

PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY  
EXECUTIVE COUNCIL ON INTEGRITY AND EFFICIENCY



ANNUAL PERFORMANCE PLAN  
OF DISASTER RELATED ACTIVITY

FISCAL YEAR 2007



**PRESIDENT'S COUNCIL on INTEGRITY & EFFICIENCY  
EXECUTIVE COUNCIL on INTEGRITY & EFFICIENCY**



June 16, 2007

On August 29, 2005, Hurricane Katrina caused unprecedented damage to Louisiana, Mississippi and Alabama. Congress responded quickly, and appropriated record amounts of federal funds for response and recovery, totaling approximately \$87.75 billion.

Congress remains concerned that such emergency circumstances provide the opportunity for fraud, waste and abuse that would deprive the affected individuals the full benefit of the funds to be spent on the recovery. As a result, Congress relies on the Inspectors General as a principal line of defense against fraud and abuse in their respective departments and agencies. Congress and the Inspectors General recognize that the coordination of efforts is critical to effectiveness, especially when the work is to be performed in a short time frame under complex conditions.

The attached FY 2007 PCIE/ECIE Annual Performance Plan of Disaster-Related Activity presents an overview of the audit and investigative efforts being undertaken by the participating Offices of Inspector General (OIGs) and, in some cases, provides a brief description of the OIG's plan.

On behalf of the Inspector General community, DHS-OIG is pleased to have compiled this collection of OIG activity for FY2007. We appreciate the efforts of all involved.

A handwritten signature in cursive script, reading "Richard L. Skinner".

Richard L. Skinner  
Chair, PCIE/ECIE Homeland Security Roundtable

# PCIE/ECIE 2007 ANNUAL PERFORMANCE PLAN

## Table of Contents

Chapter		Page
1	Corporation for National and Community Service.....	3
2	Department of Defense.....	5
3	Department of Education.....	9
4	Department of Energy.....	11
5	Department of Health and Human Services.....	13
6	Department of Homeland Security.....	17
7	Department of Housing and Urban Development.....	33
8	Department of Interior.....	35
9	Department of Labor.....	37
10	Department of Transportation.....	41
11	Environmental Protection Agency.....	43
12	General Services Administration.....	44
13	National Aeronautics and Space Administration.....	45
14	Small Business Administration.....	47
15	Social Security Administration.....	51
16	United States Department of Agriculture.....	53
17	United States Postal Service.....	57
18	United States Department of the Treasury.....	59
Appendix		
A	Acronyms and Definitions.....	61

# **Chapter 1**

## **Corporation for National and Community Service**

### **Review the Allowability of Hurricane Relief Mission Assignments**

The Corporation for National and Community Service planned to close out its Mission Assignments by November 2006. The Office of the Inspector General will review the reimbursement requests, submitted by grantees, to determine whether costs reimbursed were allowable.

### **Review of the Louisiana Serve Commission's Monitoring of Hurricane Relief Grants**

The Corporation for National and Community Service awarded augmentation grants to the Louisiana Serve Commission. The Commission then awards subgrants for the purpose of providing assistance to those impacted by the 2005 hurricane season. The objective of the review is to determine whether the Commission performed monitoring of the subgrants and the effectiveness of that monitoring.



Marietta, Ga., September 4, 2005 -- Members of the Georgia Defense Force rapidly unload a supply of water and ice at Dobbins AFB in anticipation of a flight from New Orleans containing hurricane Katrina evacuees. Four flights carrying Katrina evacuees were expected and the Georgia Defense Force, in joint operation with the Army and Air Force National Guard, provided security and labor resources.  
[Source: George Armstrong/FEMA]

## **Chapter 2**

### **Department of Defense**

#### **Financial Management of Hurricane Katrina Efforts at the U.S. Army Corps of Engineers**

Project Number: D2006-D000FE-0010.001

The overall audit objective is to determine whether Department of Defense (DoD) obligations and expenditures related to the Hurricane Katrina reconstruction effort are timely and efficiently executed and according to applicable laws and regulations. Sub-project .001 specifically will review supplemental funding provided to the U.S. Army Corps of Engineers. Sub-project .002 will review a wider variety of DoD components.

#### **Audit of Accounting and Oversight of Obligations and Expenditures Related to the DoD Hurricane Katrina Reconstruction Effort for DoD Components**

Project Number: D2006-D000FE-0010.002

The overall audit objective is to determine whether DoD obligations and expenditures related to the Hurricane Katrina reconstruction effort are timely and efficiently executed and according to applicable laws and regulations. Sub-project .001 specifically will review supplemental funding provided to the U.S. Army Corps of Engineers.

#### **Contract Administration of International American Products, Worldwide Services Ice Delivery Contracts for the U.S. Army Corps of Engineers**

Project Number: D2006-D000CG-0075.000

The overall objective is to review the administration of the emergency ice delivery contracts. Specifically, the audit will determine whether the U.S. Army Corps of Engineers has adequate procedures in place for processing invoices and that paid invoices were properly supported.

### **Audit of DoD Accounting to Support DoD Personnel During Times of Civil Emergency**

Project Number: D2006-D000FE-0104.000

The overall audit objective is to determine whether controls are in place to ensure the accuracy of payments to DoD Military personnel during a civil emergency, specifically, whether DoD Military personnel assigned to civil emergency duties do not receive duplicate payments from DoD and other federal agencies for the same entitlements.

The audit was suspended multiple times while the audit team waited on information from the DoD Office of the Inspector General Data Mining Division, Government Accountability Office (GAO), and Federal Emergency Management Agency (FEMA).

### **Audit of Costs Incurred Under the CONCAP Contract Task Orders for Hurricane Relief Efforts**

Project Number: D2006-D000CH-0110.000

The overall audit objective is to review the reasonableness of costs incurred on task orders for the relief efforts after Hurricanes Ivan and Katrina. Specifically, the audit will review the methods and procedures the Navy used to ensure it paid fair and reasonable prices for labor and material used to support the hurricane relief efforts.

### **Contract Administration of the U.S. Army Corps of Engineers' "Operation Blue Roof" Project in Response to Hurricane Katrina**

Project Number: D2006-D000CG-0081.001

The overall objective is to further review the award and administration of "Operation Blue Roof" contracts for the Hurricane Katrina recovery efforts. This audit will discuss issues originally identified in Report D-2007-038.

### **Audit of the Mission Assignment Process During the Gulf Coast Hurricane Relief Efforts**

Project Number: D2007-D000CG-0117.000

The audit objective is to review the process for receiving mission assignments, delegating mission assignments to the appropriate components, and the subsequent reconciliation of mission assignments.

### **Army Audit Agency**

#### **Army Fund Accountability for Hurricane Katrina**

Project Number: A-2006-FFD-0216.000

The audit objective is to evaluate the Army's processes and procedures to account for funds used to support Hurricane Katrina relief efforts and whether the Army obtained

proper reimbursement for the expenses incurred. The audit will focus on the funds received and expended by active Army and Reserve forces, and excluded the U.S. Army Corps of Engineers. A draft report was issued.

### **Quality Assurance Services Contracts**

Project Number: A-2006-FFD-0354.000

The audit objective is to determine whether the requirements for contractor quality assurance personnel were valid and monitored and if the oversight of contractor performance was adequate. Additionally, the audit will determine whether the acquisition strategy for quality assurance services contracts was structured to provide best value to the Government and maximum opportunities for small and local businesses in hurricane-affected areas.

### **Contract Data Reporting**

Project Number: A2006-FFD-0250.000

The audit objective is to determine whether the U.S. Army Corps of Engineers accurately reported contract information for hurricane relief and recovery operations.

### **Contracts to Restore and Enhance Hurricane System**

Project Number: A-2006-FFD-0483.000

The audit objective is to determine whether the acquisition plan provided the best value to the government and maximized opportunities for awarding prime contracts to small and local businesses. Additionally, the audit will determine whether appropriate actions are being taken to implement task management action points and recommendations of an independent evaluation team. A sub-project is being conducted to evaluate procedures and processes for managing projects under the Hurricane Protection Office and the Protection Restoration Office.

### **Demolition Contracts**

Project Number: A-2006-FFD-0484.000

The audit objective is to determine whether the acquisition strategy provided the best value to the government. Additionally, the audit will examine the adequacy and implementation of quality assurance and quality control plans.

### **Air Force Audit Agency**

#### **Hurricane Disaster Planning**

The survey objective is to determine whether Air Force personnel implemented effective planning measures for hurricane responses.



## **Hurricane Katrina Supplemental Funds Management**

Project Number: F2006-FD1000-0210.000

The audit objective is to determine whether installation officials properly managed Hurricane Katrina supplemental funds. A draft report was issued.

## **Navy Audit Service**

### **Audit of Controls and Accountability Over Medical Supplies and Equipment for Hurricane Relief Efforts**

Project Number: N2006-NFA000-0009.005

The audit objective is to determine whether management controls over medical supplies and equipment used in hurricane relief efforts were effective. A draft report was issued.

### **Audit of Contractor Support Services in Support of Hurricane Relief Efforts**

Project Number: N2006-NFA000-0009.006

The audit objective is to determine whether management controls over service contracts were adequate to ensure the following:

1. Contract services were properly justified, provided services of value to the Navy, and met government requirements concerning authorized use of service contracts.
2. Contract deliverables were clearly defined and properly measured in terms of results, quality, and timeliness.
3. Contract deliverables met contract requirements in terms of results, quality, and timeliness.
4. The appropriate contract type was used to provide services at the lowest cost and least risk to the government.

A draft report was issued.

### **Information Systems Restoration and Data Recovery Related to Hurricane Katrina**

Project Number: N2006-NFA000-0009.007

The audit objective is to verify the following:

1. Effectiveness of information systems restoration and data recovery efforts as the result of Hurricanes Katrina and Rita; and
2. Internal controls are in place to ensure those efforts are executed according to laws and regulations and are adequate to prevent or promptly detect errors and irregularities.

A draft report was issued.

## **Chapter 3**

### **Department of Education**

In fiscal year 2007, the Office of the Inspector General (OIG) will audit the expenditure of funds under the Restart program in Louisiana, Mississippi, and Alabama. These states received almost 90 percent of the Restart program funding and the audits will determine whether the states had adequate controls in place to ensure the accurate allocation and expenditure of funds.

#### **Texas State Education Agency and Local Education Agency Controls Over Hurricane Education Recovery Act Funding**

Audit Number: A06G0009

The objective of this audit is to assess the adequacy of Texas State Education Agency (SEA) and Local Education Agency (LEA) controls over Hurricane Education Recovery Act (HERA) funding for the Emergency Impact Aid and Homeless Youth programs. For the two programs, the audit will determine whether the SEA and LEAs:

1. Have internal controls in place to ensure accurate displaced student count data;
2. Have adequate controls and criteria to make accurate allocations of funds; and
3. Made expenditures that were allowed by the terms of the grant and applicable laws and regulations.

#### **Louisiana SEA and LEA Controls Over HERA Funding**

Audit Number: A06G0010

The objective of this audit is to assess the adequacy of Louisiana SEA and LEA controls over HERA funding for the Emergency Impact Aid and Homeless Youth programs. For the two programs, the audit will determine whether the SEA and LEAs:

1. Have internal controls in place to ensure accurate displaced student count data;
2. Have adequate controls and criteria to make accurate allocations of funds; and
3. Made expenditures that were allowed by the terms of the grant and applicable laws and regulations.

### **Mississippi SEA and LEA Controls Over HERA Funding**

Audit Number: A04G0012

The objective of this audit is to assess the adequacy of Mississippi SEA and LEA controls over HERA funding for the Emergency Impact Aid and Homeless Youth programs. For the two programs, the audit will determine whether the SEA and LEAs:

1. Have internal controls in place to ensure accurate displaced student count data;
2. Have adequate controls and criteria to make accurate allocations of funds; and
3. Made expenditures that were allowed by the terms of the grant and applicable laws and regulations.

### **Alabama SEA and LEA Controls Over HERA Funding**

Audit Number: A05G0020

The objective of this audit is to assess the adequacy of Alabama SEA and LEA controls over HERA funding for the Emergency Impact Aid and Homeless Youth programs. For these programs, the audit will determine whether the SEA and LEAs:

1. Have internal controls in place to ensure accurate displaced student count data;  
and
2. Have adequate controls and criteria to make accurate allocations of funds.

### **Georgia SEA and LEA Controls Over HERA Funding**

Audit Number: A04G0015

The objective of this audit is to assess the adequacy of Georgia SEA and LEA controls over HERA funding for the Emergency Impact Aid and Homeless Youth programs. For these programs, the audit will determine whether the SEA and LEAs:

1. Have internal controls in place to ensure accurate displaced student count data;  
and
2. Have adequate controls and criteria to make accurate allocations of funds.

## **Chapter 4**

### **Department of Energy**

#### **Audit of Emergency Preparedness at the Bonneville Power Administration and the Western Area Power Administration**

The objective of this audit is to determine the preparedness of the Bonneville Power Administration and the Western Area Power Administration to respond to and mitigate consequences resulting from emergencies, which could include disruptions to operations of facilities, accidents, hostile attack, catastrophic earthquakes, or other natural phenomena. This audit is in the survey phase.

#### **Implementation of the Department of Energy's Pandemic Influenza Plan**

The objective of this inspection is to determine the adequacy of the Department of Energy's (DOE's) implementation of its Pandemic Influenza Plan. Based on Homeland Security Presidential Directive 8, subject, "National Preparedness," dated December 17, 2003, and the National Strategy for Pandemic Influenza announced by the President on November 1, 2005, all federal agencies were to immediately begin devising internal preparedness plans in support of the President's initiative. On March 29, 2006, the Deputy Secretary of Energy signed a memorandum stating that DOE's plan to meet the President's National Strategy for Pandemic Influenza was expected to be implemented by May 31, 2006. This inspection is in the fieldwork phase.

#### **The Department of Energy's Wildland Fire Planning and Preparation Efforts**

The objective of this audit is to determine whether DOE had taken action to identify possible hazards and mitigate the potential impacts of wildland fires. Wildland fires have impacted DOE facilities in the past. This audit will examine the Idaho National Laboratory, the Los Alamos National Laboratory, and the Nevada Test Site and includes actions taken from September 2005 through December 2006. A draft audit report was issued to DOE management for comment, and the OIG is awaiting management's comments.



Greensburg, KS, May 7, 2007 -- Greensburg, Kansas, as seen from the air by FEMA Administrator R. David Paulison and Kansas Gov. Kathleen Sebelius -- witnesses to widespread destruction of the small town where more than two dozen persons died or suffered serious injuries in the May 4 tornado .

## **Chapter 5**

### **Department of Health and Human Services**

#### **Department Accounting for Federal Emergency Management Agency Assignments**

As of January 20, 2007, the spending authority for the Department of Health and Human Services (HHS) FEMA-requested mission assignments totaled \$306.3 million. This spending authority is contained within 108 individual mission assignments with different magnitudes and objectives. OIG's audits will determine whether HHS is appropriately accounting for these costs.

#### **Auditing Vulnerable Hurricane-Related Procurements**

The OIG is auditing all HHS hurricane-related contractual procurements over \$500,000. These audits will specifically focus on the methods of procurement; costs incurred; and the quantity, quality, and timeliness of deliverables. The OIG plans to audit 72 procurements with a total value of \$92.7 million. As of January 20, 2007, the OIG had issued 15 audit reports with an audited value of \$28.7 million. The OIG is in the process of completing and issuing an additional 57 reports with an audited value of \$64 million.

#### **Transporting Medically Needy Evacuees**

The OIG is auditing the performance and monetary charges of a contractor responsible for returning to Louisiana, Mississippi, and Texas all evacuees who required enroute medical care and therefore cannot travel via commercial air or without medical assistance. It is estimated that 6,000 individuals may need to be transported. This contractor was awarded \$21 million to transport evacuees back to their medical facilities. A draft report was issued in April 2007.

#### **Duplication of Benefits**

At the request of the Department of Homeland Security (DHS) OIG and the President's Council on Integrity and Efficiency (PCIE) Homeland Security Roundtable, the OIG completed a program survey to identify potential duplication of benefits provided in declared disasters associated with Hurricanes Katrina, Rita, and Wilma. The OIG

distributed the survey request to various operating divisions within HHS and asked each operating division to complete the program survey form provided by the DHS Inspector General. Many federal agencies provided record levels of support, both financial and nonfinancial, through programs they administer during Presidentially Declared Disasters (PDD). The DHS Inspector General and PCIE will use this survey to determine which programs have the greatest risk of duplicative, excessive, and improper payments.

### **The Use of Purchase Cards in Response to Hurricane Katrina**

The OIG issued a draft report analyzing the use of purchase cards by HHS personnel deployed in response to Hurricane Katrina. The government purchase card program was designed to save the government money by avoiding costly paperwork and to expedite the process of making purchases. In response to Hurricane Katrina, Public Law 109-62 authorized agencies to streamline certain purchasing requirements for procurement of supplies or services to support rescue and relief operations. The objectives of this report were to:

1. Determine whether government purchase card purchases related to Hurricane Katrina complied with requirements for the use of the card; and
2. Identify lessons learned from Hurricane Katrina purchases to assist in the administration of the Government purchase card program during future emergency situations.

The OIG found that 15 percent of purchases did not comply with purchase card requirements. Additionally, cardholders had questions and concerns regarding some purchases; more than half of cardholders expressed the need for additional written guidance regarding emergency purchasing procedures. Lastly, the OIG found that Hurricane Katrina purchase data contained inaccuracies. The OIG recommends that the Assistant Secretary for Administration and Management (ASAM) provide additional written guidance on emergency purchasing procedures. The OIG also recommends that ASAM require training on emergency purchasing procedures. Finally, the OIG recommends that ASAM develop a tracking system for monitoring Government purchase card purchases during emergency situations.

### **Commissioned Corps Deployment in Response to Hurricane Katrina**

The OIG recently issued a draft report evaluating the U.S. Public Health Service Commissioned Corps' responses to Hurricanes Katrina and Rita and identifying ways in which the Corps could improve its response to future public health emergencies. The OIG found that the Commissioned Corps provided valuable support to states, but that more officers—especially nurses, mental health professionals, and dentists—were needed. While most deployed officers met the Corps' readiness standards, many needed experience, effective training, and familiarity with response plans. The OIG also found that agencies were unwilling or unable to allow some officers to deploy, while logistical difficulties delayed others' arrival in the field. Most officers were equipped properly, but some did not have working communications devices and other basic tools. The OIG

found that many officers personally incurred mission-related expenses and some were not reimbursed promptly, which could affect their ability to deploy to future public health emergencies.

The Corps is currently undergoing a transformation that may alleviate many of the challenges it experienced in responding to Hurricanes Katrina and Rita. To improve its effectiveness and efficiency, the OIG recommends the Corps also:

1. Implement more hands-on, focused training and seek funding to allow Corps officers to be paid for time spent in training;
2. Improve the system used to contact officers for deployment;
3. Work with the Assistant Secretary for Preparedness and Response to streamline deployment-related travel;
4. Stagger deployments to ensure continuity of operations; and
5. Improve its ability to coordinate mission assignments and communications in the field.

### **Hurricane Katrina-Related Medical Review Contract**

Due to the effects of Hurricane Katrina, beneficiaries of HHS programs who resided in the Gulf Coast states may have been evacuated to various places around the United States or otherwise significantly affected. In response to this situation and to ensure that victims of Katrina received needed health care, HHS used Section 1115 and 1135 waiver authorities to expand Medicaid coverage criteria. In this study, the OIG is describing the services and payments made under Section 1115 Medicaid waivers for victims of Katrina, and determining the extent to which providers enrolled in Medicaid under the Section 1135 waiver authority. Data collection for this study is complete and a draft report is expected in the second quarter of 2007.

### **Investigations of Health Care Fraud, Quality-of-Care Lapses, and Other Issues**

Currently, the OIG has 11 open investigations involving allegations of health care fraud, poor quality of care and patient abandonment, and is assisting in investigations of circumstances surrounding the deaths of nursing home residents and hospital patients. The OIG is also involved in two other cases that include allegations of individuals fraudulently obtaining benefits based on false information.





New Orleans, LA., October 17, 2005 -- Mike Chappell and Jim Gunnel from Department of Homeland Security look at the temporary levee built in the 9th Ward neighborhood following Hurricane Katrina.  
[Source: Andrea Booher/FEMA]

## **Chapter 6**

### **Department of Homeland Security**

In order to establish and focus on a continuous oversight presence in disaster-related activities, the OIG created the Office of Disaster Assistance Oversight (DAO). This office will strengthen the OIG's ability to react quickly and efficiently to a variety of disasters and further advance the OIG's collaborative efforts with the federal Inspector General community, through the President's Council on Integrity and Efficiency and Executive Council on Integrity and Efficiency's (PCIE/ECIE) Homeland Security Round Table, to achieve a holistic approach to federal disaster response and recovery oversight.

#### **Catastrophic Disaster Response**

During a natural or man-made catastrophic disaster, DAO will deploy experienced staff to FEMA's Emergency Operations Center, Joint Field Offices (JFOs), applicable National Processing Service Centers, and other FEMA field locations as appropriate to provide on-the-spot advice, assistance, and oversight to DHS, FEMA, state, and local officials. Major oversight activities include:

- Participating in all senior-level meetings at FEMA Headquarters and providing continuous, on-sight oversight of JFO operations by attending daily status, all hands, and senior staff meetings with JFO staff, state and local officials, and with Emergency Support Functions representatives;
- Monitoring mission assignments, reviewing supporting documentation, and coordinating and meeting with OIG officials from other federal organizations to discuss their roles and devise plans to provide the most review/audit coverage;
- Reviewing JFO-issued contracts and contracting procedures for disaster-related services and determining compliance with federal acquisition policies, procedures, and requirements;
- Identifying, documenting, and reviewing/auditing potential FEMA and state disaster management problems and issues in the area of debris removal,

emergency protective measures, assistance to individuals and households, temporary housing, longer-term public assistance repairs and restorations, and hazard mitigation, as well as other support areas (e.g., property management);

- Attending public assistance applicant briefings and kick-off meetings with FEMA, state, and local officials; overseeing the development of larger public assistance projects to ensure work eligibility and reasonableness; performing interim reviews of subgrantees claims; and following up on specific issues and complaints about subgrantee practices that are not in compliance with program requirements;
- Reviewing major grant recipients' financial management systems and internal control and coordinating with state auditors to develop review/audit strategies;
- Responding to Congressional requests/inquiries, briefing the Inspector General and other interested parties on the results of OIG oversight, and coordinating with the OIG Office of Investigations as to known or suspected fraud, waste, or abuse; and
- Coordinating with state and local government audit and investigative organizations.

The OIG focus will be on staying current on all disaster relief operations and activities, and evaluating (1) FEMA's implementation of existing response and recovery policies and procedures; (2) its development of new policies and procedures based on the magnitude of the disaster event; and (3) the adequacy of the internal control environment as hundreds of millions and potentially billions of dollars, are provided for response and recovery activities.

### **Disaster Assistance Grants (Nationwide)**

The Robert T. Stafford Disaster Relief and Emergency Assistance Act, P.L. 93-288, as amended, governs disasters declared by the President of the United States. Title 44 of the Code of Federal Regulations provides further guidance and requirements for administering disaster assistance grants awarded by FEMA to individuals, and to states and local governments. The OIG will perform audits of grantees and sub-grantees focusing on large grants (generally in excess of \$3 million) with suspected problems, and areas that are of interest to Congress and FEMA. The audits will include both open and recently closed applications and projects and will focus on costs as well as the eligibility of the grant applicant and the eligibility of the work funded by the grant. The audits will focus primarily on public assistance grants but may include hazard mitigation grants and grant assistance provided to individuals and households.

The objective of the review is to determine (1) the eligibility of the grantee or sub-grantee and of the work funded by the grant, and (2) whether grantees or sub-grantees accounted for and expended FEMA funds according to federal regulations.

Planned audits that have been completed:

- **University of Texas Health Science Center, Houston TX, FEMA Disaster #DR-1379-TX, Public Assistance Identification Number 000-UAA9T-00**  
(Report No. DD-07-01 was issued on October 17, 2006)
- **Virgin Island Water and Power Authority  
FEMA Disaster No. 1067-DR-VI**  
(Report No. DA-07-03 was issued on November 16, 2006)
- **FEMA Public Assistance Funds Awarded to Macon Water Authority**  
(Report No. OIG-07-06 was issued on November 3, 2006)
- **Audit of Federal Emergency Management Agency Public Assistance Grant Funding Awarded to the City of Richmond, California, After the Loma Prieta Earthquake**  
(Report No. OIG-07-26 was issued on February 7, 2007)
- **Audit of Personnel Costs Claimed by New York State Emergency Management Office Under FEMA Grant Programs**  
(Report No. DA-07-10 was issued on March 13, 2007)

### **Assessment of FEMA's Readiness to Respond to the Next Catastrophic Disaster**

Following Hurricane Katrina, many organizations identified numerous serious problems that resulted in FEMA's failure to effectively respond to the disaster. FEMA has been working to improve its readiness and now claims to be better prepared to respond to the next catastrophic disaster. The OIG will review the steps FEMA has taken to improve its capability in those areas identified as most seriously deficient in its response to Hurricane Katrina.

The objective of the review is to determine to what extent FEMA is better prepared to respond to a catastrophic disaster than prior to Hurricane Katrina.

### **FEMA Acquisition Management Review**

The success of any disaster relief effort depends in great part on effectively employing the U.S. Government's capacity to deploy efficiently and rapidly the means of relief and reconstruction: services, materials, and their supporting systems. This requires acquisition processes that are well structured and optimized for use in contingency situations. FEMA was not systemically well-poised to provide the kind of acquisition support needed for a catastrophic disaster such as Hurricane Katrina.

The OIG will conduct an acquisition management review at FEMA that will address major issues such as:

- Organizational alignment and leadership,
- Policies and processes,
- Acquisition workforce, and
- Information management.

This review will result in reports on individual procurement issues and will be followed by a capping report that will measure FEMA's progress in improving its acquisition capabilities.

### **Multilayered Disaster Contracts**

In the aftermath of Hurricane Katrina, FEMA has awarded more than \$7 billion in federal contracts to hundreds of companies. The Inspector General community and GAO have reported that the management and oversight of these disaster contracts has been dismal. Gulf Coast businesses, especially small businesses, allege that they are being shut out of participating in the recovery efforts because they cannot enter into the multi-tiered subcontracts except at the very bottom where profitability is very low. Prices paid under contracts, both prime contracts and all their subcontracts, are not readily available to the public or to Congress. Without visibility over contracting, Congress and the American people are unable to determine for themselves whether tax dollars are being spent efficiently and effectively.

The objective of the review is to determine the extent of multi-layered disaster contracts regarding Hurricane Katrina and document the various problems associated with them. This work may highlight particular case studies to illustrate the problem.

### **FEMA's Emergency Housing Unit Program**

FEMA provides temporary housing, including travel trailers, mobile homes, or other types of modular housing to disaster victims. During Hurricanes Katrina and Rita, more than \$2.5 billion was spent on travel trailers and mobile homes. FEMA's future disaster plan includes maintaining an inventory of housing assets at storage facilities in strategic areas of the country for expedited response to housing needs. The OIG will evaluate the effectiveness of the program and identify improvements, needed funding, staffing, contracting, acquisition management, property accountability, facility management, and internal controls. The OIG will evaluate the cost effectiveness of maintaining the facilities and the preventive maintenance procedures to safeguard housing assets at these locations.

The objective of the review is to:

1. Determine the effectiveness of the program, to include funding, staffing, contracting, acquisition management, and property accountability, and
2. Determine the cost effectiveness of maintaining FEMA storage facilities and the procedures in place to ensure the proper maintenance of the housing assets.

### **Accountability for Travel Trailers, Mobile Homes, and Modular Homes**

In response to the housing needs for victims of Hurricanes Katrina and Rita, disaster assistance operations involved acquisitions of travel trailers, mobile homes, and modular homes. OIG auditors and contractors will review FEMA's management of these housing assets and will evaluate internal controls in place to ensure the housing purchased is properly accounted for and managed for the life cycle of the assets.

The objective of the review is to evaluate controls in place for management of housing assets from purchase to final disposition.

### **FEMA's Exit Strategy for Transitional Housing in the Gulf Coast Region**

Tens of thousands of FEMA-purchased manufactured homes and travel trailers are occupied by 100,000 Gulf Coast evacuee families in scores of transitional housing sites throughout Alabama, Louisiana, and Mississippi where FEMA pays for security. According to FEMA's Office of Gulf Coast Recovery, the transitional housing sites that will be operating for 5 or more years are already plagued with violence, drugs, and gang activity. A July 2006 report on the situation at 20 of FEMA's transitional housing sites by the *Save the Children* organization painted a bleak picture of dysfunctional communities. The need for alternative housing in the Gulf Coast region suggests that these transitional housing sites may be permanent. The current situation is a recipe for human tragedy and a brewing public relations nightmare for FEMA. This review will assess how well FEMA is addressing the situation, what role other federal agencies should have in transitional housing, and whether FEMA has devised a road map for transferring the transitional housing sites to local governments.

The objective of the review is to (1) assess FEMA's strategy for dealing with the situation at the transitional housing sites; (2) evaluate whether there is adequate coordination with federal agencies, local authorities, and voluntary organizations; and (3) determine whether FEMA has formulated a coherent exit strategy.

### **Fraud Vulnerability of FEMA's Individuals and Households Program**

FEMA's Individuals and Households Program (IHP) provides eligible applicants with cash grants for temporary housing, home repair or replacement, and other disaster-related needs. In response to Hurricanes Katrina and Rita, more than \$6.7 billion in assistance has been awarded. Of this, GAO estimated that approximately \$1.0 billion was paid

based on potentially fraudulent applications. This review will use a case management methodology to identify the causes of the fraud in the IHP.

The objective of the review is to identify vulnerabilities and control weaknesses that enable fraud in FEMA's IHP.

### **FEMA's Debris Removal Program**

Removing debris created by Hurricanes Katrina and Rita will be an extremely costly and time-consuming endeavor throughout the Gulf Coast. The OIG is conducting numerous reviews of local governments' debris removal operations because the costs will be reimbursed by FEMA's Public Assistance grant program. There have been long-standing problems associated with debris removal and monitoring operations, and those problems are exacerbated by the size of the debris problem in the Gulf Coast. In response to these problems, FEMA is retooling its debris removal program and implementing new policies and procedures.

The objective of the review is to assess FEMA's debris program including its recent retooling effort, and identify best practices.

### **FEMA's Section 406 Mitigation**

FEMA provides public assistance grants to state and local governments to repair or restore infrastructure damaged by disasters. A component of that program allows for funding mitigation measures that the state or local government determines to be necessary to meet a need for governmental services and functions in the area affected by the major disaster. The opportunities for mitigation in the Gulf Coast will be enormous and the costs substantial. The OIG will conduct a performance review of FEMA's implementation and management of the mitigation component of its public assistance grant program in the Hurricanes Katrina and Rita recovery process.

The objective of the review is to determine how effectively FEMA is managing public assistance mitigation grants across the hurricane-damaged Gulf Coast.

### **FEMA's Hazard Mitigation Grant Program**

Authorized under Section 404 of the Stafford Act, the Hazard Mitigation Grant Program (HMGP) provides grants to states and local governments to implement long-term hazard mitigation measures after a major disaster declaration. The purpose of HMGP is to reduce the loss of life and property due to natural disasters and to enable mitigation measures to be implemented during the immediate recovery from a disaster. The program may provide a state with a percentage of the total disaster grants awarded by FEMA. To date, FEMA has committed about \$3 billion in HMGP funds to states along the Gulf Coast for Hurricanes Katrina and Rita.

The objective of the review is to determine how effectively FEMA and the states are managing the Hazard Mitigation Grant Program after Hurricanes Katrina and Rita.

### **FEMA's National Flood Insurance Program**

FEMA manages the National Flood Insurance Program (NFIP). Pursuant to Section 1345 of the National Flood Insurance Act of 1968 (42 USC § 4081) and subpart C of part 62 of title 44, Code of Federal Regulations, FEMA has arrangements with individual private sector property insurance companies through the Write Your Own (WYO) program. Participating companies offer flood insurance coverage to eligible applicants and arrange for the adjustment, settlement, payment, and defense of all claims arising from policies of flood insurance issued under this Program. The WYO Company acts as a fiscal agent of the federal government. When Hurricane Katrina made landfall in August 2005, there was damage from wind and flooding. The OIG will investigate whether, and to what extent, in adjusting and settling claims resulting from Hurricane Katrina, insurers under the WYO program improperly attributed damages to flooding, covered under the insurance provided by the NFIP, rather than to windstorms which are covered under the insurance of the individual private sector property insurers or by wind-storm insurance pools in which such insurers participated.

The objective of the review is to determine whether the NFIP WYO program was effective in properly attributing the damage from Hurricane Katrina to either flooding or windstorm.

### **Fire Management Assistance Grant Program**

The Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended by the Disaster Mitigation Act of 2000, authorizes state governments and Indian Tribal Governments to request federal funds under the Fire Management Assistance Grant (FMAG) Program for the mitigation, management, and control of any fire burning on publicly (nonfederal) or privately owned forest or grassland. Under the FMAG program, the state or Indian Tribal Government may request an FMAG declaration while a fire is burning uncontrolled and threatens such destruction as would constitute a major disaster. FMAG declaration requests are submitted to the appropriate FEMA Regional Director for approval.

The objective of the review is to determine whether the state (grantee) accounted for and expended fire management assistance grant funds according to federal regulations and FEMA guidelines.

### **Data Mining to Identify Duplication of Benefits**

FEMA has an array of assistance programs available to aid victims in recovering from damages sustained in PDDs. FEMA's Disaster Housing Program provides eligible applicants with assistance in the form of cash grants to make repairs to their home as well as other types of housing assistance for victims who need to rent. FEMA also provides



travel trailers and mobile homes to victims displaced by a disaster. Other housing options include hotels, motels, and apartments. The Federal Insurance Administration within FEMA manages the NFIP that provides flood insurance to property owners within participating communities. The maximum coverage that can be obtained is \$250,000.

The Computer Science Corporation maintains the database of active and cancelled flood policies as well as claims paid. Records of housing assistance, e.g., rental assistance that FEMA provides are maintained in the National Emergency Management Information System (NEMIS), and hotels, motels, and apartments are maintained in other databases.

The objective of the review is to determine whether recipients of FEMA's Disaster Housing home repair grant assistance have also received benefits from the NFIP. In addition, the OIG will determine whether duplication of assistance to victims has occurred among the various housing programs such as rent, trailers, mobile homes, hotels, and other forms of housing assistance.

### **FEMA Recommendation Tracking**

Since Hurricane Katrina, DAO has issued 82 reports and approximately 160 recommendations to FEMA. The OIG has received no response to 27 of these 82 reports. A Management Advisory Report is anticipated to summarize the situation and elevate the matter to FEMA management.

The objective of the review is to determine the status of recommendations on DAO reports issued since Hurricane Katrina.

### **Presence at FEMA Field Offices in the Gulf**

As DHS began operating JFOs in Alabama, Florida, Louisiana, Mississippi, and Texas, auditors and investigators were on site to provide oversight and technical assistance to FEMA and state and local officials. Currently, the OIG has auditors at FEMA's recovery offices in Florida, Louisiana, and Mississippi to provide a visible OIG presence to prevent misspending on questionable contracts and grant activities.

Key tasks to be completed include:

- Oversee contract activities for disaster-related services;
- Review public assistance projects as they are being considered for funding by FEMA;
- Review major grant recipients to determine whether they have financial management systems that are adequate for managing the grants;
- Conduct interim reviews of large public assistance grant recipients to ensure that they are documenting their costs and that the costs they claim are eligible for FEMA reimbursement; and
- Conduct final audits of FEMA sub-grantees as the rebuilding projects by local governments are completed. The objective of these audits will be to determine

whether the costs were properly accounted for and expended according to federal regulations and FEMA guidelines. The audits will be conducted via in-house staff and contract auditors.

Planned audits that have been completed:

- **Review of Hurricane Katrina Activities, City of Gulfport, Mississippi, FEMA Disaster 1604-DR-MS**  
(Report No. DA-07-02 was issued on October 19, 2006)
- **Review of Hurricane Wilma Activities, City of Port Saint Lucie, Florida, FEMA Disaster No. 1609-DR-FL**  
(Report No. DA-07-04 was issued on November 16, 2006)
- **Review of Ongoing Hurricane Katrina Debris Removal Activities in St Bernard Parish, Louisiana**  
(Report No. DD-07-02 was issued on November 30, 2006)
- **Review of Hurricane Katrina Activities, Hancock County, Mississippi, FEMA Disaster Number 1604-DR-MS**  
(Report No. DA-07-05 was issued on December 11, 2006)
- **Interim Review of Hurricane Wilma Activities, City of Coral Gables, Florida, FEMA Disaster No. 1609-DR-FL**  
(Report No. DA-07-06 was issued on December 11, 2006)
- **City of Houston, Texas**  
(Report No. DD-07-04 was issued on January 10, 2007)
- **Review of Hurricane Katrina Activities, Alabama Department of Conservation and Natural Resources FEMA Disaster 1605-DR-AL**  
(Report No. DA-07-07 was issued on January 16, 2007)
- **Interim Review of Hurricane Katrina Activities, Plaquemines Parish Sheriff's Office, Louisiana, FEMA Disaster No. 1603-DR-LA, Public Assistance Identification Number 075-02886-00**  
(Report No. DD-07-05 was issued on February 6, 2007)
- **Review of Hurricane Katrina Activities, Jones County, Mississippi, FEMA Disaster 1604-DR-MS**  
(Report No. DA-07-08 was issued on February 12, 2007)
- **Interim Review of Hurricane Rita Activities, Jefferson County, Texas, FEMA Disaster Number DR-1606-TX, Public Assistance Identification Number 245-99245-00**  
(Report No. DD-07-07 was issued on March 2, 2007)

- **Interim Review of Hurricane Katrina Activities, City of Kenner, Louisiana, FEMA Disaster No. 1603-DR-LA, Public Assistance Identification Number 051-39475-00**  
(Report No. DD-07-08 was issued on March 2, 2007)
- **Audit of Hurricane Katrina and Wilma Activities, Monroe County, Florida**  
(Report No. DA-07-09 was issued on March 13, 2007)

### **FEMA's Management and Oversight of Federally Declared Disasters Designated as FEMA –1577-DR-CA and FEMA-1585-DR-CA**

The California Office of Emergency Services (OES) requested that the OIG review FEMA's management of federally declared disasters FEMA-1577-DR-CA and FEMA-1585-DR-CA, winter storms of late 2004 and early 2005, respectively. Among OES assertions is that FEMA, in administering these disasters, violated federal regulations prescribed by the Robert T. Stafford Disaster Relief and Emergency Assistance Act, P.L. 93-288, as amended, Title 44 of the Code of Federal Regulations, Part 206, the Public Assistance Policy Digest (FEMA 321), and the Public Assistance Guide (FEMA 322).

The objective of the review is to determine whether FEMA properly managed the Public Assistance Program for the above-noted disasters.

### **FEMA's Award of 36 Trailer Maintenance and Deactivation Contracts (Congressional)**

Following Hurricane Katrina, FEMA awarded 36 task order contracts to maintain and deactivate trailers in Alabama, Louisiana, Mississippi, and Texas. Several of the unsuccessful bidders complained to FEMA, Congress, and the media that FEMA:

- Provided inconsistent information to bidders,
- Awarded contracts to unqualified bidders,
- Awarded contracts to contractors with excessive costs,
- Did not properly consider small and minority-owned businesses,
- Provided inadequate debriefing to unsuccessful bidders,
- Awarded contracts to “low ball” bidders, and
- Intends to destroy documentation supporting unsuccessful bids.

Congress held a hearing on the subject in May 2006. Shortly thereafter, two members asked the OIG to review the contract.

The objective of the review is to determine whether FEMA properly solicited and awarded contracts for temporary housing maintenance and deactivation. (Report No. OIG-07-36 was issued on March 30, 2007.)

## **Use of the Disaster Relief Fund Following DHS' Establishment of the Preparedness Directorate**

A DHS reorganization that took effect October 18, 2005, nearly 2 months after Hurricane Katrina made landfall, eliminated the Emergency Preparedness & Response Directorate. FEMA, which had been part of that Directorate, was placed directly under the DHS Secretary. The reorganization created a DHS Preparedness Directorate separate from FEMA, which absorbed some of FEMA's preparedness functions. These changes in organizational responsibilities created a situation whereby FEMA and the Preparedness Directorate may have overlapping funding objectives related to various preparedness and readiness activities. These functions were again reorganized in April 2007. Given the broad funding spectrum of FEMA's Disaster Relief Fund (DRF), it is critical that the DRF be monitored to ensure that it is being used appropriately.

The objectives of the review are to: (1) Determine whether DRF is being used for authorized purposes, and (2) Determine whether DRF expenditures are being accurately reported.

### **Selected Components of FEMA's Individual and Households Program**

Several components of FEMA's Individual Assistance grant program provide non-housing assistance for disaster victims. For example, victims may be able to get reimbursement for generators, chain saws, medical and dental costs, lost personal property, automobiles, and funerals.

The objective of the review is to evaluate how FEMA determines what costs will be paid and ensures applicant eligibility, how efficiently and accurately claims are processed, how FEMA manages recertification for rental assistance, and how FEMA ensures recoupment of overpayments, duplicate payments, and payments to ineligible recipients.

### **FEMA's Technical Assistance Contracts**

In the aftermath of Katrina, FEMA awarded sole source contracts to four companies for the installation, operations, maintenance, and deactivation of temporary housing units, among other tasks. The total value of these contracts is anticipated to be almost \$3 billion. Though all four companies were among the top 50 construction contractors in the country, the contract files did not contain documentation describing the process used to select these firms over other large firms. In addition, some of the task orders on these contracts were not definitized for several months, and FEMA initially did not have trained and experienced staff to monitor the costs or performance of these contracts.

The objective of the review is to determine the adequacy of contract documents, price reasonableness, the effectiveness of the inspection and payment processes, the effective use of warranties, and FEMA's adherence to effective contracting practices.

## **Special Transient Accommodations Program for the Evacuees From Hurricanes Katrina and Rita**

FEMA provides for temporary housing for disaster victims in hotels until such time as the victims can be transferred to longer term housing programs such as apartments, travel trailers, and mobile homes. Immediately after Hurricane Katrina, the American Red Cross (ARC) provided hotel and motel rooms for evacuees until October 24, 2005. The ARC was awarded a contract on October 20, 2005 for \$250 million to provide housing and pharmaceutical assistance to eligible evacuees for the period from August 29 to October 24, 2005. Subsequent to October 24, 2005, FEMA assumed responsibility for providing hotel and motel rooms for Katrina evacuees and awarded a task order under a General Services Administration (GSA) contract. Under this task order, the contractor was to be paid a flat rate of \$2.48 per night per room with the actual lodging costs to be paid separately.

The objective of the review is to determine whether lodging rates were reasonable, allowable, and measurable; whether evacuees were eligible to receive lodging; and whether FEMA and the ARC followed effective contracting practices. (Report No. OIG-07-31 was issued on February 20, 2007.)

### **FEMA Mission Assignments**

In any declared disaster or emergency, FEMA may direct other federal agencies, through mission assignments, to perform activities to support state and local governments. The agencies can request reimbursement from FEMA for eligible costs incurred during performance of the mission as the work is completed. The OIG is reviewing FEMA mission assignments to the five DHS components that received the largest mission assignments: Federal Protective Service, United States Coast Guard, U.S. Customs and Border Protection, U.S. Immigration and Customs Enforcement, and National Communication System. FEMA awarded \$775 million in Katrina mission assignments to those five DHS components.

The objective of the review is to ensure that mission assignments were managed to satisfy mission requirements, funds were spent effectively and accurately accounted for, contracting followed proper procurement procedures, adequate documentation was maintained, and that purchased property was managed according to governing laws and regulations.

### **FEMA Sheltering and Transitional Housing for Evacuees**

Hurricanes Katrina and Rita produced more than one million evacuees. Many are still living in transitional housing. The OIG is reviewing FEMA's planning for sheltering evacuees, and implementation of transitional housing that included long-term sheltering, hotels and motels, apartments, travel trailers and manufactured homes, cruise ships, and fixed facilities. The OIG will include FEMA's coordination with state and local

governments and voluntary agencies, and assess how well evacuee needs were met. The review will identify the actions FEMA is taking to be better prepared to provide housing to evacuees of future catastrophic disasters and recommend ways to prevent problems that occurred during the response to Hurricane Katrina.

The objective of the review is to determine to what extent FEMA's transitional housing program met the needs of the hurricane victims and to identify weaknesses that need to be addressed for future disasters.

### **FEMA's Property Management**

Disaster assistance operations involve numerous acquisitions of personal property by FEMA as well as other agencies. The OIG will review FEMA's management of personal property and will evaluate internal controls to ensure that personal property purchased during disaster operations is properly accounted for and managed. Personal property received through international donations also will be part of this effort.

The objective of the review is to evaluate how personal property is acquired, received, issued, disposed of, controlled, and tracked by the JFOs, Agency Logistics Centers, Territory Logistics Centers, and Remote Storage Sites.

### **Potential for Duplication Among Federal Disaster Assistance Programs**

The OIG is preparing an inventory of federal disaster assistance programs and assessing their potential for duplication of benefits. This is a high-level review rather than an effort to identify specific incidents of duplication. The OIG plans to use case studies to demonstrate the importance of applying safeguards to these programs to prevent both intentional and inadvertent duplication of benefits. Some instances of overlapping programs have already surfaced, such as individuals receiving both cash for rental assistance and housing provided by federal agencies.

The objective of the review is to produce a baseline report that identifies programs and areas within the federal government that are at risk of providing duplication of benefits to disaster victims.

### **Improvements to Information Sharing Are Needed to Facilitate Law Enforcement Efforts During Disasters**

A variety of federal agencies collect data that may benefit FEMA in activities such as determining eligibility of individuals for assistance and preventing duplicate assistance payments. Similarly, FEMA collects data that might be useful to other agencies. For example, FEMA data might contain information on the post-disaster location of missing children or others displaced by a disaster.

The objective of the review is to examine interagency data sharing processes and procedures to determine how interagency data sharing might improve the effectiveness of disaster response and recovery. A draft report was issued in February 2007.

### **Review of FEMA's Contract Administration and Costs Billed Under Order Numbers HSFE06-05-F-6232 and HSFE06-06-C-2018 to Clearbrook, LLC**

With the assistance of a GSA contracting official, FEMA issued an order for base camp services about 1 week after Hurricane Katrina with a not-to-exceed amount of \$50 million. Notwithstanding the large amount, this was treated more like a small purchase order. Among the procurement deficiencies were (1) no contractor's signature; (2) broad scope of work; (3) no cost or price analysis; (4) absence of sealed competitive bids; and (5) unclear compensation terms. This situation was exacerbated by the need for careful review of the contractor's invoice prior to payment approval. For example, FEMA did not review and consider the contractor's policy of billing on the basis of full capacity instead of actual occupancy. Subsequently, the amount for these services was increased to not-to-exceed a total of \$100 million through the issuance of a supplement to the first order as well as a separate contract.

The objective of the review is to identify the impact of potential overcharges that occurred through the non-adherence to federal contracting requirements. (Report No. DD-07-06 was issued on February 6, 2007.)

### **Hurricane Katrina Fraud Task Force**

OIG investigators continue to be active participants on the Department of Justice Fraud Task Force established by the U.S. Attorney General on September 8, 2005. As a result of Hurricanes Katrina and Rita, the OIG has established offices in Baton Rouge, Louisiana, Biloxi, Mississippi, Mobile, Alabama, and Hattiesburg, Mississippi, and has staffed these offices primarily with temporary contractor investigators who are Cadre of On-Response Employees or Disaster Assistance Employees. The OIG will continue to fully participate on the task force during FY 2007.

### **Project Hope (Congressional)**

At the request of a Senator, the OIG is reviewing the Crisis Counseling Program (CCP) grant made to Florida's Department of Children and Families for the implementation of Project H.O.P.E. (Helping Our People in Emergencies) in response to Hurricanes Katrina and Wilma. The senator additionally requested that the OIG review whether funds had been used effectively to benefit disaster victims.

The objective of this review was to determine whether Project H.O.P.E. was: (1) expending funds according to the scope of the grant award; (2) being properly monitored to ensure that all participants were operating within approved guidelines, as defined by the HHS Center for Mental Health Services and FEMA; and, (3) carrying out approved activities to meet the intent of the CCP.

## **FEMA's Plans for Grant Awards Under the Alternative Housing Program Pilot (Congressional)**

In 2006, \$6 billion in supplemental appropriations were designated for Disaster Relief, of which \$400 million was made available to FEMA for an “alternative housing pilot program in the areas hardest hit by Hurricane Katrina and other hurricanes of the 2005 season.” In response, FEMA officials developed and implemented a grant competition to “identify, develop, and evaluate alternatives to and alternative forms of disaster housing.” The competition was limited to the state-designated agencies of the Gulf Coast states of Alabama, Florida, Louisiana, Mississippi, and Texas. By awarding competitive grants, FEMA officials sought to identify the best alternatives for housing disaster victims. By restricting the competition to the five Gulf Coast states, FEMA officials sought to comply with the Congressional intent that those areas hardest hit by Hurricane Katrina and the 2005 hurricanes receive the housing developed under these grants. At the request of a Congressman, the OIG is reviewing the FEMA’s grant awards under the Alternative Housing Pilot Program (AHPP). The Congressman requested that the OIG address a number of issues concerning the AHPP grant award process.

The objective of the review was to determine whether: the \$400 million available for the program was appropriately allocated and hurricane-affected communities received proportionate shares of the available funds; the decisions of the AHPP awards panel and FEMA officials led to the funding of innovative and creative emergency housing solutions; the AHPP awards panel reached fair and balanced decisions; the AHPP panel review process was subject to the basic federal advisory committee requirements of openness and transparency; and there were any violations of law in the manner in which the AHPP grant project selections and awards were conducted. (Report No. OIG-07-39 was issued on April 20, 2007.)

## ***Journal Gazette's Alleged Findings of Fraud, Waste, and Abuse by FEMA* (Congressional)**

At the request of a Congressman, the OIG is reviewing FEMA’s assistance to Allen County, Indiana, individuals and households that sustained disaster damage after severe storms and flooding occurred in 2003. The request for this review was predicated on a newspaper article entitled *FEMA’s Legacy of Waste*, dated October 29, 2006, in Fort Wayne’s *Journal Gazette*. The article discussed FEMA’s disaster assistance to individuals who did not have flood damage, and denial of assistance to others who did have flood damage. In his letter dated October 31, 2006, the Congressman requested that the OIG determine whether: (1) households receiving disaster assistance in zip codes outside of the flood zone were truly in need of assistance; (2) households with apparently serious flood damage were incorrectly denied assistance; and (3) FEMA’s current standards and methods for assessing damage after disasters prevent waste, fraud, and abuse.



The objective of this review was to determine whether there was evidence of improper assistance provided to individuals or of improper denials to individuals as a result of the disaster damages in Allen County, Indiana, during the summer of 2003, and to determine whether FEMA used improper standards in assessing damages for this disaster.

### **Upgrade of the National Emergency Management Information System – eNEMIS**

Within DHS, FEMA has been delegated responsibility for coordinating emergency response and recovery activities with other federal agencies, as well as with state and local governments. Ensuring interoperable information technology is critical to effectively accomplish this mission. In a report, *Emergency Preparedness and Response Could Better Integrate Information Technology with Incident Response and Recovery* (OIG-05-036), OIG identified problems and issues regarding FEMA's Information Technology (IT) management approach. Specifically, the OIG reported that IT systems cannot effectively handle increased workloads, are not adaptable to change, and do not have needed real-time reporting capabilities.

As part of its effort to improve its emergency management systems, FEMA is transforming the NEMIS into a web-based application, called eNEMIS. This effort involves modernization of the current NEMIS components, including the integration and consolidation of supporting systems to create a user-friendly, single point-of-access resource. The effort affects approximately 13,000 users, including DHS employees, temporary employees, contractors, and other federal and state employees from 27 different government organizations.

As a followup to a September 2005 report, the OIG will assess the effectiveness of FEMA's approach to procuring and implementing eNEMIS to improve support for emergency management operations.

### **Laptop Computer Security - FEMA**

As the weight and price of laptops have decreased and their computing power and ease of use have increased, so has their popularity for use as primary or alternate computers for government personnel. However, due to their portability, the use of laptops significantly increases the risk of theft or loss. As a result, there is increased risk that national security or sensitive data may be exposed, possibly resulting in harm to the national infrastructure. Consequently, government organizations that provide for the use of laptop computers must take steps to ensure that the equipment and the information that is stored on them are properly protected.

The audit objective is to determine whether FEMA has established and implemented adequate and effective security policies and procedures related to the physical security of and logical access to government-issued laptops.

## **Chapter 7**

### **Department of Housing and Urban Development**

#### **Real Estate Owned Properties and Marketing and Management Contractors**

The audit objective is to determine whether Marketing and Management (M&M) contractors complied with Housing and Urban Development's (HUD) regulations, procedures, and instructions in the management of HUD's real estate-owned properties held off market to house disaster victims.

#### **203 (h) Program – Mortgage Insurance for Disaster Victims**

The audit objective is to examine program procedures and report on statistics for HUD's 203 (h) program, which allowed disaster victims in PDDs, whose homes were damaged or destroyed, to apply for mortgage insurance.

#### **Homeownership Grant Programs**

The audit objective is to determine whether the Gulf state or its Development Authority or contractor(s) have adequate procedures and controls to ensure that program benefits are not duplicated, only eligible participants are assisted, and proper grant amounts are determined for each eligible participant.

#### **Bridge Loan Program**

The audit objective is to determine whether the Louisiana Recovery Authority or its contractors have adequate procedures and controls to ensure eligibility of applicants to the Bridge Loan Program, and to verify whether loan recipients owned or operated bona fide businesses, and to determine whether loan proceeds were used for business purposes.

#### **Entitlement Community Planning and Development (FYs 2005 and 2006)**

The audit objective is to research Community Planning and Development's Community Development Block Grant (CDBG) policy and report with regards to both the similarities

and differences between annual CDBG funding and disaster supplemental funding. In addition, the audit is to determine the status of pre-hurricane FYs 2005 and 2006 CDBG entitlement funding or unexpended funding, as well as determine status of disaster supplemental funding as program income and future CDBG funding.

### **CDBG Traditional Deliverables**

The audit objective is to determine whether the Gulf state or its administering state agency or contractor(s) have adequate procedures and controls to ensure that program benefits are not duplicated, only eligible participants are assisted, and proper grant amounts are determined for each eligible participant.

### **Public Housing Authorities**

The audit objective is to determine whether Mississippi Development Authority or its construction manager have adequate procedures and controls to ensure that costs and expenses for repair, rehabilitation, and replacement are documented and verified.

### **Public Housing Authorities Fungibility**

The audit objective is to inspect and review procedures under which eligible Public Housing Authorities in Louisiana and Mississippi combined public housing Capital Funds (including Replacement Housing Factor grants), Operating Funds, and Housing Choice Vouchers received during calendar year 2005 and eligible prior years' funds that were not yet obligated or expended in the program for which they were intended.

### **Multifamily Recertification (Gulf Coast)**

The audit objective is to inspect, evaluate, and report on recertification and Housing Assistance Payment procedures for selected multifamily properties located in the Gulf Coast states that were taken offline for payments during October 2005 and subsequently placed back online.

# **Chapter 8**

## **Department of Interior**

### **Evaluation of Department of the Interior Reconstruction Efforts**

OIG evaluation effort will focus on the Department of the Interior's hurricane reconstruction efforts. The OIG will look at construction projects initiated as a result of the hurricane to determine whether they are reasonable and necessary. The OIG will also include a review of concession reconstruction to ensure that leasehold surrender interest is properly accounted for and tracked.

The scope and methodology will include:

- All construction projects funded as a result of the hurricanes;
- All concessions reconstruction as a result of the hurricanes;
- Reviewing a sample of concessions reconstruction to determine whether leasehold surrender interest is properly tracked and accounted for; and
- Reviewing a sample of the construction projects to see if the scope is reasonable (the new construction is the right size, quality) and necessary (the construction is replacing a building, road, or other structure for a requirement that existed previously and still is a need of the Bureau or Department).

### **Investigation Efforts**

The OIG may also conduct investigations and assessments related to hurricane expenditures and activities where appropriate. According to established protocols, the OIG may conduct investigations of allegations pertaining to the misappropriation or misuse of government funds, property, or resources brought to the OIG's attention by referral from congressional or departmental sources, the public, or developed by OIG audit staff. As deemed necessary, the OIG may also conduct assessments of activities such as the use or misuse of departmental law enforcement or emergency management assets and resources acting in emergency response under the National Incident Management System and National Response Plan.



Princeville, NC, September 18, 1999 -- Detour Ahead! U.S. Coast Guard and North Carolina Department of Transportation employees move detour signs by boat to roads in eastern Edgecombe County. Miles of roads were flooded, cutting off access to cities throughout the state.  
[Source: Dave Saville/FEMA]

# **Chapter 9**

## **Department of Labor**

### **National Emergency Grants and Job Training Grants for Katrina Disaster Recovery**

The OIG is reviewing state and local plans for the National Emergency Grants (NEG) funds and evaluating controls over financial expenditures and performance reporting. In addition, at selected worksites, the OIG will reconcile performance reporting with participants assigned to the worksite, interview participants, observe work being conducted, and evaluate participant supervision.

The audit objective is to determine whether states have properly followed their state-submitted plans in administering funds received under NEGs and job training grants related to Hurricane Katrina and if funds spent under these grants are necessary and reasonable and in keeping with the grants' purpose.

### **Social Security Number Verification Data Analysis**

The OIG will work with the Louisiana Department of Labor (LDOL) to submit all hurricane-related claims to the Social Security Administration (SSA). The OIG will use these results as well as the results of the comparison between LDOL's claims with the Department of Commerce's Master Death File and LDOL's Disaster Unemployment Assistance (DUA) payment file to evaluate LDOL's process used for initiating claims following the hurricane and impediments to the state not availing itself to real-time access to SSA's database.

The audit objective is to identify questionable claims as evidenced by the use of invalid social security numbers (SSNs) by persons filing Hurricane Katrina-related DUA claims (i.e., individuals using the SSNs of deceased individuals, or using SSNs that the SSA has never issued).

### **Louisiana DUA Debit Card Assessment**

The OIG will evaluate controls used at LDOL and other responsible entities in the process of issuing and managing debit cards. The OIG will analyze the bank's data file

on the status of debit cards and match inactive debit card accounts to LDOL's payment file. The OIG will also compare LDOL's total DUA claims to draw downs from the Employment and Training Administration's DUA grants as of the same date.

The audit objective is to determine the monetary impact on federal funds as a result of Louisiana's automatic pay system for debit cards issued to Hurricane Katrina victims that were never activated or were undelivered to the claimant.

### **Analysis of Louisiana's National Directory of New Hires Database Match Outcomes**

Work with LDOL to submit hurricane-related claims to the Louisiana Department of Social Services for comparison with the National Directory of New Hires and LDOL's payment files.

The audit objective is to determine the monetary impact on state and federal funds as a result of individuals continuing to collect unemployment benefits in Louisiana after becoming employed in Louisiana or another state as a result of Hurricane Katrina.

### **DUA Claimant Eligibility in Louisiana and Mississippi**

From each state data file, obtain DUA information for sampled claimants to determine whether they adequately proved employment. For Mississippi, calculate the amount the state would have paid in DUA had it based payment on claimants' base period wages instead of paying the maximum wage benefit amount.

The audit objective is to determine whether hurricane-affected DUA claimants were entitled to the payments they received, and if the states effectively implemented DUA payment controls and eligibility review procedures in addressing modified DUA eligibility rules.

### **Louisiana Public Service Employment Participants Receiving Mississippi and Texas Unemployment Benefits**

The OIG will obtain Louisiana's data file of individuals enrolled in NEG Public Service Employment (PSE) activities and Texas' and Mississippi's Hurricanes Katrina- and Rita-related unemployment benefits databases. The OIG will compare the NEG PSE and unemployment benefits databases to identify individuals receiving unemployment payments who were also being reported as working under NEG PSE projects in Louisiana on or after the date they began receiving unemployment benefits. The OIG will then compare these records to PSE payroll records and calculate questionable overpayments.

The audit objective is to determine whether individuals received unemployment benefits in Mississippi and Texas for the same weeks they received wages while enrolled in Louisiana's NEG PSE program.

## **Hurricane Katrina Investigations**

The Department of Labor's OIG has significantly increased its investigative activity related to disaster fraud cases over the last year. As of January 17, 2007, it had opened 292 investigations. To date, enforcement actions have yielded the following results:

Arrests	29
Indictments	46
Convictions	30

Investigative work will concentrate on labor racketeering schemes in reconstruction and debris removal, many of which involve non-traditional and traditional organized crime. In FY 2007, the OIG initiated several cases on casino reconstruction and debris removal fraud in the disaster region.

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Lake City, Fla., May 15, 2007 -- Firefighters look on as an area of fire rages out of control. The U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA) authorized 5 Fire Management Assistance Grants between March 27th and May 10th 2007, to help Florida fight fires in 16 counties.

[Source: Mark Wolfe/FEMA ]

## **Chapter 10**

### **Department of Transportation**

#### **Audit of Opportunities for the Federal Highway Administration to Free Up Unneeded Funds in States Affected by Hurricanes Katrina and Rita and Use Those Funds on Recovery Efforts**

Congress is considering a multibillion-dollar proposal to cover the long-term cost of reconstructing roads and bridges damaged by Hurricanes Katrina and Rita in the Gulf states. The OIG is assisting the Federal Highway Administration (FHWA) and the affected states by identifying funds dedicated to congressionally directed projects that are no longer needed. With congressional approval, the identified funds could be freed up and redeployed to reduce the cost of reconstruction.

The audit objective is to assist FHWA in identifying funds dedicated to congressionally directed projects that are no longer needed and may, with congressional approval, be freed up and redeployed to other projects within the same state to reduce the cost of reconstruction.

#### **Emergency Transportation Services Contract: Lessons Learned From the 2005 Gulf Coast Hurricanes**

The report discusses lessons learned relating to contract design and administration and the Department of Transportation's (DOT's) actions in modifying its emergency transportation services contract in response to Hurricane Katrina and other 2005 hurricanes. Having an emergency transportation services contract in place successfully allowed DOT and its contractor to carry out a strong, rapid response during the hurricanes. However, the disasters also provided lessons about how contracting practices can be improved. For future emergency contracts, the OIG recommended DOT ensure administrative fee rates are structured appropriately to avoid overpaying when services dramatically increase due to disasters. Additionally, the OIG recommended use of negotiated profit rates that are appropriate for the types of contracts awarded. DOT agreed with the recommendations. (Report No. FI-2007-030 was issued on February 5, 2007.)

## **Oversight of Airport Improvement Program Hurricane Grants**

On December 13, 2006, the OIG issued a review of the Federal Aviation Administration's (FAA) oversight of funds provided to airports to repair damage caused by Hurricanes Katrina and Rita. Overall, the OIG determined that FAA responded quickly and awarded 10 grants totaling nearly \$40.5 million to hurricane-damaged airports to assist in their rebuilding efforts. However, FAA planned no heightened oversight of grant fund expenditures. The scope of the damage caused by the hurricanes, and the need for planning that FAA and the airports were able to do before the grants were awarded, created an increased potential for fraud, waste, and abuse of grant funds

As a result of the concerns identified by the review, in March 2006, FAA took action and issued guidance to enhance its oversight of airport improvement program funding for hurricane repairs. FAA also withdrew 7 of the 10 grants to allow airports time to obtain bids and to permit them to benefit from October 2005 legislation that eliminated requirements for airport matching funds and expanded the type of projects eligible for grant funding. The OIG recommended that FAA develop a plan to verify that its district office personnel are effectively implementing the new guidance requiring grantees to promptly submit more detailed expenditure reports and requiring FAA airport project managers to verify the appropriateness of grant fund expenditures and conduct required site visits to review the progress of airport projects. On December 8, 2006, FAA completed implementation of these recommendations. (Report No.AV-2007-014 was issued on December 13, 2006.)

# **Chapter 11**

## **Environmental Protection Agency**

### **New Housing Contract for Hurricane Katrina Command Post**

The objective of this audit is to determine whether the requirements for Contract EP-R6-06-03, for providing office space and housing at the Hurricane Katrina incident command post, were well supported and justifiable, and whether the contract was awarded fairly using full and open competition.

### **Environmental Protection Agency Emergency Response Business Plan**

The general objective of this project is to determine the adequacy of Environmental Protection Agency's (EPA's) analysis of personnel and resource needs and gaps for a response to Incidents of National Significance and if this analysis provides a reliable indicator of gaps.

### **Emergency Response**

The audit objective is to determine:

- The extent of Publicly Owned Treatment Works compliance with EPA's Risk Management Program;
- If EPA's Risk Management Plan (RMP) program audits are adequate;
- If RMPs are being made available to state and local governments, as Congress has mandated; and
- If state and local governments have used the results of RMPs to better manage risks.

### **Selected Issues Regarding EPA Planning, Preparedness, and Response Capability for an Airborne Emergency**

The audit objective is to evaluate EPA's emergency response standards for community evacuation, worker re-entry, residential/commercial re-entry, and standards for short-term exposure for determining when it is acceptable for individuals to return to an area considering potential acute health outcomes.

## **Chapter 12**

### **General Services Administration**

In FY 2007, the OIG will continue with the second phase of an audit on the General Services Administration's (GSA's) response to Hurricane Katrina. This segment will focus on how well GSA reacted to the real property issues resulting from Hurricane Katrina. Specifically, the audit will review preventive actions taken by GSA to safeguard assets and to prepare GSA tenants for the hurricane. The OIG will also analyze the processes used to assess and repair those properties damaged by Hurricane Katrina. Similarly, the OIG will review steps taken by Public Building Service to determine the necessary actions for affected leased properties (e.g., terminate, suspend, or continue leases). Lastly, the OIG will examine the financial implications of Hurricane Katrina on the Federal Buildings Fund.

The Office of Investigations continues to conduct investigations to ferret out fraud, waste, and abuse in GSA contracts and programs.

## **Chapter 13**

### **National Aeronautics and Space Administration**

#### **Audit of Federal Emergency Management Agency Mission Assignments for Hurricane Katrina Disaster Relief**

The audit objective is to evaluate the National Aeronautics and Space Administration's accounting for funding and incurred costs for an interagency agreement with FEMA and four FEMA mission assignments for Hurricane Katrina disaster relief efforts.



Greensburg, KS, May 23, 2007 - A basement is all that's left of a home in the middle of town. Most of the buildings that were not blown away by the May 4 tornado will have to be torn down. FEMA is paying seventy-five percent of the removal costs.

[Source: Greg Henshall / FEMA]

## Chapter 14

### Small Business Administration

As of February 1, 2007, the Small Business Administration (SBA) OIG had an inventory of 44 open investigations directly related to the 2005 Gulf Coast hurricanes. The most common allegations involve:

- Unauthorized use of loan proceeds;
- Material false statements in the application process;
- False/Counterfeit supporting documentation (invoices, receipts, tax returns, etc.); and
- False assertions regarding residence in affected areas at time of disaster.

The SBA OIG has developed several proactive initiatives to identify potential fraud cases:

- Criminal history and citizenship queries on a statistical sampling of applicants to ensure compliance with SBA character criteria;
- Information sharing with the Louisiana State Police Insurance Fraud Unit;
- Early Fraud Detection Working Group; and
- Data match with HUD CDBG application information to detect potential duplicate payments.

In addition, the SBA OIG continues to be an active participant in the Hurricane Katrina Fraud Task Force in the states of Louisiana and Mississippi.

As of February 1, 2007, SBA Gulf Coast hurricane disaster loans already in some stage of delinquent status were as follows:

<u>Hurricane Katrina:</u>		<u>Hurricane Rita:</u>	
Charged Off:	10	Delinquent:	3
Delinquent:	168	Past Due:	17
In Liquidation:	2		
Past Due:	637		



## **Review of Gulf Coast Hurricane Section 8(a) Contracts Awarded Through FY2006**

In response to the Gulf Coast hurricanes of 2005, the federal government awarded billions of dollars in procurements, including millions of dollars in Section 8(a) contracts. A comparison of reports from the “Federal Procurement Data System–Next Generation” with SBA’s database showed significant discrepancies in the number of small business awards being reported by procuring agencies and the number of procurement requirements accepted into the 8(a) program. These discrepancies indicate that procuring agencies may be bypassing SBA’s approval process or SBA may not be properly updating its database to ensure that it accurately reports Section 8(a) Gulf Coast contracting activities.

The audit objective is to determine whether federal agencies obtained approval from SBA prior to awarding Section 8(a) contracts and identify data discrepancies between SBA and procuring agency’s procurement databases.

## **Review of Disaster Loan Disbursements**

SBA undertook an initiative to disburse funds on approximately 90,000 loans approved for Hurricanes Katrina, Rita, and Wilma loans within 45 days. A complaint received by the OIG alleged that, among other things, borrowers were forced to accept disbursements against their wishes. A previous audit identified a large number of borrowers who had not requested disbursements, either because they were going to cancel their loans or were uncertain whether they wanted or could afford them.

The audit objective is to determine whether disaster loan proceeds were disbursed contrary to borrowers’ wishes.

## **Filing of Mortgage Liens on Gulf Coast Disaster Loans**

The audit of SBA’s 2006 financial statement identified a backlog of borrower checks for lien filings that had not been processed by the Agency. Approximately two-thirds of the checks were over 60 days old. Because late lien filings can affect SBA’s lien holder position, this backlog presents a substantial risk.

The audit objective is to determine if liens for home and business disaster loans related to the 2005 Gulf Coast hurricanes were recorded timely and prior to disbursement of loan proceeds.

## **Review of Disaster Loss Verification Process**

SBA’s loss verification process evaluates the extent and causes of personal or business property damage and determines repair or replacement costs. This process is subject to a risk of overstated losses because loss verifiers, who are the only individuals that view the damage caused by the disaster, may make erroneous evaluations. In the past,

photographs of the damaged property were taken to provide evidence of the magnitude of the damage; however, recent changes to the verification process discontinued the use of photographs. Erroneous evaluations could inflate the cost of disaster loans and provide benefits not deserved.

The audit objectives are to determine whether: (1) SBA exercised adequate oversight of, and provided direction to, loss verifiers to ensure that losses were adequately verified; (2) the loss verification process was adequately designed to ensure the cause and cost of damage was appropriately determined; and (3) SBA had adequate safeguards over the hiring and screening of loss verifiers to prevent fraud and conflicts of interest.

### **Review of the Expedited Disaster Loan Application Process**

SBA established a pilot program to expedite the underwriting of disaster loans to provide faster assistance to homeowners, renters, and businesses affected by the Gulf Coast hurricanes. Credit scores were used to underwrite the loans and generate approval/disapproval decisions. A primary feature of this process was automatic loan declination for borrowers with credit scores below 540 and, under certain conditions, recommended acceptance for borrowers with credit scores at 620 or above. Scores between 540 and 620 required additional review before a decision is rendered.

The audit objectives are to determine whether (1) SBA's Expedited Disaster Loan Application Process was effective in expediting loan approval, and (2) loans were awarded to eligible borrowers.

### **Adequacy of Documentation Supporting Expedited Disaster Loan Disbursements**

While SBA was successful in reducing the backlog of loan disbursements, questions have arisen regarding whether documents related to hazard insurance, mortgage recording, insurance injection, and potential duplication of benefits were appropriately verified. Failure to secure these documents could jeopardize SBA's position as a lien holder, result in SBA accepting unsecured collateral for the loan, and allow duplicate benefits to be processed.

The audit objective is to determine if loan-closing requirements were circumvented during expedited disbursement of disaster loans.

### **Duplicate Disaster Payments Made During Expedited Loan Processing**

Under the Stafford Act, SBA is required to ensure that borrowers do not receive financial assistance for losses that are reimbursed by other Federal or state programs, insurance, etc. Recipients of SBA disaster loans who receive compensation from other sources must remit these benefits to SBA in order to reduce outstanding loan balances.

The audit objective is to determine the adequacy of controls over SBA's coordination with various states and insurance companies to avoid duplication of benefits associated with the 2005 Gulf Coast hurricanes.

### **Review of SBA's Disaster Staffing and Mobilization Plan**

To process the large loan volume associated with the Gulf Coast hurricanes, SBA's Office of Disaster Assistance initially increased staffing by nearly 350 percent, and then subsequently reduced it by half. SBA has also certified a disaster reserve workforce of over 400 customer service representatives and over 200 loss verifiers. While SBA increased staffing levels at the front end of the loan process, it has not yet determined how it will meet the servicing and liquidation requirements generated by the Gulf Coast loan volumes. It has also not assessed how it will mobilize staff for future large-scale disasters. A recent GAO report emphasized that SBA needs to engage in advanced disaster response planning to better position itself to provide disaster assistance.

The audit objectives are to determine whether (1) SBA's staffing plan for servicing and liquidating Gulf Coast hurricane loans is adequate, and (2) SBA has developed a plan for managing future large-scale disasters that will allow for leveraging outside resources and is responsive to changing circumstances and scenarios.

## **Chapter 15**

### **Social Security Administration**

#### **Accountability Over Duplicate Payments, Equipment, and Records in the Hurricane Recovery Area**

Hurricanes Katrina and Rita struck the coastal regions of Alabama, Louisiana, Mississippi, and Texas in August and September 2005. Approximately 1 million beneficiaries and recipients receiving approximately \$700 million in monthly benefit payments were affected. In September and October 2005, SSA issued more than 84,750 immediate payments, totaling \$45.5 million, to beneficiaries and recipients in the affected regions. By comparison, SSA issued 22,894 immediate payments, totaling \$13.5 million nationwide in September and October 2004.

Because of the widespread damage and resultant business closings, mail delivery stoppage, and relocation of beneficiaries and recipients, SSA modified its procedures for issuing emergency and immediate payments. Those beneficiaries and recipients who did not receive their benefit checks, either by mail or electronic fund transfers (EFT), were instructed to go to any open SSA office to receive an emergency or immediate payment to replace the full amount of their benefit payment. In September and October 2005, 8,100 Old-Age, Survivors, and Disability Insurance beneficiaries who received their benefits via EFT also received an immediate payment. SSA began sending notices on January 30, 2006, advising those beneficiaries they were being charged with an overpayment. Additionally, numerous SSA facilities in Regions IV and VI were affected by the floodwaters, with facilities, records, and computer equipment damaged or contaminated and having to be destroyed. GSA contractors assisted in the destruction and disposal of damaged equipment and approximately 40,000 claimant files.

The audit objective is to review the process for identifying and collecting overpayments resulting from duplicate payments issued during the storm recovery efforts and to determine whether SSA properly accounted for and safeguarded equipment and records disposed of after the storms.

## **The Social Security Administration's Accountability of Federal Emergency Management Agency Funds Provided for Hurricane Relief Efforts**

In the aftermath of Hurricanes Katrina, Rita, and Wilma, there was a rush to provide service to the public and provide assistance in the hurricane recovery efforts. As part of its role to effectively manage federal response and recovery efforts following any national incident, FEMA is authorized to use Mission Assignments. These Mission Assignments are a unique type of Interagency Agreement, tasking or work order issued by FEMA to expedite aid by requesting reimbursable assistance from other federal agencies. FEMA uses these Mission Assignments to provide immediate, short-term emergency response assistance to meet the urgent needs of a state by directing other federal agencies to complete specific tasks in preparation for, or in response to, a Presidential declaration.

SSA was authorized \$1.2 million for costs associated with its Mission Assignments to provide volunteer staff to augment existing FEMA cadres in response to relief efforts. This Mission Assignment included a reimbursable cost estimate for travel, per diem, and overtime costs for volunteers. To date, SSA has received reimbursement for 58 employees who reported for FEMA assignments. Congress and the public have raised concerns about the oversight and management of federal funds provided for hurricane relief efforts. To identify any possible areas of fraud, waste, abuse, or mismanagement, DHS OIG is requesting that Inspectors General review the accountability of Mission Assignment funds within their respective agencies.

The OIG objective is to evaluate the effectiveness of the SSA internal control procedures and accountability of funds provided by FEMA in response to the 2005 Gulf Coast Hurricanes Katrina, Rita, and Wilma.

## **Chapter 16**

### **United States Department of Agriculture**

#### **Hurricane Indemnity Program and Tree Indemnity Program**

Audit number: 03601-13-AT

The audit objective is to assess United States Department of Agriculture (USDA) implementation and controls over the Hurricane Indemnity Program and Tree Indemnity Program.

#### **Barge Movement and Transportation Differential Agreements**

Audit number: 03601-21-KC

The audit objective is to determine whether Commodity Credit Corporation (CCC) payments made for barge movement, barge unloading, and transportation differential agreements were effective in removing barges from the New Orleans area and, thereby, reducing transportation demands for these barges on the upper Mississippi River. The transportation differential was designed to move commodities through regions other than the Central Gulf.

#### **Emergency and Alternative Grain Storage**

Audit number: 03601-22-KC

The audit objective is to determine whether the costs associated with CCC's alternative and emergency warehouse grain storage initiatives were reasonable and if the initiatives were effective in alleviating grain movement and storage problems.

#### **Livestock and Feed Indemnity Programs**

Audit number: 03601-23-KC

The audit objective is to evaluate the effectiveness of the Farm Service Agency's program delivery of Livestock Indemnity program and the Feed Indemnity Program and the adequacy of its management controls to ensure program integrity.

**Review of Emergency Forestry Conservation Reserve Program**

Audit number: 03601-24-KC

The audit objective is to evaluate implementation and administration of Emergency Forestry Conservation Reserve Program.

**Farm Service Agency's Hurricane Relief Initiatives: Emergency Conservation Program**

Audit number: 03601-27-KC

The audit objective is to conduct a reasonableness review of reimbursements under Emergency Conservation Program (ECP). The audit will also assess any waivers or revised procedures.

**Controls Over Single Family Housing Funds Provided for Hurricane Relief Efforts**

Audit number: 04601-15-Ch

The audit objective is to ensure the accountability of housing assistance (single-family) provided by USDA to disaster victims.

**Risk Management Agency's 2005 Emergency Hurricane Relief Efforts in Florida**

Audit number: 05099-28-At

The audit objective is to assess adequacy of controls over hurricane relief efforts.

**Forest Service Controls Over Documenting and Reporting Its Hurricane Relief Expenditures to FEMA**

Audit number: 08601-51-SF

The audit objective is to evaluate the adequacy of the Forest Service's (FS') controls over documenting and reporting its hurricane relief expenditures to FEMA. Concerns have been expressed about the level of documentation needed to support the FS' hurricane relief expenditures. This had adversely affected the amount of reimbursement FS receives from FEMA for its disaster relief efforts. The OIG also plans to identify any other factors or barriers that may affect the FS' ability to fulfill its mission under the National Response Plan.

**Food and Nutrition Service Disaster Food Stamp Program for Hurricanes Katrina and Rita**

Audit number: 27099-49-Te

This audit number will be used to roll up findings for Louisiana, Mississippi, and Texas for a report to the Food and Nutrition Service's (FNS') National Office on improvements needed in the delivery of the Disaster Food Stamp program.

**Hurricane Relief Initiatives: Natural Resources Conservation Services Emergency Watershed Protection Program and Dead Animal Debris Disposal Project and the Farm Service Agency Emergency Conservation Program**

Audit number: 50601-12-KC

The audit objective is to monitor funding levels, to evaluate the adequacy of the management controls, and to conduct reasonableness review of reimbursements under Emergency Watershed Protection Program (EWP) and ECP. The OIG will also assess any waivers or revised procedures applicable to EWP and ECP. In addition, the OIG will review Natural Resources Conservation Services' role and efforts to assist agricultural producers in the disposal of dead animal debris.

**Controls Over Multi-Family Housing Funds Provided for Hurricane Relief Efforts**

Audit number: 04601-13-Ch

The audit objective is to ensure the accountability of housing assistance (multi-family) provided by USDA to disaster victims.

**Forest Service Hurricane Relief Efforts**

Audit number: 08601-46-SF

The audit objective is to assess the internal controls FS has in place to ensure disaster relief funds are being spent wisely and to identify as soon as possible any waste, fraud, and abuse.

**Monitoring Food and Nutrition Service Hurricane Relief Effort**

Audit number: 27099-61-At

The audit objective is to determine whether FNS Regional Offices are properly overseeing DFSP operations and if state agencies are operating the DFSP according to the waivers approved by the FNS Administrator. The OIG will also evaluate the effectiveness of controls to prevent program abuse, such as the prevention of duplicate payments.

**Aquaculture Block Grants to States for FY 2005 Aquaculture Losses**

USDA is providing \$25 million in state block grants to producers in Alabama, Florida, Louisiana, Mississippi, North Carolina, and Texas.

The audit objective generally is to evaluate the effectiveness of the selected states program delivery of the block grants and the adequacy of management controls to ensure program integrity.



### **Sugarcane Disaster Assistance (Section 3011 of HR 4939)**

Sugarcane Disaster Assistance provides \$40 million to compensate first processors and producers for crop losses related to hurricanes in Florida. An additional \$40 million is provided for Louisiana and \$400,000 for Texas.

The audit objective generally is to evaluate the effectiveness of the Farm Service Agency's program delivery of the block grants and the adequacy of management controls to ensure program integrity.

# **Chapter 17**

## **United States Postal Service**

### **Suspicious Powder Incident – Wichita Falls**

The objective of this audit is to complete a quick response review of the handling of a suspicious powder incident at the Wichita Falls postal facility in Texas.

### **Security Background Checks and Clearances**

The objective of this audit is to determine the process for conducting background checks for Postal Service employees and for determining security clearance levels.

### **Emergency Preparedness Plans**

The objective of this audit is to determine whether postal facilities have the appropriate emergency preparedness plans in place and if the Postal Service is in compliance with DHS Directives.

### **Area Physical Security Reviews**

The objective of this audit is to determine whether the Postal Service and Postal Inspection Service had sufficient controls and processes in place to efficiently and effectively protect employees, customers, the mail, and critical assets of the Postal Service. Two jobs are in progress and discussion drafts were issued.

### **Contractor Reports on Physical Security**

The objective of this review was to examine the physical security assessment tools and facility security benchmarking. This work will provide information to the Postal Service regarding the use of various physical security assessment tools. The benchmarking project will compare other similar organization's security programs with the Postal Service and provide suggestions on ways to improve the security processes in the Postal Service.

### **Potentially Explosive Ordinance**

The objective of this audit was to review the Postal Service and Postal Inspection Service's handling of potentially explosive ordinance at the Dallas Bulk Mail Center. The OIG recommended management establish an Integrated Emergency Management Plan for the Dallas Bulk Mail Center and conduct more training and practice drills to ensure employees know how to respond to potentially dangerous situations. A draft report was issued.

### **Export Controls Followup**

Performed follow-up on three recommendations from 2003 report on Postal Service Enforcement of Export Controls. A discussion draft was issued.

## **Chapter 18**

### **United States Department of the Treasury**

#### **Office of the Comptroller of the Currency's Response to Hurricanes Katrina and Rita**

Project Number: A-BK-06-001

#### **Office of Thrift Supervisor's Response to Hurricanes Katrina and Rita**

Project Number: A-BK-06-002

The Office of the Comptroller of the Currency (OCC) and Office of Thrift Supervisor (OTS) audits had two objectives. The first was to determine the preparedness for, and responsiveness of the OCC and OTS with respect to addressing the needs of national banks, thrifts, and savings and loans and their customers during the recent hurricanes. The second was to determine OCC's and OTS' plans and abilities to assess and manage increased risks resulting from the hurricanes' impact on their regulated institutions and from the relaxation of certain operational, compliance, and reporting requirements. The Treasury OIG (TOIG) is focusing on the adequacy and effectiveness of OCC's and OTS' continuity of operations plans as well as their abilities to respond and monitor the national banks, thrifts, and savings and loans following the hurricanes.

#### **Investigations**

During the semi-annual period, the Office of Investigations has had two significant prosecutions.

As part of the U.S. Attorney General's and the President's Council on Integrity and Efficiency's Anti Fraud commitment to combat Hurricanes Katrina and Rita related schemes, as well as participation in a joint investigative effort with the Metro Area Fraud Task Force, TOIG, along with the United States Postal Inspection Service, the Secret Service, and the DHS OIG executed Jeffrey Rothschild's arrest on June 27, 2006, in El Paso, Texas, on charges of bank, mail, and identification document fraud. Rothschild confessed to committing approximately \$100,000 in FEMA Hurricane Katrina and Rita

benefits fraud, \$40,000 to \$50,000 in credit card fraud, and an additional \$40,000 in a check-kiting scheme, through the use of fraudulent or compromised identities.

On August 28, 2006, Jeffrey Rothschild pled guilty, in the United States District Court for the District of Columbia, to a three-count information charging bank fraud, mail fraud, and money laundering from September to December of 2005, in connection with a scheme to defraud FEMA of more than \$100,000 in relief funds intended for victims of Hurricanes Katrina and Rita. All such funding payments are made through FEMA's Financial Management Service bureau. On February 5, 2007, Rothschild was sentenced to 102 months of incarceration and 36 months of supervised release. He was also ordered to pay restitution in the amount of \$129,139, which will be paid to the victims of his fraud schemes, including the federal government. In addition, Rothschild was ordered to forfeit a 2005 Mazda automobile and barred from computer or Internet access while incarcerated.

The TOIG also participated in a case against a District of Columbia resident, Charles Washington, for making a false statement on a FEMA application in order to obtain disaster relief from Hurricane Katrina. Washington falsely claimed that he rented and was living at a single family residence in New Orleans, Louisiana, during Hurricane Katrina, and that his home was damaged and that he lost personal property as a result of the hurricane, receiving three Treasury checks totaling \$14,749.

Washington pled guilty on June 13, 2006, in the United States District Court for the District of Columbia, to a false statement charge. On November 7, 2006, Washington was sentenced to 10 months of incarceration, 3 years of supervised probation, 100 hours of community service, and ordered to pay restitution in the amount of \$4,358. In addition, more than \$10,000 was recovered from a personal bank account.

**APPENDIX  
ACRONYMS AND DEFINITIONS**

Acronym	<u>Definition</u>
AHPP	Alternative Housing Pilot Program
ARC	American Red Cross
ASAM	Assistant Secretary for Administration and Management
CCC	Commodity Credit Corporation
CDBG	Community Development Block Grant
DAO	Disaster Assistance Oversight
DHS	Department of Homeland Security
DoD	Department of Defense
DOE	Department of Energy
DOT	Department of Transportation
DRF	Disaster Relief Fund
DUA	Disaster Unemployment Assistance
ECIE	Executive Council on Integrity and Efficiency
ECP	Emergency Conservation Program
EFT	Electronic Fund Transfer
eNEMIS	A web-based National Emergency Management Information System
EPA	Environmental Protection Agency
EWP	Emergency Watershed Protection Program
FAA	Federal Aviation Administration
FEMA	Federal Emergency Management Agency
FHWA	Federal Highway Administration
FMAG	Fire Management Assistance Grant
FNS	Food and Nutrition Service
FS	Forest Service
GAO	Government Accountability Office
GSA	General Services Administration
HERA	Hurricane Education Recovery Act
HHS	Department of Health and Human Services
HMGP	Hazard Mitigation Grant Program
HUD	Department of Housing and Urban Development
IHP	Individuals and Households Program
IT	Information Technology
JFO	Joint Field Office
LDOL	Louisiana Department of Labor
LEA	Local Education Agency
NEG	National Emergency Grants
NEMIS	National Emergency Management Information System
NFIP	National Flood Insurance Program
OCC	Office of the Comptroller of the Currency
OES	Office of Emergency Services

OIG	Office of Inspector General
OTS	Office of Thrift Supervisor
PCIE	President's Council on Integrity and Efficiency
PDD	Presidentially Declared Disaster
PSE	Public Service Employment
RMP	Risk Management Plan
SBA	Small Business Administration
SEA	State Education Agency
SSA	Social Security Administration
SSN	Social Security Number
TOIG	United States Treasury Department OIG
USDA	United States Department of Agriculture
USPS	United States Postal Service
WYO	Write Your Own

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## HURRICANE FRAUD HOTLINE

If you have knowledge of fraud, waste, abuse, or allegation of mismanagement involving hurricane operations, you can:

- **CALL** the Hurricane Fraud Hotline at (866) 720-5721
- **FAX** the Hurricane Fraud Hotline at (225) 334-4707
- **EMAIL:** [HKFTF@leo.gov](mailto:HKFTF@leo.gov)
- **OR WRITE:** Hurricane Fraud Task Force, Baton Rouge, LA 70821-4909

Calls can be made anonymously and confidentially.