews” related to: (1) the Transportation Security Administration’s (TSA) baggage screener training program; (2) the department’s information technology security program; (3) the firefighters assistance program; and (4) the national flood insurance program. We issued 72 inspection and audit reports, initiated follow-up action on 233 reports issued by other OIGs relating to DHS programs, and processed an additional 25 reports on DHS programs that were issued by non-DHS OIG auditors.

Our audits, inspections, and investigations resulted in questioned costs of \$46,230,246; recoveries, restitutions, fines, funds put to better use, and costs savings totaling \$18,416,243; and commitments from DHS management to recover and de-obligate an additional \$4,672,836. Our investigators closed 561 investigations, indicted and/or arrested 111 people, convicted 50 people, and closed 3,435 complaints received through the newly established hotline. To further our investigative program, we signed memoranda of understanding with the United States Coast Guard, the department’s Office of Civil Rights and Civil Liberties, the Bureau of Citizenship and Immigration Services; and the Criminal Section of the Department of Justice’s Civil Rights Division. We also devoted significant resources to reviewing disaster costs and grant recipients’ compliance with applicable laws and regulations. We visited several disaster field offices immediately after disasters occurred, and assisted federal managers with disaster response operations. We conducted audits of 60 sub-grantees. Finally, we continued to support DHS management by serving in an advisory or consultative capacity on various task forces, working groups, and councils.

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

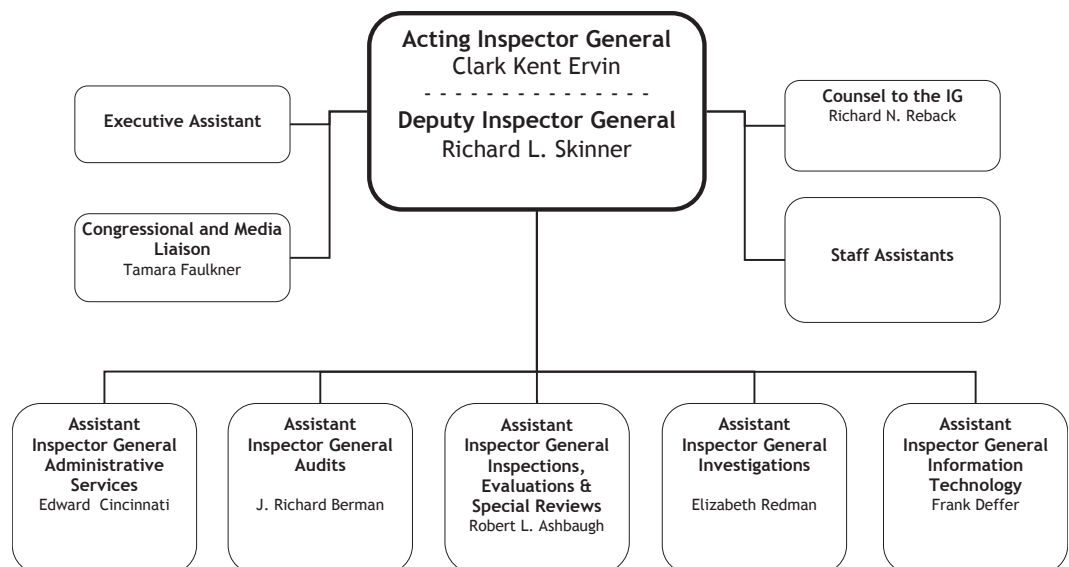
Office of Inspector General Profile

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, confirmed 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 unique feature 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 456 full-time employees. The OIG is comprised of five functional components, and is based in Washington, D.C. and 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

TSA Checked Baggage Screener Training and Certification

Newspaper articles reported that Transportation Security Administration (TSA) airport baggage screeners were given the answers to the questions prior to taking the final examination for certification. Senator Chuck Schumer requested an investigation into the allegations. TSA agreed to do so, confirmed that 22 of the 25 questions on the final examination were the same as those used for daily lesson quizzes, concluded that the testing was conducted as prescribed by TSA, and found no misconduct on the part of the instructors.

When the OIG learned of TSA's conclusions, we initiated our own review. We were disturbed to learn that the screeners had, in fact, been given the answers to the final examination beforehand and to learn that TSA saw nothing wrong with this. Our review confirmed that many of the final examination questions were identical or similar to questions that were given to the examinees in practice examinations. Furthermore, we found that many of the answers to the questions were obvious. Accordingly, there could be no assurance from the testing program that the examinees had been trained to identify explosive devices in checked baggage. In response to the OIG report, TSA promises to revise its testing program. The OIG will monitor this and undertake a complete review of TSA's testing and training programs.

Office of Investigations

Immigration And Customs Enforcement (ICE)

April Fool's Prank Reveals Flaws in Alien Detention System

The DHS OIG recently concluded an investigation that found that an employee whose official duties involved both Citizenship and Immigration Services (CIS) and Immigration and Customs Enforcement (ICE) sent an "April Fool's" e-mail

message to 16 deportation officers (DOs) and supervisors that resulted in the unauthorized release of a detainee. Fortunately, the detainee, who had a prior conviction for kidnapping, surrendered himself to ICE DOs two days later without incident. This incident was referred to the local United States Attorney's Office for prosecution of the employee who sent the e-mail, but the matter was declined.

In this case, on April 1, 2003, the employee's government computer was used to send the "April Fool's" e-mail to 16 ICE DOs and supervisors, advising them that a detainee's U.S. citizenship had been established with a Puerto Rican birth certificate, thereby permitting the detainee's release. At the end of the e-mail, the employee wrote, "Now about that bridge I'm selling. April Fools!" Nine minutes later, the employee sent a second e-mail that began by saying, "In case you didn't get to the end of my previous message, here's what really happened today." In that message, the employee reported that the detainee had been ordered deported to the Dominican Republic and not released, as the employee had previously reported.

On April 2, 2003, one of the DOs who received the e-mails failed to see the "April Fool's" reference in the first e-mail and also failed to read the second e-mail advising that the first e-mail was intended to be a joke. Consequently, the DO signed the internal paperwork that resulted in the detainee's unauthorized release from a local county jail. The DO realized the error on the evening of April 3, 2003, but did not notify a supervisor until the morning of April 4, 2003.

Our investigation further revealed that there is no written authority, policy and/or procedure for the approval of detainee release documents. Practices were found to vary between groups in the same office.

The OIG recommended that written procedures be created and implemented to prevent a recurrence. Specifically, the OIG recommended that ICE DOs obtain a copy of the release order before releasing detainees. The OIG further recommended that a supervisor's signature be required on the documentation effecting release of detained aliens. On October 27, 2003, Border and Transportation Security advised OIG that the employee was placed on paid administrative leave April 4 through October 20, 2003, and was subsequently suspended without pay from October 20, 2003, through November 19, 2003.

Deportation Officers Found Guilty of Civil Rights Violations

As the result of a joint DHS OIG and Department of Justice (DOJ) OIG investigation, three Immigration and Naturalization Service (INS) deportation officers were found guilty of violating the civil rights of a Mexican national resident alien in March 2001 when the INS arrested a group of undocumented aliens in Bryan, Texas. During the arrest, an alien suffered a broken neck and a severed spinal cord due to mistreatment by the arresting officers. The alien was hospitalized and remained hospitalized until he died one year later as a result of his injuries. Sentencing for all three officers is scheduled for November 2003.

OIG Investigates the Use of the Air and Marine Interdiction Coordination Center (AMICC) in the Search for Texas State Legislators

The OIG investigated allegations that DHS resources were misused in a search for reportedly missing Texas state lawmakers. The scope of the OIG investigation was limited to the specific issue involving alleged misuse of DHS assets in assisting state law enforcement in locating a reported “missing aircraft.” The OIG investigation did not address the actions of the Texas Department of Public Safety (DPS) following their request for assistance from AMICC, nor did the OIG assess the propriety of AMICC’s existing guidelines relating to the rendering of assistance to other law enforcement agencies. DPS officials interviewed by the OIG declined to provide any information identifying the person or persons who requested that DPS contact AMICC for assistance. DPS officials claimed they destroyed all notes, memoranda, or other correspondence related to this incident. The alleged destruction of notes by the DPS was referred to the Federal Bureau of Investigation (FBI), San Antonio, Texas, for its consideration.

The OIG investigation found that DPS did contact the AMICC and reported that they “had a problem,” and “could not find this plane” which contained Texas state representatives. The DPS requested DHS assistance in locating the aircraft. The OIG investigation concluded the assistance rendered by AMICC was limited to about forty minutes of telephone calls made by an AMICC employee to various Federal Aviation Administration (FAA) and airport representatives in Texas, and a series of conversations with his supervisors. The AMICC personnel involved in

this incident described this assistance as a typical request from a law enforcement agency, which reportedly occurs at least thirty times a day and is in compliance with AMICC standard operating procedures. At no time did AMICC launch any aircraft or otherwise deploy DHS resources to assist the DPS.

AMICC's account of these events was documented on audiotape (and transcript), which was reviewed by OIG investigators and found to be consistent with the statements of AMICC employees involved in the incident. OIG closed its investigation with no finding of criminal wrongdoing by any DHS employee. OIG's Office of Audits has initiated a review of AMICC procedures and authority, which is ongoing as of the close of this semi-annual reporting period.

Immigration Inspector Accepts Bribes

On July 9, 2003, the United States Attorney's Office in the Southern District of Texas announced that a former immigration inspector was sentenced to ten months imprisonment for bribery, to be followed by two years of supervised release. In his plea, the former inspector admitted that while employed by INS he accepted \$600 in bribes to influence the performance of his official duties. This case was investigated jointly by the DHS OIG and the DOJ OIG.

Bribery of Public Official (Update)

The OIG initiated an investigation upon the receipt of information that a person offered to bribe an immigration inspector to smuggle illegal aliens into the United States. The inspector reported the solicitation and cooperated in an undercover operation. The subject paid \$500 as partial payment for the inspector to allow him to smuggle aliens into the United States, and on June 12, 2002, the subject arranged for another driver to smuggle aliens into the United States through the inspector's primary inspection lane at the San Ysidro, California port of entry. The driver of the vehicle was subsequently arrested in Mexico before arriving at the border.

On July 30, 2002, the subject attempted to smuggle four undocumented immigrants into the United States through the inspector's primary inspection lane.

The subject and aliens were arrested. The subject, who subsequently admitted to working with an alien smuggling ring based in Santa Ana, California, was charged with bribery of a public official. On March 24, 2003, he pleaded guilty. On June 18, 2003, the subject was sentenced to two years probation, 150 hours of community service, and ordered to pay a special assessment of \$100.

Supervisory Immigration Inspector Indicted For Selling Documents

On September 16, 2003, a supervisory immigration inspector was indicted by a federal grand jury in Tampa, Florida and charged with selling immigration documents to illegal aliens. On September 17, 2003, the inspector was arrested and OIG agents executed a search warrant on his residence. The inspector was denied bond and remains in custody pending judicial action.

ICE Agent's Alleged Misuse of Treasury Enforcement Communications System

The OIG investigated allegations that an ICE senior special agent misused the Treasury Enforcement Communications System (TECS) for personal business. Additionally, the agent's unofficial use of his government-issued travel card was investigated.

Former Agent Pleaded to Lewd Acts Upon a Minor (Update)

As reported in our last report, the El Centro, California Police Department arrested a Border Patrol agent for lewd and lascivious acts upon a minor. The Border Patrol agent resigned subsequent to his arrest. In April 2003, the former agent pleaded guilty to the charge and was sentenced on August 7, 2003, to an eight-year suspended sentence and four years supervised probation.

Alien Smuggling (Update)

On May 12, 2003, a former senior Border Patrol agent was sentenced to 36 months incarceration, 36 months supervised probation, and fined \$300. The OIG determined that the agent and his wife attempted to drive two undocumented immigrants across the border at the San Ysidro, California port of entry. The

agent showed his badge and credentials to the inspecting officer and claimed that his passengers were “OK.”

During his trial, the agent testified that his wife asked him to drive some friends into the U.S., and that he did not know the immigrants were illegal aliens. He also testified that he did not question the immigrants because his command of Spanish was limited. Witnesses testified that the agent was a former Spanish instructor for the Border Patrol, and that he had met one of the immigrants in Tijuana, Mexico a few days prior to the attempted crossing. He was convicted on November 18, 2002. His spouse previously pleaded guilty to alien smuggling and was sentenced to 36 months supervised probation.

Theft of Funds by an Enforcement Officer

An OIG investigation disclosed that \$1,400 was stolen from an undocumented immigrant during her processing by a supervisory detention enforcement officer. The officer resigned on August 18, 2002, and was charged with theft by a government employee. The former employee subsequently pleaded guilty and on April 3, 2003, was sentenced to two years probation, and ordered to pay restitution of \$1,400 and a \$25 special assessment.

Theft of Property By Border Patrol Agent

On June 12, 2003, two Border Patrol agents seized the vehicle of an attempted alien smuggler, who eluded capture and fled into Mexico. The OIG investigated the subsequent theft of the vehicle. On July 29, 2003, one of the agents was indicted, arrested and charged with one count of theft of means of transportation by conversion and/or misrepresentation. Judicial action is pending.

Border Patrol Agent Fails to Declare Prescription Drugs

On August 5, 2003, an off-duty Border Patrol agent came into the United States through an Arizona port of entry. A search of the vehicle resulted in the off-duty agent’s arrest and a charge for failure to declare. The investigation is ongoing.

Conviction for Immigration Document Vending and Money Laundering

In an investigation transferred from DOJ OIG, a foreign national pleaded guilty in the Eastern District of New York to document fraud and money laundering. A cooperating defendant from another agency identified the defendant as a major trafficker in illegal immigration documents. The foreign national made claims to prospective buyers that he had a source inside INS assisting in his activity. Investigators found bank accounts for the defendant in multiple states with historical account activity recording the past transfer of funds in excess of \$1,000,000. The defendant pleaded guilty to all counts.

On September 17, 2003, the subject was sentenced to 46 months confinement and fined \$25,000. The investigation found no evidence to suggest that any DHS employees were involved in the scheme.

Auditor Inspector Defrauds Federal Worker's Compensation Benefits Program

An OIG investigation disclosed that a former Customs and Border Patrol (CBP) inspector, while receiving federal employee disability benefits, falsely reported his personal income to the U.S. Department of Labor in order to qualify for the benefits. The subject pleaded guilty on May 12, 2003, to two misdemeanor counts of making false statements to receive federal disability benefits and was sentenced to three years probation, a \$10,000 fine, \$27,000 in restitution, a \$50 special assessment, and termination of his disability benefits.

Impersonation of a Federal Officer (Update)

An OIG covert investigation began after receipt of information that a person was impersonating an INS employee. The subject was allegedly offering to expedite immigration applications for a fee. Victims paid over \$25,000, but never received any services. Our investigation determined that the subject was never employed by INS. The subject had an extensive criminal history, as well as an outstanding arrest warrant for a probation violation. The subject was arrested and indicted and charged with impersonation of a federal officer. In a plea agreement, the subject

was sentenced to 37 months incarceration, one-year supervised probation, and ordered to pay \$39,110 in restitution and a special assessment fee of \$100.

Former Border Patrol Agent Arrested for Grand Theft

On September 12, 2002, a former Border Patrol agent was arrested by the California Highway Patrol on multiple counts of grand theft of construction equipment. The Highway Patrol requested the OIG's assistance in obtaining background information on the former agent. The investigation determined that, during the summer of 2002, the former agent stole numerous construction vehicles from a construction site. On March 3, 2003, he pleaded guilty to 19 counts of grand theft of construction equipment. On July 29, 2003, the former agent was sentenced to two years incarceration, assessed \$400, and ordered to pay \$25,981 restitution to the construction company.

Theft of Government Property by Border Patrol Aircraft Mechanic

On July 18, 2003, the United States Attorney's Office in the Western District of Texas, entered into a pretrial diversion agreement with an aircraft mechanic employed by the United States Border Patrol. After a joint investigation by the OIG and the FBI, the employee admitted to stealing agency aircraft fuel and diverting it to his personal use. Also, the employee admitted using a United States government gas card to purchase fuel for his personal vehicle. On July 8, 2003, the employee submitted a letter of resignation. Based on the pretrial diversion agreement, the former employee agreed to perform community service and to make restitution.

Immigration and Customs Enforcement Special Agent Exonerated of Wrongdoing

The OIG determined that an allegation that an ICE special agent accepted bribes was unfounded. However, the investigation did determine that an ICE confidential informant was involved in soliciting payments from illegal aliens, promising them that an ICE employee who was accepting bribes would stop their deportations. When the ICE informant was arrested, he admitted to his part in

the scheme and admitted that the ICE agent was not involved. The informant was subsequently deported for his actions.

Transportation Security Administration

Two TSA Screeners Indicted for Theft

As the result of a joint investigation with TSA, Miami-Dade, Florida police and the OIG, two TSA screeners were indicted by a federal grand jury and charged with conspiracy and theft from a CBP secured area. The indictments were the result of allegations brought by TSA screeners at the Miami International Airport that several TSA screeners were stealing from passenger baggage. The U.S. Attorney's Office agreed to prosecute after an extensive presentation of the case by an OIG special agent, despite the low dollar value of the stolen items. Judicial action on this case is pending.

TSA Supervisors Fired For Stealing Confiscated Items

TSA officials contacted the OIG regarding allegations that TSA employees were stealing items that had been confiscated from passengers. The allegations were substantiated by the use of video surveillance and numerous interviews of TSA personnel. As a result of the investigation, an airport screening supervisor and a lead security screener were terminated.

TSA Screener Arrested for Theft in Houston

The OIG and the Houston, Texas Police Department Airport Division arrested a screener at George Bush Intercontinental Airport, on August 6, 2003. The employee was under investigation by the OIG for two different incidents of alleged theft from passenger baggage. The screener has been charged with theft by a public servant.

Use of Illegal Drugs by TSA Employee

The OIG initiated an investigation based on an allegation received from the Yuma, Arizona Police Department of misconduct by a TSA federal security screener assigned to the airport. On May 8, 2003, the police conducted a consensual search at the screener's residence, based on the alleged illegal activities committed by her boyfriend and by her roommate. During the search, numerous drug paraphernalia and illegal narcotics were discovered. The employee reported that the items discovered during the search belonged to her boyfriend and her roommate, but she admitted that, prior to her employment with TSA, she used crack cocaine herself. The boyfriend and the roommate were charged with possession of narcotics and paraphernalia. A review of the screener's employment application disclosed that she denied any use of narcotics in the past seven years. Additionally, she admitted that she provided false information on her TSA employment application to hide her narcotics use. The screener voluntarily resigned from her position with TSA.

TSA Employee Cleared of Theft Charges

The OIG received an allegation that a federal security director did not discipline a TSA employee for stealing because the director also admitted to stealing in the past. The director also allegedly showed favoritism to employees who had previously worked with a particular company and was disparate in meting out disciplinary action to two supervisors involved in an altercation. The director was also accused of covering up drug use by a supervisor. The OIG found no evidence to substantiate these allegations and no further action was warranted.

TSA Screener Cleared of Theft

In March 2003, the OIG received an allegation that a TSA screener stole money from a passenger departing from the airport in St. Thomas, U.S. Virgin Islands. A consensual search revealed that the subject had in his possession an amount of money in virtually the same denominations as alleged to have been stolen from the passenger. Additional investigative effort by OIG led to the location of

the passenger in the U.S. mainland, who admitted that she had later located the allegedly stolen money in her luggage, thereby clearing the screener.

TSA Employee Cleared of Wrongdoing

The OIG received an allegation that a federal security director engaged in nepotism and violated personnel policy by hiring his former supervisor and his former supervisor's son. The OIG investigation determined that the nepotism allegation was unfounded. No evidence was found to indicate that the director violated any laws by hiring the former supervisor or his son. It was determined that the former supervisor was hired as an administrative officer at one airport and his son was hired as a screening manager at another airport. The airports are more than 100 miles apart, and the former supervisor has no direct supervisory authority over his son.

The investigation disclosed that the complainant likely filed the complaint in retaliation for his own pending disciplinary action. On April 18, 2003, TSA accepted the complainant's voluntary resignation in lieu of termination.

Animal And Plant Health Inspection Service (APHIS)

Veteran APHIS Inspector Charged with Theft

In April 2003, the OIG received allegations that a veteran APHIS Inspection Service inspector at the San Juan, Puerto Rico Airport was stealing from packages that he was inspecting. OIG, with the assistance of the U.S. Postal Inspection Service, used surveillance cameras to observe the inspector removing cash and jewelry from a "prepared" package (created by the investigators) and secreting these items in a paper bag. The inspector, who was arrested by local authorities and charged with theft, resigned his federal employment and pleaded guilty to theft.

Office of Information Technology

Final Obstacles Removed To Eliminate Customs Disaster Recovery Material Weakness

Customs and Border Protection, formally known as “U.S. Customs,” has made significant progress in resolving the longstanding material weakness regarding disaster recovery capability. Specifically, CBP contracted with a vendor to provide a facility and support services for restoring its computer operations in the event of a disaster. Also, CBP established a detailed process to help ensure the recovery of its computer operations. During its first comprehensive disaster recovery exercise at the Customs Recovery Facility, CBP successfully restored the majority of its major data center computer operations (i.e., mainframe, local area network, and UNIX platforms) and established connectivity to selected field offices and trade partners.

However, we identified areas where CBP could better ensure the successful restoration of its computer operations in the event of a disaster. Specifically, we found that the UNIX Recovery Team was not able to initialize the Sol and Hercules Oracle databases that reside on UNIX servers. As a result, one mission-critical application did not become operational during the recovery test. Also, we found that the incorrect configuration of the firewall denied a trade partner access during one of the mainframe connectivity tests. During the disaster recovery exercise, CBP used situation reports to track potential problems, issues, or concerns. We found that some of the information recorded in the situation reports was inconsistently documented or incomplete. In addition, documentation and back-up tapes were transported and stored in containers that were not fire-resistant. In response to our draft report, customs management concurred with our findings and recommendations concerning the November 2002 test. These issues were resolved in a subsequent disaster recovery exercise conducted in June 2003. (*OIG-IT-03-01, September 2003*)

Bureau of Citizenship and Immigration Services (CIS)

Office of Investigations

Undercover Operation Nets Immigration Document Vendor

A joint investigation by the OIG and the ICE, Office of Internal Affairs, identified a person selling immigration documents whose alleged source was an employee of CIS. Negotiations and transactions with the person through a confidential informant resulted in the undercover purchase of fraudulent immigration documents and arrest of the person. Post-arrest examination of the documents determined them to be counterfeit and further investigation determined there was no CIS employee involved in this case. The defendant entered a guilty plea on one count of fraudulent use of visa documents and is awaiting sentencing.

Emergency Preparedness and Response

Office of Inspections, Evaluations and Special Reviews

Assistance to Firefighters Grant Program

The Assistance to Firefighters Grant (AFG) program is administered by the United States Fire Administration (USFA), a component of the Federal Emergency Management Agency (FEMA). AFG seeks to identify fire departments that lack the basic tools and resources necessary to protect the health and safety of firefighting personnel and the public by providing direct financial assistance to meet those needs. Although the AFG program is in only its third year, USFA has made prudent efforts to determine basic needs to enhance fire service capabilities, establish program priorities, and develop specific eligibility and rating criteria. Additionally, USFA has informed, solicited, and educated eligible applicants of the AFG program, succeeded in achieving a balanced distribution of funding through a competitive grant process, and established an application review process that is equitable and dynamic.

However, USFA can enhance the AFG program's overall effectiveness by: (1) requiring greater detail to determine a fire department's financial need; (2) requiring applicants to declare other federal funding sources to avoid potential duplication of assistance; (3) promoting mutual aid and regional approaches to enhance interoperability; (4) better monitoring grant recipients to ensure expectations and responsibilities are met; (5) developing performance measures to assess the program's long-term impact; (6) using needs assessment findings as an additional tool to define program priorities and eligibility criteria; (7) clarifying the distinction between the Special Fire Prevention and Safety program and the Fire Prevention program category of the AFG program; and 8) coordinating other first responder grant programs with the AFG program to maximize effectiveness of available funding. (*ISP-01-03, September 30, 2003*).

Office of Audits

Sub-grantees

City of Key West, Florida

The city received an award of \$9.1 million from the Florida Department of Community Affairs for damages caused by Hurricane Irene. The city claim included questioned costs of \$7.1 million, resulting mainly from charges for pre-existing damages. The OIG recommended that the FEMA regional director disallow the questioned costs. *(DA-25-03, September 5, 2003)*

Simi Valley Unified School District, California

The district received an award of \$11.4 million from the California Office of Emergency Services for debris removal, emergency protective measures, and permanent repairs to district facilities as a result of the Northridge earthquake. The district's claim included questioned costs of \$2,404,776, consisting of ineligible improvement and upgrades, ineligible project costs, unsupported costs, and duplicate costs claimed. *(DO-18-03, August 15, 2003)*

Los Angeles County, California Department of Public Works

The department received an award of \$22.7 million from the California Office of Emergency Services for damages caused by severe winter storms, mud and rock slides and flooding. The department's claim included questioned costs of \$2,064,796, consisting of costs outside the scope of approved projects, unsupported fringe benefit costs on overtime labor, ineligible force account labor and unsupported project costs. *(DO-01-03, April 1, 2003)*

Harrison County, Mississippi

The county received an award of \$5.7 million from the Mississippi Emergency Management Agency for damages caused by Hurricane Georges. The county's claim included questioned costs of \$1,723,666, consisting of excessive charges

for tree stumps. Also, \$6,000 was mistakenly awarded under a project. The OIG recommended that the FEMA regional director disallow the questioned costs and recoup the excessive award. (*DA-13-03, June 9, 2003*).

City of Valley City, North Dakota

The OIG audited the eligibility of public assistance funds awarded to Valley City, North Dakota. The city received an award of \$1.51 million from the North Dakota Division of Emergency Management, a FEMA grantee, for damages caused by heavy rain and snow during the disaster period. The audit disclosed that two large projects were not eligible for funding under FEMA's Public Assistance program because the work was not required as a result of the major disaster. Specifically, the disaster did not cause the damages to the city's sanitary sewer collection lines and the relocation and capacity increase of the city's sanitary sewer force main exceeded pre-disaster design and capacity. The OIG, therefore, questioned \$1,357,801 in funding that FEMA approved. (*DD-05-03, April 29, 2003*)

Municipality of Utuado, Puerto Rico

The municipality received an award of \$28 million from the Puerto Rico Office of Management and Budget for damages caused by Hurricane Georges. The municipality's claim included questioned costs of \$862,627, resulting from inappropriate contracting practices, incomplete implementation of large and small projects, excessive contract charges, and duplicate funding. The OIG recommended that the FEMA regional director disallow the questioned costs. (*DA-15-03, June 30, 2003*)

California Department of Forestry and Fire Protection

The department received an award of \$65.1 million from the California Office of Emergency Services for emergency protective measures performed to save lives and protect public health and safety as a result of wild fires. The department's claim included questioned costs of \$862,470, consisting of accounting errors, excessive force account equipment charges, unsupported costs, and unallowable vehicle maintenance costs. (*DO-14-03, June 20, 2003*)

Virgin Islands (V.I.) Government, Department of Public Works

The Department of Public Works (DPW) received an award of \$11.4 million for the V.I. Office of Management and Budget for damages caused by Hurricane Marilyn. The V.I. government did not maintain accurate records on the receipt of program funds and did not consistently follow sound contracting procedures. Also, the DPW claimed questioned costs of \$772,881 resulting from charges that were unsupported, unrelated to FEMA projects, or duplicative in nature. The OIG recommended that FEMA regional directors instruct the V.I. government to comply with financial and contracting requirements and disallow the questioned costs. *(DA-24-03, August 27, 2003)*

Los Angeles County, California Fire Department

The department received an award of \$4.2 million from the California Office of Emergency Services for damages resulting from wild fires and subsequent damage from soil erosion, landslides, flooding, and mudslides. The department's claim included questioned costs of \$771,853, consisting of unsupported labor costs, ineligible project costs, unsupported equipment costs, duplicate equipment costs, and costs covered by another federal agency. *(DO-13-03, June 20, 2003)*

Los Angeles County, California

The county received an award of \$5.1 million from the California Office of Emergency Services for damages caused by wild fires and subsequent damages from soil erosion, landslides, flooding, and mudslides. The county's claim included questioned costs of \$751,627, consisting of overstated fringe benefits, excessive labor costs, duplicate labor costs, and overstated equipment costs. *(DO-04-03, April 16, 2003)*

Texas, Division of Emergency Management

The OIG audited \$45.03 million in FEMA public assistance funds awarded to Texas, Division of Emergency Management. The state received the award for pre-staging federal and state fire suppression assets from June 4, 1998, through

November 3, 1998, in anticipation of extreme fire hazards. The state was able to provide only summary documentation to support \$40.39 million paid to the United States Department of Agriculture Forest Service, which comprised 89.71 percent of the state's total claim. Further, the Forest Service was unable to provide source documentation to support 76.88 percent of the costs judgmentally selected for review. The state's and Forest Service's inability to provide source documentation severely limited the scope of audit work. Consequently, the OIG was unable to achieve its audit objective of determining whether the state expended and accounted for FEMA funds according to federal regulations and FEMA guidelines.

The state's claim included questioned costs of \$702,834, consisting of duplicate costs (\$295,372), excessive administrative fees to the Forest Service (\$160,905); costs incurred outside the eligible time period (\$159,493); and, out of scope costs billed by the Forest Service (\$87,064). Further, the OIG concluded that the state's claim likely included additional ineligible costs that could not be identified. The OIG based this conclusion on the results of its limited review of Forest Service documentation; the General Accounting Office's placement of the Forest Service on its "high risk" list because of severe weaknesses in accounting and financial reporting; and the U.S. Department of Agriculture OIG's adverse, qualified, or disclaimers of opinion on Forest Service financial statements for the years 1991 through 2001. (*DD-12-03, September 5, 2003*)

Lake Country Electric Cooperative, Grand Rapids, Minnesota

The OIG audited public assistance funds awarded to Lake Country Electric Cooperative (Lake Country) in Grand Rapids, Minnesota. Lake Country received an award of \$2.10 million from the Minnesota Division of Emergency Management (MDEM), a FEMA grantee, for damages caused by severe thunderstorms that occurred in July 1999. The audit disclosed that Lake Country did not account for and expend FEMA funds according to federal regulations and FEMA guidelines. The OIG questioned \$269,660 in funding (\$202,245 FEMA share), consisting of costs not consistent with established policies (\$250,344), labor costs not related to the disaster (\$8,585), duplicate costs (\$6,568), and an unapplied credit (\$4,163). Further, Lake Country did not follow federal

procurement regulations and FEMA guidelines in contracting for \$1,593,498 in debris removal and repair work. As a result, fair and open competition did not occur, and FEMA had no assurance that contract costs were reasonable. The OIG recommended that FEMA disallow \$269,660 of questionable costs, and that MDEM develop and implement procedures for future disasters to ensure that sub-grantees are knowledgeable of and follow federal regulations and FEMA guidelines related to contracting. *(DD-04-03, April 28, 2003)*

Memorial Hermann Hospital, Houston, Texas

The OIG audited FEMA public assistance funds awarded to Memorial Hermann Hospital, Houston, Texas. At the time of the audit, the hospital had received an award of \$137.9 million for 99 projects from the Texas Division of Emergency Management, a FEMA grantee. The OIG audited three projects totaling \$910,544 for emergency work to repair facilities damaged by Tropical Storm Allison that occurred in June 2001. The audit disclosed that the hospital did not follow federal procurement regulations to contract for \$910,544 in disaster work, and that its claim included questioned costs of \$22,500 (\$16,875 was the FEMA share). The OIG performed this audit at the request of the hospital to determine the adequacy of its record keeping early in the restoration process. During the audit, the OIG counseled hospital personnel at length on the provisions of the Code of Federal Regulations, Office of Management and Budget Circular A-122, and FEMA guidelines regarding federal procurement procedures, record keeping requirements, and allowable costs. *(DD-11-03, August 6, 2003)*

State Grantee

Puerto Rico's Compliance with Disaster Assistance Program Requirements

The OIG performed an audit to determine whether Puerto Rico's Office of Management and Budget (OMB) accounted for, used, and managed public assistance program funds in accordance with federal regulations and FEMA guidelines. The OIG concluded that the OMB had not developed a staffing and budgetary plan for management of FEMA's public assistance program; needs to improve in the financial management areas of grant accounting,

financial reporting, cash management, and documenting and claiming general administrative costs; and, needs to improve in the program management areas of processing requests for project changes from sub-grantees, monitoring and auditing sub-grantee operations, and reporting on the status of project activities.

The OIG made a number of recommendations for FEMA and OMB to improve the administrative, financial, and program management of FEMA public assistance projects, including a recommendation to disallow \$372,000 of FEMA funds received by the OMB.

(DA-20-03, August 20, 2003)

Missouri's Compliance with Disaster Assistance Program's Requirements

The OIG reviewed the disaster grants management system and practices of the State of Missouri. 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 Missouri: (1) claimed duplicate costs on its hazard mitigation administrative allowances; (2) did not prepare adequate or timely administrative plans; (3) arbitrarily allocated administrative payroll costs; (4) did not identify cost-share requirements in FEMA's grant agreement with the state; and (5) did not complete validation of small projects in a timely manner. The audit report recommended improvements to management controls and financial management controls to protect assets and prevent errors and fraud, and recommended that FEMA disallow \$346,329 in questioned costs. (DD-02-03 April 15, 2003)

South Dakota's Compliance with Disaster Assistance Program Requirements

The OIG reviewed the disaster grants management system and practices of South Dakota, Division of Emergency Management (SDDEM). The audit objectives were to determine whether SDDEM administered the grant programs according to federal regulations and accounted for, reported, and used FEMA program funds properly. The audit disclosed that SDDEM did not: (1) formally document and evaluate its internal and management control systems; (2) always perform public assistance project closeout procedures, prepare quarterly reports, or document the

results of final inspections of large projects; (3) document sub-grantee monitoring or require sub-grantees to provide progress reports for ongoing projects; (4) update its hazard mitigation plans on time or distribute the most recently approved plans to appropriate entities; and (5) obtain sufficient supporting documentation before making payments to sub-grantees. The audit report recommended improvements to program and financial management controls relevant to administering FEMA grants. *(DD-06-03, April 30, 2003)*

Washington's Compliance with Disaster Assistance Program Requirements

Washington's Emergency Management Division (EMD) is the state agency responsible for administering federal and state disaster assistance funds for the State of Washington. We reviewed the disaster grants management and systems and practices of EMD covering nine disasters beginning in 1996, with the last declared in 2001, and those programs not closed as of September 30, 2001. The audit objectives were to determine whether EMD administered FEMA disaster assistance grant programs according to federal regulations and had properly accounted for and expended FEMA program funds. The audit focused on systems and procedures used by EMD to manage, control, and expend grant funds in accordance with applicable laws and regulations.

In general, the financial, program, and administrative controls established by EMD to administer FEMA disaster grants should be improved because a total of nine findings were identified. Findings were that the public assistance plan contained inadequate procedures; no on-site monitoring of in-progress projects was conducted; time extensions were approved 16 months after request; quarterly reports did not reconcile with official accounting records; there was late submittal of quarterly/final Financial Status Reports and Federal Cash Transaction Reports; the state did not meet matching requirements; excess draw downs were made; procurement regulations did not support federal requirements; and tracking of property was not adequate. *(DO-20-03, August 29, 2003)*

Arizona's Compliance with Disaster Assistance Program Requirements

The State of Arizona, Department of Emergency and Military Affairs, Division of Emergency Management (ADEM) is the state agency responsible for administering federal and state disaster assistance funds. We reviewed the disaster grants management and systems and practices of ADEM covering two disaster declarations between October 1999 and October 2000, as well as those programs not closed as of September 30, 2001. The audit objectives were to determine whether ADEM administered FEMA disaster assistance grant programs according to federal regulations, and whether ADEM properly accounted for and expended FEMA program funds. The audit focused on systems and procedures used by ADEM to manage, control, and expend grant funds in accordance with applicable laws and regulations.

In general, the financial, program and administrative controls established by ADEM to administer FEMA disaster grants should be improved inasmuch as a total of 15 findings were identified, namely, administrative plans did not contain all current legislation items; there was no clear procedure for submitting administrative plans annually; Individual Family Grant program deadlines for grant and administrative activities were exceeded; Section 409 plans were not submitted timely; quarterly progress reports were not submitted; ADEM did not obtain support for required benefit-cost analysis; ADEM did not require buy-out project applicants to sign agreement stating the restrictive covenants for buy-out deeds; controls over hazard mitigation advances were not adequate; and there were no documentation or internal control procedures to ensure the eligibility of all hazard mitigation sub-grantee payments. (*DO-03-03, April 15, 2003*)

Alaska's Compliance with Disaster Assistance Program Requirements

The State of Alaska, Department of Military and Veterans Affairs, Division of Emergency Services (ADES) is the state agency responsible for administering federal and state disaster assistance funds for Alaska. We reviewed the disaster grants management and systems and practices of ADES covering one disaster declared in 2000, as well as those programs not closed as of September 30, 2001. The audit objectives were to determine whether ADES administered FEMA

disaster assistance grant programs according to federal regulations, and whether ADES properly accounted for and expended FEMA program funds. The audit focused on systems and procedures used by ADES to manage, control, and expend grant funds in accordance with applicable laws and regulations.

In general, the financial, program and administrative controls established by ADES to administer FEMA disaster grants should be improved, since a total of 10 findings were identified. Findings included late submittal of quarterly and final Financial Status Reports and Federal Cash Transaction Report; administrative plans did not contain all required elements; Section 409 plans were not submitted timely; public assistance closeout was not timely; payments to sub-grantees were not made in a timely manner; controls over public assistance and hazard mitigation advances were not adequate; hazard mitigation applications were missing; and, monitoring and reporting procedures were not adequate. *(DO-02-03, April 15, 2003)*

Financial Management

National Flood Insurance Program Management Letter for FEMA's FY 2002 Financial Statements

In support of the fiscal year 2002 financial statement audit, KPMG LLP performed compliance reviews of FEMA's National Flood Insurance Program (NFIP). These reviews encompassed two contractors and six Write Your Own (WYO) companies. The WYO companies sell and service flood insurance policies on behalf of FEMA. KPMG performed tests of controls over financial, underwriting, and claims activities of WYO companies participating in the NFIP. KPMG identified several internal control weaknesses and non-compliance with certain NFIP rules and regulations relating to the underwriting of flood insurance policies and the claims process. We recommended that FEMA create an action plan to ensure that the WYO companies take corrective action and indicate when such action will be completed. *(A-01-03, June 16, 2003)*

Office of Investigations

Cerro Grande, New Mexico Fire Assistance Act Program

On May 4, 2000 the National Park Service initiated a prescribed burn, known as the Cerro Grande Prescribed Fire, which exceeded the containment capabilities. A presidential disaster was declared for the area in and around Los Alamos, New Mexico. Congress enacted the Cerro Grande Fire Assistance Act (CGFAA) to compensate fully victims whose claims are not covered by the presidentially declared disaster. FEMA was designated to administer the CGFAA. OIG initiated an investigation into a \$727,490.78 personal property loss claim, which by CGFAA guidelines was excessive. OIG determined that the claimant overvalued the property that resulted in a \$303,502.79 cost savings to the government.

Nisqually Earthquake

In June of 2001, a presidential disaster was declared following the Nisqually Earthquake in Seattle, Washington. A 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. Investigation by the OIG has determined that 62 people applied for and received FEMA assistance by claiming that they were residing at the center when, in fact, they were not. Based on these 62 fraudulent claims, FEMA disbursed \$146,000. The OIG investigation has resulted in a number of criminal actions against claimants filing fraudulent applications. During this reporting period, seven people were indicted, seven arrested, eight convicted, and seven sentenced, resulting in \$2,000 in fines and \$13,522 in restitution.

California Freeze

In February of 1999, a presidential disaster was declared for California's Central Valley area as a result of a drop in temperature below freezing which caused extensive damage to the citrus crop. The citrus workers were entitled 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, there was one indictment, one arrest, one conviction, and three sentences, resulting in \$700 in fines and \$73,600 in restitution.

American Philanthropy Association

The FBI reported allegations to the OIG of a fraud against the Emergency Food and Shelter (EFS) Program, funded by FEMA and administered by the United Way. The Los Angeles Homeless Services Authority (LAHSA), a sub-grantee of the United Way, was responsible for distributing some of the EFS funds. LAHSA contracted with the American Philanthropy Association (APA) to provide food and shelter to the indigent of Los Angeles from 1994 through 1998. The EFS program funded the services provided by the APA under the Cold/Wet Weather program.

A review of LAHSA's files determined that APA received \$55,280 in 1997 and \$51,880 in 1998 in EFS assistance. A joint OIG and FBI investigation determined that the president and the shelter manager of APA forged the names of residents on the daily log sheets that were then submitted to LAHSA for EFS funding. APA's president and the shelter manager were indicted for false statements and applications, and conspiracy. The APA president was convicted at trial during this reporting period. A fugitive warrant was issued for the shelter manager who failed to appear for trial.

FEMA Contract Fraud

On August 7, 2003, two subjects were indicted for bribery concerning programs receiving federal funds and extortion in connection with a FEMA-sponsored roofing program, following Hurricanes Marilyn and Bertha in 1998. The indictment alleges that the subjects solicited \$25,000 in payments from construction contractors. It is further alleged that one of the subjects corrupted the program by accepting over \$65,000 in false payment vouchers from another contractor.

FEMA Employee Caught Stealing Government Property

The OIG substantiated allegations that an employee at the FEMA Transportation Logistics Center stole numerous items from the warehouse and then pawned the stolen items at local pawnshops. Most of the stolen property, valued at \$1,700, was recovered. The employee was terminated and is awaiting criminal prosecution.

Contractor Found Liable For False Claims

FEMA, in conjunction with the Virginia Department of Transportation, paid a contractor to repair roads and highways in response to a flood. Subsequently, a *qui tam* (an action brought by a person on behalf of the government and himself) was filed alleging that the contractor submitted false invoices for the amounts of equipment used on various projects. The OIG substantiated the allegations and the contractor was ordered to repay \$240,000.

FEMA Employee Found Guilty Of Filing False Travel Claims

A FEMA employee received almost \$12,000 in travel reimbursement funds after filing four false travel claims. The OIG determined that the employee fraudulently claimed to have traveled from her home in Atlanta to New York City to assist in the World Trade Center recovery effort, including submitting receipts for lodging from a non-existent hotel. The employee was terminated, entered a guilty plea in federal court, sentenced to six months home confinement, given one year of probation, and ordered to make full restitution.

Altered FEMA Check (Update)

A subject pleaded guilty to altering a FEMA check and is scheduled to appear for a pre-trial hearing. This joint investigation by the OIG and the United States Secret Service began when the subject applied to FEMA for disaster assistance and was approved. The subject received a U.S. Treasury check from FEMA, in the amount of \$659, which he altered to read as "\$9,659." He subsequently cashed the check at a local business. The Federal Reserve Bank determined that

the submitted U.S. Treasury check was altered. The total amount of the U.S. Treasury check was debited back to the account of the local business.

Former Director of Community Food Bank Charged with Embezzlement (Update)

In June 2003, a former director of a community food bank was sentenced in Montana state court to 600 months confinement, with 300 months suspended, and ordered to make restitution in the amount of \$121,018.04, as a result of a joint investigation by OIG and the Great Falls, Montana police department. A search warrant pertaining to a 30-year old homicide investigation produced evidence of FEMA grant fraud. Information developed by the OIG through interviews and examination of records led to charges against the director for theft of approximately \$59,000. On October 4, 2002, the former director pleaded guilty to the theft, but sentencing was postponed until after the homicide trial. Evidence in the homicide trial was subsequently suppressed and the murder charges dropped.

Pahrump Family Resource Center

The OIG was provided with information about possible fraud against the government in association with the Pahrump Family Resource Center (PFRC) in Pahrump, Nevada. An investigation determined that FEMA initiated a program to provide financial assistance to needy families experiencing financial hardships. FEMA asked United Way to administer this program, which subcontracted with PFRC to distribute the funds. OIG determined that the director of the PFRC embezzled over \$100,000 from the organization's accounts, which included FEMA funds. The director was indicted for embezzlement and theft, and pleaded guilty.

New York City Stockbroker Charged with 9/11 Fraud

The FEMA New York 9/11 Fraud Task Force investigated claims made by a New York stockbroker for alleged losses to his World Trade Center offices. The claims were submitted to FEMA, the American Red Cross, and the Safe Horizons Charity. The New York County District Attorney's office charged the broker with

two felony counts of grand larceny and one felony count of falsifying business records. Prosecution is pending.

False Documents Submitted to Multiple 9/11 Assistance Organizations

The FEMA New York 9/11 Fraud Task Force investigated claims made by a New York City resident for alleged damage to his apartment. Further investigation by the OIG revealed the same person had submitted identical claims to other 9/11 charities. The claims were submitted to the American Red Cross, the Children's Aid Society, the German American Solidarity Fund, and the Crime Victims Board. The New York County District Attorney's office sought and obtained an indictment charging the resident with four counts of grand larceny. Prosecution is pending.

Daughter Falsifies 9/11 Death of Father - Pays Full Restitution

An investigation by the FEMA New York 9/11 Fraud Task Force identified a woman who had filed for and received \$20,256 in disaster assistance from the FEMA Mortgage and Rental Assistance Program based on the alleged death of her father in the 9/11 disasters. Also, it was determined that she received assistance from the American Red Cross in the amount of \$50,000. The investigation determined that her father had died in 1990. Two felony counts of grand larceny, one felony count of offering a false statement for filing, one felony count of falsifying business records, and one felony count of perjury were brought by the New York State Attorney General's Office. She pleaded guilty, was sentenced to one year of incarceration, and has repaid \$70,256 in restitution to the defrauded programs.

FEMA Program Fraud (Update)

As a result of an OIG investigation, the owner of a company that provided bomb detection dogs in support of the 9/11 investigation stood trial in May 2003, for defrauding the government of approximately \$700,000. On June 20, 2003, the contractor was found guilty of 25 counts of wire fraud and two counts of submitting false invoices. The contractor's company sought contracts with FEMA

to provide bomb detection services after the September 11, 2001, terrorist attacks. The contractor submitted false invoices, falsified the resumes and certifications of both his dogs and their handlers, grossly inflated the amount of training and experience of his teams, and deliberately misled government agencies he worked for about both his qualifications and experience. On September 9, 2003, a U.S. District Judge imposed the maximum 6 1/2 year prison sentence on the contractor. He was ordered to serve three years of supervised release after his prison term and to pay \$708,000 in restitution.

MANAGEMENT

Office of Information Technology

Information Security Program Evaluation, FY 2003

In the short period of time since its establishment, DHS has made some progress in establishing a framework for its information systems security program. However more needs to be done to ensure the security of DHS' information technology infrastructure and prevent disruptions to mission operations.

The OIG found that the agency head designated the Chief Information Officer (CIO) as the person responsible for the security of information systems within DHS. The DHS CIO further designated a Chief Information Security Officer (CISO) to develop, implement, and manage the department-wide information technology (IT) security program. Both the CIO and the CISO have been in place since the inception of DHS in January 2003; however, the information security function did not begin its staffing process until March 2003. The CISO selected program directors who are responsible for ensuring compliance with key Federal Information Security Management Act (FISMA) requirements including: policy, compliance, training, incident handling, and critical infrastructure protection (CIP). The CISO developed and disseminated information system security policies and procedures to DHS employees. Finally, the CISO established an Information Systems Security Board, consisting of Information Systems Security Managers from each component. The board members help develop DHS security policies and procedures, and they are responsible for ensuring that all computer systems are operating in accordance with these security policies and procedures. The CIO and the CISO are continuing to build on the information security framework that they have established over the last six months to ensure an effective DHS security program.

The DHS CIO and CISO have made progress in a number of additional areas, which will aid DHS in implementing an agency-wide IT security program. OIG found that DHS has drafted an Information Security Strategic Plan, which

will be used as a guide for the CISO and program directors to develop fully a comprehensive IT security program. Further, security policies and procedures were issued covering unclassified and classified systems, an incident response and reporting process was implemented, a security awareness training program was initiated, and a CIP working group was established to assist DHS in developing and maintaining a plan for protecting its critical infrastructure. In addition, DHS established an Investment Review Board to provide oversight of all investments. The DHS CIO, as a board member, ensures that decisions over IT investments support the future DHS architecture and business processes. In further support of managing the DHS IT investment portfolio, security costs reported in the Exhibit 300, Capital Asset Plan and Business Case, have been summarized for Fiscal Year (FY) 2004 and will be consolidated for DHS' FY 2005 budget submission.

The Office of Management and Budget (OMB) requires that Plans of Action and Milestones (POA&M) be developed for each program and system that has a weakness identified through FISMA reports, General Accounting Office or financial system audits, or vulnerability assessments. OIG found that DHS does not have a process to ensure that all POA&Ms are developed, implemented, and managed for every DHS system. Further, the process currently in place is not being followed by all DHS components. DHS has purchased an automated tool, which will require the use of the National Institute of Standards and Technology self-assessment when performing program and system reviews. This database tool is being customized to provide additional information, which has been determined to be useful for the monitoring of identified security weaknesses. OIG found that all components' POA&Ms are not maintained in the centralized POA&M database because either the component is using its own database or the component has not been trained on use of the database tool. In addition, POA&Ms for security weaknesses relating to classified systems are not included within this database.

While the DHS CIO and CISO have achieved some success in developing the DHS IT security program, DHS must rely on its components to follow established policies and procedures in order to implement the program. OIG found that none of the DHS components has a fully functioning IT security program. Each of the components is lacking in one or more of the performance measurement

areas established by FISMA. CBP and ICE, both of which are part of Border and Transportation Security, and the United States Secret Service, have the most mature IT security programs. The majority of their systems have been reviewed, assessed for risk, and certified and accredited.

Overall, OIG's evaluation of DHS' compliance with FISMA identified key areas of security that require management attention. Specifically, OIG found that, while 42% of DHS systems have security plans, only 37% of DHS systems were certified and accredited, and 39% of systems had been assessed for risk. In addition, 21% of DHS systems' security controls had been tested and evaluated in the past year, and only 11% of DHS systems had contingency plans.

Finally, FISMA requires an agency to report any significant deficiency on the adequacy and effectiveness of its information security program as a material weakness. As such, based on OIG's evaluation of DHS' IT security program, OIG recommends that the CIO declare information security a material weakness at DHS.

Further, to assist the CIO in the development of the DHS security program, OIG made several additional recommendations found at the end of OIG's independent evaluation. (OIG-IT-03-02)

Other OIG Activities

Oversight of Non-FEMA Audits

We processed 25 audit reports prepared by non-DHS auditors on FEMA programs and activities. We continue to monitor the actions taken to implement the recommendations in those reports. The 25 reports relate to OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Audit Reports Unresolved Over Six Months

As of this report date, DHS OIG is responsible for monitoring 349 audit reports from FEMA and legacy agencies that contain recommendations that have been unresolved for more than six months. We are working with DHS management on the resolution of those reports.

Congressional Briefings and Testimony

During this reporting period, the OIG provided numerous briefings to members of Congress and congressional staff and regarding ongoing work and projects that will be undertaken in the upcoming months. Additionally, OIG staff testified at two congressional hearings in September. Their testimony, as well as other OIG reports, can be found on the department's website at www.dhs.gov.

The Assistant Inspector General for Audits (AIGA) testified before the House Committee on Government Reform, Subcommittee on Government Efficiency and Financial Management, on "Financial Management at the Department of Homeland Security." The AIGA noted in his opening remarks that, in the area of financial systems and reporting, DHS must integrate and establish effective controls over the financial systems and operations of the incoming components, including correcting the weaknesses it has inherited. To meet the challenges, DHS must build a unified financial management structure capable of supporting both efficient financial statement preparation and reliable and timely financial information for managing DHS' current operations. He also noted that a sound grants management program is needed, one that complies with federal statutory requirements and includes effective monitoring of and assistance to states and other grantees. Further, he notes that early attention by DHS to strong systems and controls for acquisition and related business processes will be critical, both to ensuring success of the programs and maintaining integrity and accountability. The AIGA's testimony also covered OIG's comments on HR 2886, the Department of Homeland Security Financial Accountability Act, a bill that would require the department to undergo an "opinion level" audit, to be carried out by a private accounting firm, and would make the department's chief financial officer subject to Senate confirmation.

The Deputy Inspector General (DIG) testified before the Senate Committee on Environment and Public Works, Subcommittee on Clean Air, Climate Change, and Nuclear Safety, to discuss the work of the OIG in response to the terrorist events of September 11, 2001, as well as the OIG's perspective on the effectiveness of FEMA since coming under the umbrella of DHS. The DIG pointed out that the 9/11 terrorist attacks and the formation of DHS provided an opportunity to reassess the value of certain federal disaster programs and improve coordination between once separate agencies. He recommended that Congress consider: (1)

reinstating the Mortgage and Rental Assistance Program, which was eliminated in 2000; (2) pursuing legislative change that would exempt disaster relief programs from federal public benefit classification restrictions, when victims needing aid are lawfully present in the United States; and (3) whether the federal government should be the insurer of last resort for terrorist-related business losses. The DIG further noted that FEMA's transition into DHS did not adversely affect its ability to respond to disasters and emergencies. However, FEMA has many problems that need to be addressed and its ability to address them effectively is compounded by its merger into DHS. Areas of particular concern include FEMA's financial management, security of FEMA's IT systems, and grant management. Also, although numerous grant programs are now consolidated within DHS, their management is divided among various components of the department.

Legislative and Regulatory Review

The Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of DHS and to make recommendations concerning their impact. This reporting period has involved a flurry of regulatory issuances and legislative proposals designed to implement DHS operations or to amend departmental responsibilities. As a result, the OIG experienced an exceptionally high volume of requests for comments and reviews with respect to legislative and regulatory matters, some of which are discussed below.

The OIG prepared written comments on H.R. 2886 (*Department of Homeland Security Financial Accountability Act*), introduced in the House of Representatives on July 24, 2003 and its companion bill in the Senate, S. 1567. HR 2886, among other things, waives the requirement for a financial statement audit of DHS until FY 2004. The OIG, however, believes emphatically that financial accountability for DHS should not be postponed given its newness, size and complexity. Based on input from the OIG and others, the waiver provision was dropped. The OIG's audit of FY 2003 financial statements is well under way.

Another review concerned a proposed regulation to increase fees collected from persons filing immigration benefit applications and petitions. The OIG questioned the fairness of imposing fees to recover past operating losses (totaling approximately \$140 million) that could have been alleviated by speedier agency action. The OIG urged that the fee increase notice fully inform the public about the amount of the fee that was unrelated to current services and projected costs. The OIG also questioned the appropriateness of claiming an exemption from the usual regulatory notice and comment process.

Additionally, the OIG commented on two departmental directives regarding investment review processes for DHS contract and procurement decisions. The department proposed creating a strategic sourcing group to establish and monitor DHS' strategy for contracts and procurements. Likewise, a second group was proposed to evaluate significant contracts for non-IT purchases. The OIG will be an advisor or non-voting member of both review groups.

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Appendix 1

APPENDIX 1: AUDIT REPORTS WITH QUESTIONED COSTS AND FUNDS PUT TO BETTER USE

QUESTIONED COSTS

| Report Category | Number | Questioned Costs | Unsupported Costs |
|--|--------|------------------|-------------------|
| A. Reports pending management decision at the start of the reporting period | 49 | \$54,144,983 | \$29,105,613 |
| B. Reports issued/processed during the reporting period with questioned costs | 57 | \$46,230,246 | \$7,683,264 |
| Total Reports (A+B) | 106 | \$100,375,229 | \$36,788,877 |
| C. Reports for which a management decision was made during the reporting period | 21 | \$4,672,836 | \$1,106,169 |
| (1) disallowed costs | 21 | \$4,364,213 | \$1,336,540 |
| (2) accepted costs | 3 | \$308,623 | \$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 | 84 | \$90,199,332 | \$35,682,708 |
| F. Reports for which no management decision was made within six months of issuance | 39 | \$50,997,736 | \$28,249,025 |

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 Cost” is previously questioned cost 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.

Appendix 2

APPENDIX 2: COMPLIANCE - RESOLUTION OF REPORTS AND RECOMMENDATIONS

1. Recommendations in Reports more than 6 months old for which a management decision is still pending.

| 2/28/03 | | 9/30/03 | |
|---------|-----------------|---------|-----------------|
| Reports | Recommendations | Reports | Recommendations |
| 53 | 254 | 349 | 1183 |

2. Current Inventory

OPEN REPORTS

| 2/28/03 | Current Period | | 9/30/03 |
|---------|----------------|--------|---------|
| Open | Issued | Closed | Open |
| 139 | 92 | 48 | 416* |

ACTIVE RECOMMENDATIONS

| 2/28/03 | Current Period | | 9/30/03 |
|---------|----------------|--------|---------|
| Open | Issued | Closed | Active |
| 602 | 258 | 204 | 1,388* |

“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 or final action.

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

*The numbers of open reports and active recommendations include reports issued by legacy agencies that DHS OIG is now responsible for monitoring and resolving.

Appendix 3

APPENDIX 3: MANAGEMENT REPORTS ISSUED

(In thousands)

| Program Office/Report Subject | Report Number | Date Issued | Funds Put To Better Use |
|---|----------------------|--------------------|--------------------------------|
| 1. NFIP Management Letter for F Y 2002 Financial Statements | A-01-03 | 6/03 | \$0 |
| 2. Network and Penetration Study - FY 2002 Fin. Statements | A-02-03 | 6/03 | \$0 |
| 3. A Review of the Assistance to Firefighters Grant Program | ISP-01-03 | 9/03 | \$0 |
| 4. Letter Report to Senator Schumer – TSA Training Practices | ISP-02-03 | 8/03 | \$0 |
| 5. DHS Information Security Program Evaluation, FY 2003 | IT-03-02 | 9/03 | \$0 |
| 6. Final Obstacles Removed To Eliminate Customs Disaster Recovery Material Weakness | IT-03-01 | 9/03 | \$0 |
| Total | | | <u>\$0</u> |

Appendix 4

| APPENDIX 4: FINANCIAL ASSISTANCE AUDITS REPORTS ISSUED | | | | | | |
|---|--------------------------|------------------------|--|-----------------------------|--------------------|--|
| | Report Number | Date Issued | Auditee | Questioned Costs | Unsupported | Funds Put To Better Use |
| 1 | DA-01-03 | 4/03 | Cobb Electric Membership Corporation | \$174,430 | \$5,920 | \$0 |
| 2 | DA-02-03 | 4/03 | Gold Coast Railroad Museum | \$255,322 | \$88,486 | \$0 |
| 3 | DA-03-03 | 4/03 | Houston County, GA | \$22,574 | \$0 | \$0 |
| 4 | DA-04-03 | 4/03 | North Carolina State University Raleigh, NC | \$5,015 | \$0 | \$0 |
| 5 | DA-05-03 | 4/03 | City of Durham, NC | \$128,543 | \$0 | \$0 |
| 6 | EMA-06-03 | 5/03 | Review of Emergency Management Performance Grant - ME | \$358,040 | \$194,204 | \$0 |
| 7 | DA-07-03 | 4/03 | City of Philadelphia, PA | \$0 | \$0 | \$0 |
| 8 | DA-08-03 | 4/03 | Jefferson Cty. Dept. of Public Works, Louisville, KY | \$8,255 | \$0 | \$0 |
| 9 | DA-09-03 | 5/03 | Nashville-Davidson Cty., TN | \$0 | \$0 | \$0 |
| 10 | DA-10-03 | 5/03 | New York Emergency Management Office | \$0 | \$0 | \$0 |
| 11 | DA-11-03 | 5/03 | Beaufort Cty. Board of Educ. | \$262,564 | \$72,664 | \$0 |
| 12 | DA-12-03 | 5/03 | Manatee Cty. FL | \$87,076 | \$0 | \$0 |
| 13 | DA-13-03 | 6/03 | Harrison Cty., MS | \$1,729,666 | \$0 | \$0 |
| 14 | DA-14-03 | 6/03 | Taylor Cty, GA | \$0 | \$0 | \$0 |
| 15 | DA-15-03 | 6/03 | Municipality of Utuado, PR | \$776,364 | \$0 | \$0 |
| 16 | DA-16-03 | 7/03 | District of Columbia Department of Public Works | \$6,408 | \$0 | \$0 |
| 17 | DA-17-03 | 7/03 | District of Columbia Department of Public Works | \$60,173 | \$0 | \$0 |
| 18 | DA-18-03 | 7/03 | Hillsborough County, FL | \$65,630 | \$29,103 | \$0 |
| 19 | DA-19-03 | 7/03 | NC Dept. of Environment & Nat. Res. | \$60,803 | \$2,880 | \$0 |
| 20 | DA-21-03 | 8/03 | Historic Red Clay Valley Inc., DE | \$0 | \$0 | \$0 |
| 21 | DA-22-03 | 8/03 | City of Jacksonville, NC | \$90,837 | \$0 | \$0 |
| 22 | DA-23-03 | 8/03 | Lamar Cty, AL | \$113,392 | \$0 | \$0 |
| 23 | DA-24-03 | 8/03 | Virgin Island Gov't., Dept. of Public Works | \$695,593 | \$610,633 | \$0 |
| 24 | DA-25-03 | 9/03 | Key West, FL | \$5,329,655 | \$0 | \$0 |
| 25 | DA-26-03 | 9/03 | New Jersey State Police | \$1,238 | \$0 | \$0 |

| | | | | | | |
|----|----------|------|---|--------------|-------------|-------------|
| 26 | DA-27-03 | 9/03 | Palm Beach County, FL | \$21,773 | \$0 | \$0 |
| 27 | DA-28-03 | 9/03 | Gulf Shore, AL | \$25,868 | \$0 | \$0 |
| 28 | DD-01-03 | 3/03 | Benson County, ND | \$83,883 | \$83,883 | \$0 |
| 29 | DD-02-03 | 4/03 | Missouri Disaster Assistance Grant | \$328,348 | \$0 | \$0 |
| 30 | DD-03-03 | 4/03 | Guadalupe-Blanco River Authority Seguin, TX | \$0 | \$0 | \$0 |
| 31 | DD-04-03 | 4/03 | Lake County Electric Cooperative Grand Rapids, CO | \$202,245 | \$0 | \$0 |
| 32 | DD-05-03 | 4/03 | Valley City, ND | \$1,480,354 | \$0 | \$0 |
| 33 | DD-06-03 | 4/03 | South Dakota's Compliance with DAP's Requirements | \$0 | \$0 | \$0 |
| 34 | DD-07-03 | 5/03 | Ohio Adjutant General Department | 0 | 0 | \$0 |
| 35 | DD-08-03 | 6/03 | City of Moore, OK | \$28,879 | \$0 | \$0 |
| 36 | DD-09-03 | 6/03 | Overpayment to the Minnesota Department of Natural Resources | \$42,789 | \$0 | \$0 |
| 37 | DD-10-03 | 7/03 | Los Alamos Family Council, Inc. | \$177,301 | \$0 | \$0 |
| 38 | DD-11-03 | 8/03 | Memorial Hermann Hospital Houston, TX | \$16,507 | \$6,703 | \$0 |
| 39 | DD-12-03 | 9/03 | Texas Division of Emergency Management | \$527,126 | \$0 | \$0 |
| 40 | DD-13-03 | 9/03 | Montana's Compliance with Disaster Assistance | \$41,518 | \$0 | \$0 |
| 41 | DD-14-03 | 9/03 | Review of Indirect Costs for Fire Suppression Assistance Grants Region VIII | \$4,123,697 | \$0 | \$4,123,697 |
| 42 | DD-15-03 | 9/03 | City of Grand Forks, ND | \$10,574,893 | \$1,200,709 | \$0 |
| 43 | DD-16-03 | 9/03 | City of Chicago, IL | \$6,708,820 | \$516,665 | \$0 |
| 44 | DO-01-03 | 4/03 | Los Angeles County Department of Public Works | \$1,548,597 | \$1,445,367 | \$0 |
| 45 | DO-02-03 | 4/03 | Alaska's Compliance with DAP's Requirements | \$0 | \$0 | \$0 |
| 46 | DO-03-03 | 4/03 | Arizona's Compliance with DAP's Requirements | \$0 | \$0 | \$0 |
| 47 | DO-04-03 | 4/03 | County of Los Angeles, Los Angeles, CA | \$563,720 | \$0 | \$0 |
| 48 | DO-05-03 | 4/03 | County of Mariposa, Mariposa, CA | \$38,253 | 4,548 | \$0 |

| | | | | | | |
|----|----------|------|---|----------------------|---------------------|--------------------|
| 49 | DO-06-03 | 4/03 | Arvin-Edison Water Storage District | \$10,568 | \$0 | \$0 |
| 50 | DO-07-03 | 5/03 | Ventura County Flood Control District | \$45,736 | \$0 | \$0 |
| 51 | DO-08-03 | 5/03 | Victor Valley Wastewater Reclamation Authority | \$272,100 | \$114,171 | \$0 |
| 52 | DO-09-03 | 5/03 | Kaiser Foundation Hospital Los Angeles, CA | \$138,556 | \$53,546 | \$0 |
| 53 | DO-10-03 | 6/03 | Kaiser Foundation Health Plan, Inc. Los Angeles, CA | \$27,464 | \$0 | \$0 |
| 54 | DO-11-03 | 6/03 | Napa, CA | \$23,973 | \$0 | \$0 |
| 55 | DO-12-03 | 6/03 | L. A. County Department of Public Works Alhambra, CA | \$75,189 | \$75,189 | \$0 |
| 56 | DO-13-03 | 6/03 | Los Angeles County Fire Department Los Angeles, CA | \$578,891 | \$541,173 | \$0 |
| 57 | DO-14-03 | 6/03 | CA Depart. of Forestry/Fire Protection Sacramento, CA | \$646,853 | \$44,147 | \$0 |
| 58 | DO-15-03 | 6/03 | Milpitas, CA | \$904 | \$0 | \$0 |
| 59 | DO-16-03 | 7/03 | San Luis Obispo, CA | \$1,584 | \$830 | \$0 |
| 60 | DO-17-03 | 8/03 | Weaverville, CA | \$0 | \$0 | \$0 |
| 61 | DO-18-03 | 8/03 | Simom Valley Unified School District Los Angeles, CA | \$2,164,298 | \$387,203 | \$0 |
| 62 | DO-19-03 | 8/03 | Los Angeles, CA | \$556,976 | \$549,095 | \$0 |
| 63 | DO-20-03 | 8/03 | Washington's Compliance with Disaster Assistance Program's Requirements | \$0 | \$0 | \$0 |
| 64 | DO-21-03 | 9/03 | Los Angeles Department of General Services | \$28,856 | \$18,661 | \$0 |
| 65 | DO-22-03 | 9/03 | California Department of Fish and Games | \$12,221 | \$0 | \$0 |
| | | | Total | \$ 41,350,318 | \$ 6,045,780 | \$4,123,697 |

Appendix 5

| APPENDIX 5: SCHEDULE OF AMOUNTS DUE AND RECOVERED | | | | | |
|---|-------------|-------|--|-----------------|-------------|
| Report Number | Date Issued | | Amount Due | Recovered Costs | |
| 1 | C-01-03 | 12/02 | Texarkana, AK | \$0 | \$1,966,440 |
| 2 | C-03-03 | 1/03 | City of Colorado Springs, CO | \$67,962 | \$0 |
| 3 | DA-02-03 | 4/03 | Gold Coast Railroad Museum | \$0 | \$255,322 |
| 4 | DA-04-03 | 11/02 | North Carolina State Univ., Raleigh, NC | \$5,015 | \$0 |
| 5 | DA-11-03 | 5/03 | Beaufort County Board of Education | \$262,564 | \$0 |
| 6 | DA-18-03 | 7/03 | Hillsborough County, FL | \$0 | \$39,472 |
| 7 | DD-01-03 | 3/03 | Benson County, ND | \$83,883 | \$0 |
| 8 | DD-02-03 | 4/03 | Audit of Disaster Asst., State of Missouri | \$28,173 | \$2,978 |
| 9 | DD-04-03 | 4/03 | Lake County Electric Cooperative | \$0 | \$202,245 |
| 10 | DD-05-03 | 4/03 | Valley City, ND | \$0 | \$1,480,354 |
| 11 | DD-08-03 | 6/03 | City of Moore, OK | \$28,879 | \$0 |
| 12 | DD-09-03 | 6/03 | Overpmt. to Minn. Dept. of Natural Res. | \$0 | \$42,789 |
| 13 | DD-10-03 | 7/03 | Los Alamos Family Council Inc. | \$0 | \$177,301 |
| 14 | DD-13-03 | 9/03 | Montana's Compliance with Disaster Asst Review of Indirect Costs for Fire. | \$0 | \$41,518 |
| 15 | DD-14-03 | 9/03 | Suppression Assistance Grants | | \$4,123,697 |
| 16 | DO-05-03 | 4/03 | Mariposa Cty., CA | \$0 | \$38,253 |
| 17 | DO-10-03 | 6/03 | Kaiser Foundation Health Plan, Inc. | \$27,464 | \$0 |
| 18 | E-07-02 | 11/01 | Lynches River Electric Cooperative | \$0 | \$99,025 |
| 19 | E-26-02 | 9/02 | Tampa, FL | \$0 | \$6,125 |
| 20 | E-27-02 | 9/02 | Municipality of Hormigueros, PR | \$0 | \$959,864 |
| 21 | E-30-02 | 9/02 | Wilson, NC | \$0 | \$25,868 |
| 22 | E-01-03 | 10/02 | Wilmington, NC | \$0 | \$6,865 |
| 23 | E-04-03 | 10/02 | Wilmington, NC | \$0 | \$60,727 |
| 24 | E-05-03 | 11/02 | Monroe County, FL | \$0 | \$15,940 |
| 25 | E-06-03 | 11/02 | Monroe County, FL | \$0 | \$49,731 |
| 26 | E-28-02 | 9/02 | Wake Count Raleigh, NC | \$0 | \$84,243 |
| 27 | W-47-99 | 8/99 | California Highway Patrol | \$0 | \$869,149 |
| 28 | W-25-00 | 5/00 | Public Utility District No.1, Everett, WA | \$0 | \$452,102 |
| 29 | W-26-00 | 5/00 | Public Utility District No.1, Everett, WA | \$0 | \$146,910 |

| | | | | | |
|----|---------|-------|--|-------------------------|----------------------------|
| 30 | W-17-01 | 4/01 | Management of FEMA's Disaster Grants Awarded Under the Stafford Act | \$0 | \$912,223 |
| 31 | W-04-03 | 12/02 | Idaho's Compliance w/ Disaster Asst. Prg. | \$0 | \$14,270 |
| 32 | W-05-03 | 12/02 | Sacramento, CA | \$0 | \$1,655 |
| 33 | W-06-03 | 12/02 | Sacramento, CA | \$0 | \$3,861 |
| | | | Total | <u>\$503,940</u> | <u>\$12,078,927</u> |

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 | 41 |
| Section 5(a)(1) | Significant Problems, Abuses, and Deficiencies | 5-36 |
| Section 5(a)(2) | Recommendations with Significant Problems | 5-36 |
| Section 5(a)(3) | Prior Recommendations Not Yet Implemented | 37 |
| Section 5(a)(4) | Matters Referred to Prosecutive Authorities | Inside Cover |
| Section 5(a)(5)& Section 6(b)(2) | Summary of Instances Where Information Was Refused | N/A |
| Section 5(a)(6) | Listing of Audit Reports | 46-51 |
| Section 5(a)(7) | Summary of Significant Audits | 5-36 |
| Section 5(a)(8) | Reports with Questioned Costs | 44,47-49 |
| Section 5(a)(9) | Reports Recommending That Funds Be Put To Better Use | 46 |
| Section 5(a)(10) | Summary of Reports in Which No Management Decision Was Made | 44-45 |
| Section 5(a)(11) | Revised Management Decisions | N/A |
| Section 5(a)(12) | Management Decision Disagreements | N/A |

Acronyms

| | |
|--------------|--|
| ADEM | Arizona Department of Emergency and Military Affairs, Division of Emergency Management |
| ADES | Alaska Department of Military and Veterans Affairs, Division of Emergency Services |
| AFG | Assistance to Firefighters Grant |
| AIGA | Assistant Inspector General for Audits |
| AMICC | Air and Marine Interdiction Coordination Center |
| APA | American Philanthropy Association |
| APHIS | Animal and Plant Health Inspection Service |
| CBP | Customs and Border Patrol |
| CGFAA | Cerro Grande Fire Assistance Act |
| CIO | Chief Information Officer |
| CIP | Critical Infrastructure Protection |
| CIS | Citizenship and Immigration Services Bureau |
| CISO | Chief Information Security Officer |
| DHS | Department of Homeland Security |
| DIG | Deputy Inspector General |
| DO | Deportation Officer |
| DOJ | Department of Justice |
| DPS | Texas Department of Public Safety |
| DPW | Department of Public Works |
| EMD | Emergency Management Division |
| EFS | Emergency Food and Shelter |
| FAA | Federal Aviation Administration |
| FBI | Federal Bureau of Investigations |
| FEMA | Federal Emergency Management Agency |
| FISMA | Federal Information Security Management Act |
| ICE | Immigration and Customs Enforcement |
| INS | Immigration and Naturalization Service |
| IG | Inspector General |
| IT | Information Technology |
| LAHSA | Los Angeles Homeless Services Authority |
| MDEM | Minnesota Division of Emergency Management |
| NFIP | National Flood Insurance Program |
| OIG | Office of Inspector General |

| | |
|------------------|--|
| OMB | Office of Management and Budget |
| PFRC | Pahrump Family Resource Center |
| POA&M | Plans of Action and Milestones |
| SDDEM | South Dakota, Division of Emergency Management |
| TECS | Treasury Enforcement Communications System |
| TSA | Transportation Security Administration |
| USFA | U.S. Fire Administration |
| VI | Virgin Islands |
| WYO | Write Your Own |



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