

# Office of the Inspector General Semiannual Report to Congress



April 1, 2005–September 30, 2005





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

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## Message From the Inspector General

This semiannual report summarizes the work of the Office of the Inspector General (OIG) from April 1, 2005, through September 30, 2005. The audits, inspections, investigations, special reviews, and other activities highlighted in this report illustrate our ongoing commitment to promote accountability, efficiency, and effectiveness in the programs and operations of the Department of Justice (Department).

The OIG continues to focus much of its attention on matters identified by the Department and Congress as high-priority issues, such as the Department's counterterrorism and counterintelligence responsibilities, sharing of intelligence and law enforcement information, critical information technology (IT) systems upgrades, detention and incarceration issues, and the many other challenges facing the Department as it performs its multifaceted functions.

During this reporting period, the OIG issued several significant counterterrorism-related reports, including a review of the Federal Bureau of Investigation's (FBI) handling of intelligence information prior to the September 11 terrorist attacks (September 11); the FBI's efforts to hire, train, and retain intelligence analysts; a follow-up review of the FBI's Foreign Language Translation Program; a comprehensive examination of the operations of the Department's terrorism task forces and advisory councils; and a review of the FBI's reallocation of resources from criminal investigations to counterterrorism matters. The OIG also completed important reviews related to other priorities in the Department, such as the U.S. Marshals Service's (USMS) effectiveness in apprehending violent fugitives, the deterrence of staff sexual abuse of Federal Bureau of Prisons' (BOP) inmates, and the FBI's compliance with the Attorney General's Investigative Guidelines.

In addition, the OIG continues its work on important criminal and administrative investigations. During this reporting period, for example, our investigations led to the sentencing of a former FBI employee for impersonating an Immigration and Naturalization Service (INS) official, the guilty plea of a former BOP maintenance foreman to embezzling approximately \$90,000, and arrests of several correctional officers for introduction of contraband into federal prisons.

We appreciate the positive response we receive regarding our work from the Attorney General, Department leaders, and Congress. We also appreciate the continued support from Congress as we strive to assist the Department in increasing the efficiency and effectiveness of its operations.

Finally, I want to express my gratitude to the OIG staff who work diligently to fulfill the OIG's critical mission. They are talented and dedicated public servants who help improve the work of the Department and the federal government.

A handwritten signature in cursive script that reads "Glenn A. Fine".

Glenn A. Fine  
Inspector General  
October 31, 2005



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# Highlights of OIG Activities

The following table summarizes OIG activities discussed in this report. As these statistics and the following highlights illustrate, the OIG has conducted wide-ranging oversight of Department programs and operations.

## Statistical Highlights

April 1, 2005 — September 30, 2005

Allegations Received by the Investigations Division	4,275
Investigations Opened	218
Investigations Closed	173
Arrests	47
Indictments/Informations	42
Convictions/Pleas	30
Administrative Actions	75
Fines/Restitutions/Recoveries	\$1.6 million
Audit Reports Issued	109
Questioned Costs	\$12 million
Funds Put to Better Use	\$2 million
Recommendations for Management Improvements	466

Examples of OIG audits, evaluations, and special reports completed during this semiannual reporting period include:

- ◆ **The FBI's Handling of Intelligence Information Prior to September 11.** In June 2005, the OIG publicly released an unclassified, redacted version of its report that exam-

ined the FBI's handling of intelligence information in its possession prior to September 11. The OIG review found significant deficiencies in the FBI's handling of this intelligence information and concluded that the FBI failed to fully evaluate, investigate, exploit, and disseminate information related to: 1) an electronic communication written by an FBI agent in Phoenix, Arizona, that raised concerns about efforts by Usama Bin Laden to send students to attend United States civil aviation schools to conduct terrorist activities, and 2) intelligence information available to the FBI regarding two of the September 11 hijackers – Nawaf al Hazmi and Khalid al Mihdhar. The OIG concluded that the causes for these failures were widespread and varied, ranging from poor individual performance to more substantial systemic deficiencies that undermined the FBI's efforts to detect and prevent terrorism. Among other things, the OIG review described the systemic impediments that hindered the sharing of information between the FBI and the Central Intelligence Agency.

- ◆ **The FBI's Efforts to Hire, Train, and Retain Intelligence Analysts.** The OIG evaluated the FBI's progress in hiring, training, allocating, utilizing, and retaining its intelligence analyst cadre. The OIG found that the FBI has made significant progress in hiring and training quality analysts. However, the audit found that the FBI fell short of its fiscal year (FY) 2004 hiring goals. In addition, the audit found that the FBI has made slow progress toward developing a quality training curriculum for new analysts. We made 15 recommendations to the FBI to help improve its intelligence analyst program, including establishing hiring goals for intelligence analysts based on the forecasted need, projected attrition, and the FBI's ability to hire, train, and utilize

April 1, 2005 – September 30, 2005

intelligence analysts; developing a threat-based or risk-based methodology for determining the number of intelligence analysts required; and developing retention and succession strategies for intelligence analysts.

◆ **Follow-up on the FBI's Foreign Language Program.**

The OIG conducted a follow-up review on the FBI's Foreign Language Program. We evaluated the FBI's progress in responding to findings in our July 2004 report that the FBI's collection of materials requiring translation had outpaced its translation capabilities and the FBI had difficulty filling its critical need for additional contract linguists. This follow-up report concluded that the FBI had taken important steps to address the recommendations, but key deficiencies remain in the Foreign Language Program. Specifically, we found that the amount of unreviewed FBI counterterrorism material and unreviewed counterintelligence material had increased since our previous report. We also found instances where high-priority material had not been reviewed within 24 hours in accord with FBI policy, and the FBI faced continued challenges in meeting linguist hiring goals and target staffing levels.

◆ **The Department's Terrorism Task Forces.**

The OIG examined whether the Department's multiple terrorism task forces and councils were achieving their goals and whether gaps, duplication, and overlap existed in counterterrorism coverage. Our evaluation found that the task forces and councils generally have achieved their intended purpose by providing distinct, yet complementary, forums for investigating terrorist threats and sharing counterterrorism information. However, we identified several management and resource issues that the task forces should address, including the need for more stable leadership, better training for participants, and better coverage of rural areas.

◆ **The FBI's Reprioritization Efforts.** During this reporting period, the OIG issued its third report on the FBI's reallocation of investigative resources since September 11. This audit showed that between FY 2000 and FY 2004 the FBI formally reallocated 1,143 field agent positions away from investigating traditional criminal matters and placed these resources primarily in terrorism-related programs. In addition to the formal reallocation of positions, we found that the FBI actually utilized almost 2,200 fewer field agents to investigate traditional criminal matters, such as bank robbery and drug crimes, in FY 2004 than it had in FY 2000. The FBI opened 45 percent fewer criminal cases and reduced the number of criminal-related matters referred to the U.S. Attorneys' Offices (USAO) by 27 percent between FYs 2000 and 2004. However, interviews of federal, state, and local law enforcement officials regarding the impact of the FBI's changes in their jurisdictions found that, overall, most law enforcement agencies said they had not been significantly affected by the FBI's shift in investigative resources, although their caseloads had increased.

◆ **The USMS's Apprehension of Violent Fugitives.**

The OIG evaluated the USMS's efforts to apprehend violent fugitives. Our evaluation found that the USMS had increased its apprehension of violent fugitives by 51 percent and raised the number of apprehended individuals per staff year. The OIG attributed this improved performance to: 1) more time allotted for deputy marshals and other personnel to focus on fugitive investigations and 2) the establishment of Regional Fugitive Task Forces (RTF) that enable law enforcement personnel to work together across jurisdictional lines. We recommended that the USMS move forward with a plan to add more RTFs, establish measures and goals to track performance in apprehending violent fugitives, and improve data collection and analysis to accurately determine caseload and necessary resources.



- ◆ **Deterring Staff Sexual Abuse of Federal Inmates.** The OIG examined the problem of sexual abuse of federal inmates by correctional staff and highlighted the shortcomings of current federal law in deterring staff sexual abuse. We recommended that the Department seek passage of legislation to increase the penalty for unforced sexual abuse of an inmate from a misdemeanor to a felony, which would make the penalty consistent with most state laws. We also recommended legislation to extend federal criminal jurisdiction to correctional staff who engage in a sexual act with a federal prisoner housed in a detention facility under contract to the Department.
- ◆ **Compliance with the Attorney General's Investigative Guidelines.** The OIG issued a report on the FBI's implementation of and compliance with four sets of Attorney General Guidelines. These guidelines govern the FBI's principal criminal investigative authorities with respect to investigating individuals and groups, using confidential informants, and managing undercover operations and warrantless monitoring. Overall, the OIG found many areas in which the FBI complied with the guidelines. However, we determined that there was significant non-compliance with the guidelines governing the operation of confidential informants. In addition, the OIG identified shortcomings in training on the guidelines and the FBI's planning for and implementation of the revised guidelines. The OIG provided the FBI with 47 recommendations designed to promote greater compliance with the guidelines.
- ◆ A former FBI employee was convicted on charges of impersonating an INS official, sentenced to 2 years' incarceration and 1 year supervised release, and ordered to pay \$43,500 in restitution.
- ◆ A former BOP maintenance foreman pled guilty to embezzling approximately \$90,000.
- ◆ A former administrative assistant at the Neighborhood Youth and Parent Prevention Partnership – which is partially funded by Office of Justice Programs (OJP) grants – was sentenced to 30 days' incarceration, 9 months' home confinement, and 3 years' supervised release, and was ordered to pay \$30,576 in restitution for her conviction on charges of fraud and embezzlement.
- ◆ Eight Drug Enforcement Administration (DEA) special agents were cleared of allegations raised by a defendant in a methamphetamine investigation that they violated the defendant's civil rights by using excessive force during his arrest.

## Ongoing Reviews

This report also describes many ongoing OIG reviews of important issues throughout the Department, including:

- ◆ The FBI's Handling of the Brandon Mayfield Matter.
- ◆ Development of the FBI's Sentinel Case Management System.
- ◆ The DEA's Control of the Diversion of Controlled Pharmaceuticals.
- ◆ The BOP's Management of Inmate Mail.
- ◆ Follow-up Review Examining Implementation of Recommendations Made in the OIG's Review of the Robert Hanssen Case.
- ◆ The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) Violent Crime Impact Teams.

## Investigations of Misconduct

As shown in the statistics in the table at the beginning of this section, the OIG investigates many allegations of misconduct involving Department employees or contractors hired with Department money. Examples of the OIG's investigations discussed in this report include:

# OIG Profile

The OIG is a statutorily created, independent entity whose mission is to detect and deter waste, fraud, abuse, and misconduct involving Department programs and personnel and promote economy and efficiency in Department operations. The OIG investigates alleged violations of criminal and civil laws, regulations, and ethical standards arising from the conduct of Department employees in their numerous and diverse activities. The OIG also audits and inspects Department programs and assists management in promoting integrity, economy, efficiency, and effectiveness. The OIG has jurisdiction to review the programs and personnel of the FBI, DEA, BOP, USMS, ATF, USAO, and all other organizations within the Department.

The OIG consists of the Immediate Office of the Inspector General and the following divisions and office:

- ◆ **Audit Division** is responsible for independent audits of Department programs, computer systems, and financial statements. The Audit Division has field offices in Atlanta, Chicago, Dallas, Denver, Philadelphia, San Francisco, and Washington, D.C. Its Financial Statement Audit Office and Computer Security and Information Technology Audit Office are located in Washington, D.C. Audit Headquarters consists of the immediate office of the Assistant Inspector General for Audit, the Office of Operations, the Office of Policy and Planning, and an Advanced Audit Techniques Group.
- ◆ **Investigations Division** is responsible for investigating allegations of bribery, fraud, abuse, civil rights violations, and violations of other criminal laws and administrative

procedures governing Department employees, contractors, and grantees. The Investigations Division has field offices in Chicago, Dallas, Denver, Los Angeles, Miami, New York, and Washington, D.C. The Fraud Detection Office is located in Washington, D.C. The Investigations Division has smaller, area offices in Atlanta, Boston, Detroit, El Paso, Houston, Philadelphia, San Francisco, and Tucson. Investigations Headquarters in Washington, D.C., consists of the immediate office of the Assistant Inspector General for Investigations and the following branches: Operations, Special Operations, Investigative Support, Research and Analysis, and Administrative Support.

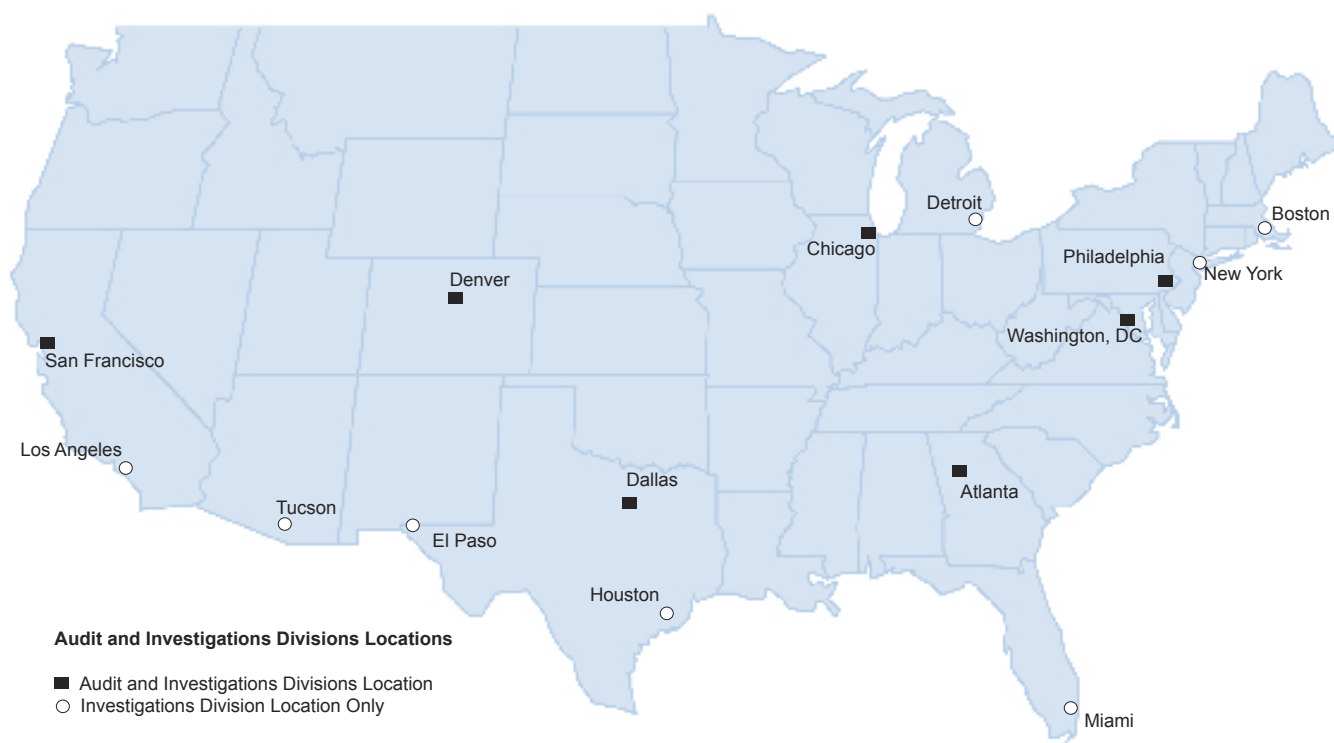
- ◆ **Evaluation and Inspections Division** conducts program and management reviews that involve on-site inspection, statistical analysis, and other techniques to review Department programs and activities and make recommendations for improvement.
- ◆ **Oversight and Review Division** blends the skills of attorneys, investigators, program analysts, and paralegals to review Department programs and investigate sensitive allegations involving Department employees and operations.
- ◆ **Management and Planning Division** provides advice to OIG senior leadership on administrative and fiscal policy and assists OIG components in the areas of budget formulation and execution, security, personnel, training, travel, procurement, property management, information technology, computer network communications, telecommunications, quality assurance, internal controls, and general support.

- ◆ **Office of General Counsel** provides legal advice to OIG management and staff. It also drafts memoranda on issues of law; prepares administrative subpoenas; represents the OIG in personnel, contractual, and legal matters; and responds to *Freedom of Information Act* requests.

The OIG has a nationwide workforce of approximately 410 special agents, auditors, inspectors, attorneys, and support staff. For FY 2005, the OIG's direct appropriation was \$64.2 million, including \$1.3 million in funding provided by the *Emergency Supplemental Act* (P.L. 109-13). The OIG also earned an additional \$3 million in reimbursements.

As required by Section 5 of the *Inspector General Act of 1978* (IG Act), as amended, this *Semiannual Report to Congress* reviewing the accomplishments of the OIG for the 6-month period of April 1, 2005, through September 30, 2005, is to be submitted no later than October 31, 2005, to the Attorney General for his review. The Attorney General is required to forward the report to Congress no later than November 30, 2005, along with information on the Department's position on audit resolution and follow-up activity in response to matters discussed in this report.

**Additional information about the OIG and full-text versions of many of its reports are available at [www.usdoj.gov/oig](http://www.usdoj.gov/oig).**



# Multicomponent Audits, Reviews, and Investigations

While many of the OIG's audits, reviews, and investigations are specific to a particular component of the Department, other work spans more than one component and, in some instances, extends to Department contractors and grant recipients. The following audits, reviews, and investigations involve more than one Department component.

## Reports Issued

### The Department's Terrorism Task Forces

The Department's terrorism task forces – the Deputy Attorney General's National Security Coordination Council; the U.S. Attorneys' Anti-Terrorism Advisory Councils (ATAC); and the FBI's Joint Terrorism Task Forces (JTTF), the National Joint Terrorism Task Force, and the Foreign Terrorist Tracking Task Force – are responsible for coordinating and integrating intelligence and law enforcement functions to eliminate terrorist networks, prevent terrorist operations, and prosecute the perpetrators of terrorist acts. Their establishment within different components and with diverse membership is intended to allow the Department to more effectively use specialized expertise and create a coordinated counterterrorism effort nationwide.

The OIG's Evaluation and Inspections Division examined whether these terrorism task forces and councils were achieving their goals and

whether gaps, duplication, and overlap existed in counterterrorism coverage. Our evaluation found that the task forces and councils generally were achieving their intended purpose by providing distinct, yet complementary, forums for investigating terrorist threats and sharing counterterrorism information, particularly among federal, state, and local law enforcement agencies. However, we also identified a series of management and resource problems affecting the operation of the task forces and advisory councils. Those problems included the need for more stable leadership among the task forces and councils, better training for participants, greater involvement by the DEA, additional resources, and increased coverage of remote areas.

The OIG report provided 28 recommendations to help the Department improve the operations of its various counterterrorism task forces and councils. Among the recommendations: 1) develop and implement national training plans for task forces and ATACs and a standard orientation program for new task force members; 2) increase the DEA's membership on JTTFs; 3) develop coordinated and consistent strategies to provide counterterrorism information and training to law enforcement and first responders in remote areas of the country; and 4) develop performance measures that assess the accomplishments of the task forces and their members in fulfilling the Department's counterterrorism strategy. The Department, FBI, DEA, Criminal Division, and Executive Office for U. S. Attorneys (EOUSA) generally agreed with the recommendations.

## Civil Rights and Civil Liberties Complaints

Section 1001 of the *USA Patriot Act* directs the OIG to receive and review complaints of civil rights and civil liberties abuses by Department employees, to publicize how people can contact the OIG to file a complaint, and to submit a semiannual report to Congress discussing our implementation of these responsibilities. In August 2005, the OIG issued its seventh report summarizing our Section 1001 activities.

The report, covering the period from January 1, 2005, to June 30, 2005, described complaints we received under this section, the cases we opened for investigation, and the status of these cases. During this period, the OIG identified 13 matters that we believed warranted opening a Section 1001 investigation or conducting a closer review to determine if Section 1001-related abuse occurred. Of the 13 new matters, the OIG retained 7 for investigation because the allegations were of a potentially criminal or egregious nature. For example, one new OIG matter involved a complaint from a former BOP correctional officer alleging that staff members referred to certain inmates as terrorists and displayed offensive posters depicting Muslim prisoners throughout the facility.

The OIG referred six matters that appeared to raise mostly administrative issues to Department components for further investigation or review and requested that the components report their findings to the OIG. The other complaints to the OIG either did not fall within the OIG's jurisdiction, raised management issues, or did not warrant further investigation.

In addition, the report discussed several OIG reviews undertaken in furtherance of our Section 1001 responsibilities, including an update on the OIG's December 2003 review of September 11 detainees' allegations of abuse at the Metropolitan Detention Center in Brooklyn, New York; an

ongoing review examining the FBI's observations of alleged mistreatment of detainees in military facilities in Guantanamo Bay and Iraq; and an ongoing review of the FBI's erroneous identification of a latent fingerprint found on evidence from the March 2004 Madrid train bombing.

## The Department's Information Security Program Pursuant to FISMA

The *Federal Information Security Management Act* (FISMA) requires the Inspector General for each agency to perform an annual independent evaluation of the agency's information security programs and practices. The evaluation includes testing the effectiveness of information security policies, procedures, and practices of a representative subset of agency systems.

For FY 2005, the OIG's Audit Division reviewed the security programs of four major components within the Department – the FBI, BOP, DEA, and Justice Management Division (JMD). As part of our review, we also examined two classified systems (the FBI's Automated Case Support System and the DEA's El Paso Intelligence Center Information System) and two sensitive but unclassified systems (the BOP's Inmate Telephone System II and the DEA's El Paso Intelligence Center Seizure System). We will issue separate reports in December 2005 for each component and the four mission-critical systems we evaluated.

On October 7, 2005, we responded to an Office of Management and Budget (OMB) questionnaire with the results of our review, which generally found the Department performs oversight of its information systems and has developed, implemented, and is managing a Department-wide plan of action and milestone process. We also assessed the Department's certification and accreditation process, according to the OMB's response categories, as "good." However, we found



weaknesses resulting in the implementation of the process to ensure that all of its systems are certified and accredited in accordance with the Department's guidelines.

### **The Department's Process for Identifying, Preventing, and Recovering Improper and Erroneous Payments**

Improper and erroneous payments are payments that should not have been made or were made for incorrect amounts because of errors, poor business practices, or intentional fraud or abuse. Recent estimates indicate that improper and erroneous payments exceed \$45 billion annually throughout the federal government. Recent legislation, including Public Law 107-300, the *Improper Payments Information Act of 2002*, and 107-107, the *National Defense Authorization Act for Fiscal Year 2002*, require government agencies to conduct program inventories and assess the improper payment risk in each identified program. In addition, agencies annually must report on progress made in identifying and recovering improper payments.

The OIG's Audit Division assessed the Department's compliance with this legislation and evaluated its efforts to identify, prevent, and recover improper and erroneous payments. The audit assessed improper payments in the FBI, BOP, USMS, and OJP. The components were selected based on the dollar amount of vendor payments, compliance with reporting requirements, FY 2004 financial statement audit results, and current recovery audit activities. We found the following weaknesses: 1) risk assessments were not always adequate to completely measure the risk of improper payments; 2) risk assessments did not include analysis or consideration of any material weaknesses, reportable conditions, or non-compliance matters resulting from the components' annual financial statement audits; 3) improper payment reports did not always contain a complete

description of the risk assessments performed; and 4) certain policies and procedures used to prevent improper payments were inadequate.

The audit also found that certain components failed to implement processes to determine the full extent of their improper payments, and none of the components audited had established a fully-documented program to recover improper payments. In addition, formalized guidance was not provided for the implementation of a Department-wide recovery audit program, and no official reporting mechanism was in place to allow oversight of component recovery audit activities on a periodic basis. The OIG provided 22 recommendations to the audited components and JMD. They concurred with all of the recommendations.

### **The Joint Automated Booking System**

The Joint Automated Booking System (JABS) helps federal law enforcement agencies book, identify, and share information quickly about persons in federal custody. The Department's law enforcement components book offenders in their own automated booking systems by collecting fingerprints and photographs and recording information about the arrest and charges, the person's identity, address, physical description, and other information. However, JABS allows each participating agency to communicate electronically with the FBI's fingerprint system, the Integrated Automated Fingerprint Information System (IAFIS). IAFIS then matches JABS data against FBI information to identify offenders and responds electronically to the submitting offices.

The OIG's Audit Division assessed the status of JABS implementation throughout the Department. At the time of our audit, the JABS program had partially met its stated goals by: 1) automating the booking process for Department components,

including providing an automated interface with IAFIS that ensures the rapid and positive identification of offenders at deployed locations; 2) enabling users to share information by viewing and printing information created by other components; and 3) establishing an offender tracking system. However, the JABS program had not:

- ◆ Produced data sharing capabilities that allow components to reduce or eliminate redundant steps or data entry between components;
- ◆ Fully implemented data elements that would enable users to track offenders from booking through disposition;
- ◆ Ensured that information in JABS is updated to reflect the most accurate information available electronically; and
- ◆ Resolved problems with printing fingerprints from the database.

Additionally, JABS had been deployed widely throughout the Department, but we found that not all Department arrests were recorded in the program and transmitted electronically to IAFIS. Our report contained six recommendations, including that JMD develop, document, and implement a plan to complete or revise the project goals to share and exchange information in ways that reduce redundant steps between components. Moreover, we recommended that JMD require all federal offenders arrested by Department components to be booked through JABS, develop a plan for the future expansion of JABS, and coordinate with the USMS regarding the need to deploy JABS to all USMS sites taking custody of federal arrestees. JMD agreed with our recommendations and is in the process of implementing them.

## The Department's Background Investigations Program

The Department's Security and Emergency Planning Staff (SEPS) has responsibility for managing background investigations on 27,000 of the Department's 103,000 employees. Primarily for staffing reasons, SEPS delegates to seven of the Department's components the responsibility for managing the background investigations of their employees. SEPS retains the responsibility to manage the background investigations for political appointees and attorneys in all components, plus all other employees in the components that do not have delegated authority. SEPS also issues all of the Department's national security clearances for access to the most sensitive classified information.

The OIG's Evaluation and Inspections Division examined SEPS's management of the Department's background investigations. Our review found that SEPS generally met federal regulatory requirements for adjudicating background investigations and responded to component needs for providing national security clearances for access to sensitive information. SEPS had achieved these results despite the fact that, after September 11, 2001, its workload of background investigation adjudications and information clearances more than doubled, but it received no additional resources.

However, the OIG reported that SEPS had not yet provided updated guidance or conducted adequate oversight of background investigations delegated to components. In addition, we found that SEPS did not have the capability to maintain electronic copies of background investigation files.

The OIG report contained six recommendations designed to improve SEPS's management of background investigations. The Department agreed to implement all of the recommendations.

## The Department's Financial Statement Audits

The *Chief Financial Officers Act of 1990* and the *Government Management Reform Act of 1994* require annual financial statement audits of the Department. The OIG's Audit Division oversees and issues the reports based on the work performed by independent public accountants.

The Department received a disclaimer of opinion on its FY 2004 financial statements, which was caused by the disclaimer on the OJP FY 2004 financial statements. The ATF received a qualified opinion on its FY 2004 financial statements, but this had no effect on the consolidated disclaimer. The other eight components received unqualified opinions on their FY 2004 financial statements. During this reporting period, we reaudited the FYs 2003 and 2004 financial statements of OJP and reissued these reports as unqualified opinions. This allows the Department to potentially earn an unqualified opinion for FY 2005, as it established audited beginning balances for OJP.

At the consolidated level for the FY 2004 financial statement audit, we reported two material weaknesses and one reportable condition, an increase of one material weakness from FY 2003. The new financial material weakness involved issues related to data quality, monitoring, and the methodology utilized to calculate OJP's grant accrual and advance. The other financial material weakness and the IT reportable condition are both repeat

issues, although elements of the two findings varied from last year. The financial material weakness included additional OJP issues, the accounts payable accrual at the ATF, separation of duties issues at the USMS, and financial reporting and property issues at the FBI.

Our financial statement audits reported that the Department still lacks sufficient automated systems to readily support ongoing accounting operations and financial statement preparation. Many tasks still must be performed manually at interim periods and year-end, requiring extensive efforts on the part of financial and audit personnel. Most components' management systems are not integrated with their financial accounting systems, requiring manual reconciliations between the two systems to support amounts reported on the financial statements. These significant, costly, and time-intensive manual efforts will continue to be necessary for the Department and its components to produce financial statements until automated, integrated processes and systems are implemented that readily produce the necessary information throughout the year. We encourage the Department to continue its current efforts to implement a unified financial management system supported by consistent, standardized business practices across the Department.

The following table compares the FYs 2004 and 2003 audit results for the Department's consolidated audit as well as for the 10 individual (11 in FY 2003) components' audits, as adjusted for reissuance of OJP's FYs 2004 and 2003 reports.



Comparison of FY 2004 and FY 2003 Audit Results						
Reporting Entity	Auditors' Opinion on Financial Statements		Number of Material Weaknesses		Number of Reportable Conditions	
	2004	2003	2004	2003	2004	2003
Consolidated Department of Justice	Disclaimer	Disclaimer	2	1	1	1
Assets Forfeiture Fund and Seized Asset Deposit Fund	Unqualified	Unqualified	0	1	1	0
Bureau of Alcohol, Tobacco, Firearms and Explosives <sup>1</sup>	Qualified	Unqualified	1	0	1	1
Drug Enforcement Administration	Unqualified	Unqualified	0	0	1	2
Federal Bureau of Investigation	Unqualified	Unqualified	2	2	1	0
Federal Bureau of Prisons	Unqualified	Unqualified	0	0	1	2
Federal Prison Industries, Inc.	Unqualified	Unqualified	0	0	1	1
Immigration and Naturalization Service <sup>1</sup>	N/A	Unqualified	N/A	3	N/A	1
Offices, Boards and Divisions	Unqualified	Unqualified	0	1	2	1
Office of Justice Programs <sup>2</sup>	Unqualified	Unqualified	3	2	1	2
U.S. Marshals Service	Unqualified	Unqualified	2	1	2	1
Working Capital Fund	Unqualified	Unqualified	0	1	2	0
<b>Component Totals</b>			<b>8</b>	<b>11</b>	<b>13</b>	<b>11</b>

<sup>1</sup> The INS transferred to the Department of Homeland Security on March 1, 2003, and the ATF transferred to the Department on January 24, 2003, from the Department of the Treasury, pursuant to the *Homeland Security Act of 2002*, Public Law 107-296.

<sup>2</sup> The OJP FY 2003 opinion originally was issued as an unqualified opinion but was withdrawn and reissued as a disclaimer of opinion during the FY 2004 audit. The OJP FY 2004 opinion originally was issued as a disclaimer of opinion. During this semiannual period, additional work was done to complete both audits, and the reports were reissued as unqualified opinions. The number of material weaknesses also changed and the numbers reflected in this table are those from the reissued reports. Thus, the number of material weaknesses and reportable conditions reported for OJP for FYs 2004 and 2003 in this semiannual report differs from prior semiannual reports.

## Classified Information on Portable Computers

Some Department portable computers can be used to store, process, and transmit classified information. However, before any computer is authorized to process classified information, the computer must be certified and accredited to operate according to a specific set of standards. In response to a November 2003 Department order, the Department's Chief Information Officer (CIO) developed and issued new standards for portable computers processing classified information.

The OIG's Audit Division examined policies and practices in the Department related to processing classified information on portable computers. Overall, we found that the CIO's Classified Laptop and Standalone Computers Security Policy contained three areas of concern: 1) it used references to policies that do not apply to portable or standalone computers that process, store, or transmit classified information; 2) it did not address the systems that process Classified National Security Information and Sensitive Compartmented Information separately; and 3) it included incomplete guidance and instructions.

Our report made 12 recommendations to assist the Department in improving its use of portable computers to process classified information. The recommendations included revising a policy to remove any references to statute, policy, or procedures that are not applicable to processing classified information; indicating what policy applies when classified portable computers are allowed to be connected to classified networks; and addressing systems that process Classified National Security Information independently from those that process Sensitive Compartmented Information.

We also recommended that the Department consider using two separate, removable hard drives for processing both classified and unclassified infor-

mation on the same portable computer. We made additional recommendations related to the use of encryption, tracking devices, streamlining accreditation procedures, and sending alerts to systems administrators when classified devices are improperly connected to the Internet. The components that were a part of this audit concurred with all of the recommendations.

## Intergovernmental Service Agreements for Detention Facilities

The USMS houses approximately 53,000 detainees throughout the nation and is responsible for their detention from the time they are brought into federal custody until they either are acquitted or incarcerated. To house the detainees, the USMS often executes Intergovernmental Service Agreements (IGA) with state and local governments to rent jail space. According to the USMS, 75 percent of the detainees in USMS custody are detained in state, local, and private facilities.

During this reporting period, we completed an audit of an IGA that the USMS awarded to the Blount County, Tennessee, Sheriff's Office for the housing and transportation of federal detainees. The BOP also housed prisoners at the facility under the terms of the IGA between the USMS and the Sheriff's Office. Our audit determined that the Sheriff's Office's allowable costs did not support the jail daily rate paid by the USMS and the BOP for FYs 2003 and 2004 and the first 8 months of FY 2005. During this period, the USMS could have saved more than \$1.2 million by paying the audit calculated rate instead of the rate it agreed to, while the BOP could have saved more than \$36,000. In addition, the USMS could have saved more than \$730,000 by paying the audit calculated rate for the period June 1, 2005, through September 30, 2005. The BOP could have saved over \$17,000 by paying the audit determined rate for the same time period. Both the USMS and the BOP currently are preparing responses to the OIG.

## Ongoing Work

### Management of Information Technology in the Department

The OIG is examining the Department's management of its IT investments and Enterprise Architecture. We are assessing the Department's progress in meeting the criteria for establishing a mature Enterprise Architecture and IT investment management process.

### Polygraph Examinations in the Department

The OIG is conducting a review of polygraph examinations in the Department. The review will describe the administration and use of polygraph examinations among the Department's components and assess whether they are conducting polygraph examinations in compliance with federal and professional technical standards.



# Federal Bureau of Investigation

The FBI is the principal investigative arm of the Department. It investigates counterterrorism, foreign counterintelligence, civil rights violations, organized crime, violent crime, financial crime, and other violations of federal law. FBI Headquarters in Washington, D.C., coordinates the activities of approximately 29,500 employees in 56 field offices, approximately 400 satellite offices, and 59 foreign liaison posts that work abroad on criminal matters within the FBI's jurisdiction.

## Reports Issued

### The FBI's Handling of Intelligence Information Prior to September 11

In June 2005, the OIG publicly released an unclassified, redacted version of its report that examined the FBI's handling of intelligence information in its possession prior to September 11. The OIG completed the full 421-page version of the report classified at the Top Secret/Sensitive Compartmented Information level in July 2004. However, the report could not be released until the District Court in which the case of Zacarias Moussaoui was being prosecuted granted the OIG's motion to release a redacted, unclassified version of the report.

The OIG review found significant deficiencies in the FBI's handling of intelligence information related to September 11 and concluded that the FBI failed to fully evaluate, investigate, exploit, and disseminate information related to: 1) an electronic communication written by an FBI agent in Phoenix, Arizona, that raised concerns about efforts

by Usama Bin Laden to send students to attend United States civil aviation schools to conduct terrorist activities and 2) intelligence information available to the FBI regarding two of the September 11 hijackers – Nawaf al Hazmi and Khalid al Mihdhar. The OIG concluded that the causes for these failures were widespread and varied, ranging from poor individual performance to more substantial systemic deficiencies that undermined the FBI's efforts to detect and prevent terrorism. Among other things, the OIG review described the systemic impediments that hindered the sharing of information between the FBI and the Central Intelligence Agency.

In our final report, we made 16 recommendations for improving the FBI's intelligence handling and counterterrorism efforts, including recommendations targeted towards the FBI's analytical program. In its October 2005 response to the recommendations, the FBI described changes it has made since September 11, including upgrading the physical infrastructure in FBI field offices to handle classified information, establishing centralized intelligence components in each field office, and developing training initiatives on subjects such as disseminating threat-related information and the *Foreign Intelligence Surveillance Act*. In addition, the FBI created a panel to assess whether any action should be taken with regard to the performance of FBI employees described in the OIG report.

### The External Effects of the FBI's Reprioritization Efforts

Since September 11, the FBI has undergone a broad transformation to focus on terrorism and intelligence-related matters. In September 2005,

the OIG's Audit Division released a report that examined the FBI's re-allocation of investigative resources since September 11 from traditional crime areas to counterterrorism. The report also examined how the shift in resources has affected other federal, state, and local law enforcement agencies. The OIG review does not reach judgments on the FBI's changed priorities. Instead, it provides details on the precise amount of the total shifts; the shift within particular crime areas; and what other federal, state, and local law enforcement officials believe are the impacts of the shifts on their respective agencies.

The OIG review determined that between FY 2000 and FY 2004, the FBI had formally reallocated 1,143 field agent positions away from investigating traditional criminal matters and placed these resources primarily in terrorism-related programs. However, in addition to the formal reallocation of positions, we found that the actual number of agents used to investigate criminal matters was significantly less than the FBI had allocated. The FBI actually utilized almost 2,200 fewer field agents to investigate these more traditional criminal matters in FY 2004 than it had in FY 2000. According to FBI officials, the additional agents were diverted from criminal investigative areas to terrorism-related matters as needs arose.

The OIG review also found that the FBI opened 28,331 fewer criminal cases in FY 2004 than it had in FY 2000, a 45 percent reduction. Furthermore, we found that the FBI reduced the number of criminal-related matters referred to the USAO by 6,151, or 27 percent, between FYs 2000 and 2004.

Interviews with federal, state, and local law enforcement officials regarding the impact of the FBI's changes in their jurisdictions found that, overall, most law enforcement agencies had not been significantly affected by the FBI's shift in investigative resources, although their caseloads had increased. However, we found that the FBI's significant reduction in investigating financial crime matters such as financial institution fraud and telemarketing fraud has created an investigative

gap that no other law enforcement agency has substantially filled.

The OIG provided seven recommendations to the FBI, including to: 1) assess investigative needs among its various programs to establish realistic and practical personnel projections; 2) pursue an interagency working group on identity theft; and 3) seek a more coordinated approach in the areas of fugitive apprehension, child pornography, alien smuggling, and human trafficking.

### The FBI's Efforts to Hire, Train, and Retain Intelligence Analysts

Since September 11, the FBI has emphasized the development of its intelligence analysis capabilities to help meet its highest priority of preventing future terrorist attacks. During this reporting period, the OIG completed an audit of the FBI's efforts to hire, train, and retain its intelligence analysts. In the first 3 years after September 11, the FBI's analytical corps grew from 1,023 analysts in October 2001 to 1,403 analysts in October 2004 – a net increase of 380 intelligence analysts or 37 percent. The audit found that the analysts hired by the FBI generally were well qualified. Furthermore, analysts responding to the OIG survey stated that they generally were satisfied with their work assignments, believed they made a significant contribution to the FBI's mission, and were intellectually challenged.

The OIG review also identified several areas in need of improvement. For example, the FBI fell short of its FY 2004 hiring goal by 478 analysts and ended the fiscal year with a vacancy rate of 32 percent. At the end of FY 2004, the FBI had hired less than 40 percent of its goal of 787 analysts. In addition, the FBI has made slow progress toward developing a quality training curriculum for new analysts.

An OIG survey of intelligence analysts found that work requiring analytical skills accounted for about 50 percent of analysts' time. Many analysts reported performing administrative or other non-

analytical tasks. In addition, some analysts said that not all FBI Special Agents, who often supervise analysts, understand the capabilities and functions of intelligence analysts.

The OIG report made 15 recommendations to help the FBI improve its efforts to hire, train, and retain intelligence analysts, including to:

- ◆ Establish hiring goals for intelligence analysts based on the forecasted need for intelligence analysts, projected attrition in the analyst corps, and the FBI's ability to hire, train, and utilize intelligence analysts;
- ◆ Develop and implement a threat-based or risk-based methodology for determining the number of intelligence analysts required and for allocating the positions among FBI offices;
- ◆ Integrate testing into the intelligence analyst's curriculum and develop a more rigorous training evaluation system;
- ◆ Assess the work done by intelligence analysts to determine what is analytical in nature and what general administrative support of investigations can more effectively be performed by other support or administrative personnel; and
- ◆ Develop retention and succession strategies for intelligence analysts.

The FBI concurred with all of the recommendations.

### **Follow-up on the FBI's Foreign Language Program**

In July 2004, the OIG issued a report on the FBI's Foreign Language Program. The OIG found that the FBI's collection of materials requiring translation had outpaced its translation capabilities, and therefore, the FBI could not translate all the foreign language counterterrorism and counterintelligence

material that it collected. The OIG also found that the FBI had difficulty filling its critical need for additional contract linguists. The report contained 18 recommendations to help improve the FBI's Foreign Language Program.

In the spring of 2005, the OIG's Audit Division conducted a follow-up review to evaluate the FBI's progress in responding to the recommendations in our July 2004 report. The follow-up concluded that the FBI has taken steps to address the OIG's recommendations and has made progress in improving the operations of its Foreign Language Program. However, the OIG found that key deficiencies remain in the program, including a continuing backlog of unreviewed counterterrorism and counterintelligence material, some instances where high-priority material has not been reviewed within 24 hours in accord with FBI policy, and continued challenges in meeting linguist hiring goals and target staffing levels. In addition, implementation of the FBI's quality control program has been slow, although the FBI made recent improvements in this area.

According to the FBI's data, the backlog of unreviewed counterterrorism material has increased from 4,086 to 8,354 hours, which represents 1.5 percent of total counterterrorism audio collections. The amount of unreviewed counterintelligence material, which is much larger, also has increased.

The OIG review found that the FBI has made progress in improving its hiring process since the July 2004 audit. As reported in that audit report, the number of FBI and contract linguists increased from 883 in FY 2001 to 1,214 as of April 2004. Since then, the number of FBI and contract linguists has increased to 1,338 as of March 30, 2005. However, since the July 2004 audit, according to the FBI, the average time it takes the FBI to hire a contract linguist has increased by at least 1 month from 13 months to 14 months.



## Review of the Terrorist Screening Center

The OIG's Audit Division examined the Terrorist Screening Center (TSC), a multi-agency effort administered by the FBI whose mission is to consolidate terrorist watch lists and provide 24-hour, 7-day a week responses for screening individuals against the consolidated terrorist watch list. Prior to the establishment of the TSC, the federal government relied on more than a dozen separate watch lists maintained by a variety of federal agencies to search for terrorist-related information about individuals who, for example, apply for a visa, attempt to enter the United States through a port of entry, attempt to travel internationally on a commercial airline, or are stopped by a local law enforcement officer for a traffic violation.

The OIG review found that the TSC has made significant strides in becoming the government's single point of contact for law enforcement authorities requesting assistance in identifying individuals with possible ties to terrorism. In a short period of time, TSC management successfully created a new organization and consolidated vast amounts and types of terrorist information, which are significant accomplishments. However, the OIG review also concluded that the TSC needs to address weaknesses in its consolidated terrorist watch list database and computer systems, as well as staffing, training, and oversight of the call center.

The OIG found that the TSC had not ensured that the information in its database is complete and accurate. For example, the OIG found instances where the consolidated database did not contain names that should have been included on the watch list. In addition, the OIG found inaccurate or inconsistent information related to persons included in the database.

Although the OIG found good communication among the TSC, its partner agencies, and agencies that submitted inquiries to the TSC, the audit revealed some exceptions where coordination and

information sharing could have been improved. In addition, the OIG found several instances where the information on calls received was not entered appropriately into the TSC system used to track information on hits against the consolidated watch list. We found that data was sometimes entered into the wrong fields and at times transposed, resulting in search errors and poor data integrity.

The OIG report provided 40 recommendations to the TSC to address areas such as database improvements, data accuracy and completeness, call center management, and staffing. The TSC generally agreed with the recommendations and said it was in the process of taking corrective action.

## TSC's Efforts to Support the Secure Flight Program

In a second review of TSC operations, the OIG examined the TSC efforts to support the Transportation Security Administration's (TSA) Secure Flight program. Secure Flight is an initiative in which the TSA will compare names of commercial airline passengers to the TSC's consolidated terrorist watch list.

The OIG audit concluded that the TSC has made significant progress in planning and preparing for the anticipated launch of the Secure Flight program. The OIG found that the TSC has designed its necessary electronic connections to accommodate the transfer of terrorist watch list records, airline passenger information, and screening results; developed new processes to facilitate law enforcement responses to encounters with individuals who are a match against the consolidated terrorist watch list; and is on schedule for testing its newly established systems and procedures relating to Secure Flight.

However, our review found that the TSA has delayed the implementation date for Secure Flight, first from April 2005 to August 2005, and at the time of the audit, to September 2005. In addition,

the TSA has changed its Secure Flight implementation plan, and as of July 31, 2005, was unsure how many airlines will participate in the initial phase. As a result, neither the TSC nor the TSA knows how many passenger records will be screened and cannot project the number of watch list hits that will be forwarded to the TSC for action. This has affected the TSC's ability to plan adequately for its role in the Secure Flight program. The OIG review also found that the Secure Flight program has the potential to significantly impact TSC's space, staffing, and funding needs and has resulted in the postponement of several other TSC projects. However, the TSC lacks the ability to adequately estimate the incremental cost of supporting the Secure Flight program.

We concluded that the TSC is attempting to plan for a program that has several major undefined parameters. Specifically, the TSC does not know when Secure Flight will start, the volume of inquiries expected and the resulting number of resources required to respond, the quality of data it will have to analyze, and the specific details of the phased-in approach for taking the program from "pre-operational testing" to full operational.

### **The FBI's Compliance with the Attorney General's Investigative Guidelines**

In September 2005, the OIG's Oversight and Review Division issued a report on the FBI's implementation of and compliance with four sets of the Attorney General's Guidelines. These guidelines govern the FBI's principal criminal investigative authorities with respect to investigations of individuals and groups and its use of confidential informants, undercover operations, and warrantless monitoring of verbal communications (also known as consensual monitoring). Following September 11, the Attorney General ordered a comprehensive review of the guidelines to identify revisions that would enhance the Department's ability to detect and prevent such attacks. In May 2002, the Attorney General issued revised investigative guidelines that provided FBI

field managers with greater authority to conduct preliminary inquiries, criminal intelligence investigations, and undercover operations.

While the OIG found many areas in which the FBI complied with the guidelines, we found significant non-compliance with the guidelines governing the operation of confidential informants, failure to notify FBI Headquarters and Department officials of the initiation of certain criminal intelligence investigations, and failure to consistently obtain advance approval prior to the initiation of consensual monitoring. We also identified shortcomings in training on the guidelines and the FBI's planning for and implementation of the revised guidelines.

The OIG found violations in 87 percent of the confidential informant files it examined. These errors occurred in several of the most important aspects of the FBI's management of the Criminal Informant Program: initial and continuing suitability reviews designed to assess the suitability of individuals to serve or continue as confidential informants; instructions FBI agents are required to give confidential informants; the FBI's use of its power to authorize confidential informants to participate in "otherwise illegal activity"; notification requirements associated with a confidential informant's commission of "unauthorized illegal activity"; and documentation and notice requirements triggered when a confidential informant is deactivated.

The OIG focused on these aspects of the Criminal Informant Program because they include critical judgments the FBI must make to ensure that individuals registered as confidential informants are suitable, that they understand the limits of their authority from the FBI, and that supervisory Department officials approve or are notified of significant developments regarding the confidential informants. The OIG review determined that required approvals were not always obtained, suitability assessments were not made or were incomplete, documentation of required instructions



was missing, descriptions of “otherwise illegal activity” were not sufficient, and notifications to FBI Headquarters or USAO were not made or documented.

In addition, the OIG found that FBI Headquarters had not sufficiently supported the Criminal Informant Program, which in turn has hindered FBI agents in complying with the Confidential Informant Guidelines. In many instances, agents lacked access to basic administrative resources and guidance that would have promoted compliance with the Confidential Informant Guidelines. We also found that compliance with the Confidential Informant Guidelines varied significantly by FBI field office. Finally, our review identified weaknesses in the implementation process used by the FBI to disseminate and communicate the revised guidelines to its Headquarters and field personnel.

The OIG report offered 47 recommendations designed to promote greater accountability for guidelines violations by field supervisors, provide better administrative support, use existing technology to track guidelines violations, enhance training on guidelines requirements and the consequences of guidelines violations to FBI investigations and Department prosecutions, require supervisory approval and more systematic record keeping on the FBI’s use of new authorities to visit public places and attend public events for the purpose of detecting and preventing terrorist activities, and prepare a comprehensive implementation strategy for the next guidelines revisions. The FBI concurred with 43 of the 47 recommendations and partially concurred with the 4 remaining recommendations.

### CODIS Audits

The FBI’s Combined DNA Index System (CODIS) includes a national information repository that permits the storing and searching of DNA specimen information to facilitate the exchange of DNA

information by law enforcement agencies. During this reporting period, the OIG audited six state and local laboratories that participate in CODIS to determine compliance with the FBI’s Quality Assurance Standards (QAS) and National DNA Index System (NDIS) requirements and evaluate the accuracy and appropriateness of the data that participating federal, state, and local laboratories have submitted to the FBI. Below are two examples of the findings reported in our audits:

- ◆ The State of Connecticut Forensic Science Laboratory in Meriden, Connecticut, was not in compliance with all of the standards governing CODIS activities for the areas we tested. The Laboratory did not meet NDIS participation requirements because it did not comply with the NDIS operational procedure that requires laboratories to resolve all candidate matches within 30 days of receiving the match report. The Laboratory did not comply with the QAS because it did not undergo an internal or external audit during 2004. The QAS require that laboratories have annual audits and that every other year personnel from an independent laboratory conduct the audit.
- ◆ The State of Michigan, Department of State Police, Lansing Forensic Science Laboratory in Lansing, Michigan, was not in compliance with all of the standards governing CODIS activities for the areas we tested. The Laboratory did not meet NDIS participation requirements because it did not comply with NDIS operational procedures that require: 1) CODIS users to complete annual reminder forms, 2) laboratories to maintain complete training records for personnel, and 3) laboratories to document the steps taken when confirming or refuting candidate matches. The Laboratory did not comply with the QAS because it did not: 1) conduct its annual audit in accordance with QAS requirements, 2) undergo an internal or external audit during 2003, and 3) perform a follow-up site visit to the contractor analyzing its convicted offender profiles.

## Investigations

During this reporting period, the OIG received 476 complaints involving the FBI. The most common allegations made against FBI employees included job performance failure, misuse of a credit card, and improper release of information. The OIG opened 8 cases and referred 454 allegations to the FBI's Inspection Division.

At the close of the reporting period, the OIG had 40 open cases of alleged misconduct against FBI employees. The criminal investigations cover a wide range of offenses, including the improper release of law enforcement information, theft, and misuse of position. The administrative investigations include serious allegations of misconduct. The following are examples of cases involving the FBI that the OIG's Investigations Division investigated during this reporting period:

- ◆ A joint investigation by the OIG's New York Field Office, USAO, DEA, Massachusetts State Police, Miami-Dade Police Department, and Miami-Dade State Attorney's Office led to an indictment in Miami, Florida, against a retired FBI special agent on charges of murder in the first degree and conspiracy to commit murder. This joint investigation developed evidence that, while employed by the FBI, retired FBI Special Agent John J. Connolly assisted the criminal activities of the Winter Hill Gang. Specifically, Connolly supplied gang members with sensitive law enforcement information and intelligence that led directly to the murder of former World Jai Alai President John Callahan in 1982. Connolly currently is serving a 10-year sentence for racketeering, obstruction of justice, and other charges stemming from his role in protecting members of the Winter Hill Gang while simultaneously using them as FBI informants. Judicial proceedings continue.
- ◆ The OIG's New York Field Office, FBI, and USAO jointly investigated a complaint alleging that 11 people paid a former FBI employee a total of more than \$48,000 in return for her purported assistance in obtaining alien registration cards, commonly known as "green cards," for themselves and others. The former FBI employee accepted payments from these individuals and told them they had appointments with the INS to obtain green cards. She then intentionally lost contact with the individuals before their appointments. Consequently, none of the individuals received a green card from the INS. The former FBI employee was convicted in the Eastern District of New York on charges of impersonating an INS official, sentenced to 2 years' incarceration and 1 year supervised release, and ordered to pay \$43,500 in restitution, which will be returned to the victims.
- ◆ An FBI special agent who served as chief division counsel in an FBI field office was arrested on a charge of making a false statement. An investigation by the OIG led to an indictment alleging that the chief division counsel accepted benefits worth thousands of dollars from a former subject of an FBI investigation and failed to report his receipt of these benefits on his financial disclosure form. Judicial proceedings continue.
- ◆ The OIG initiated an investigation after receiving information that an FBI language specialist offered a bribe to a U.S. Citizenship and Immigration Services supervisory district adjudications officer (SDAO). The language specialist allegedly offered the SDAO jewelry, trips, and gifts in exchange for assistance with illegally gaining admission of his foreign relatives into the United States. During an OIG interview, the language specialist provided a signed sworn statement denying making any gift offerings to the SDAO. However, when confronted with records, the language specialist provided another signed sworn statement admitting he was untruthful to OIG agents in his prior statement and that he offered the SDAO these gifts in exchange for his assistance. The

case was declined for prosecution. The OIG provided its report to the FBI for administrative action.

## Ongoing Work

### The FBI's Sentinel Case Management System

In March 2005, the FBI announced plans to develop the Sentinel case management system to replace the failed Virtual Case File effort. The main goal of Sentinel will be to enable the FBI to move from a paper-based reporting system to an electronic records system and maximize the FBI's ability to use and share the information in its possession. At the request of the FBI Director and Congress, the OIG has initiated a long-term audit of Sentinel to closely monitor its development and implementation. Initially, this audit is focusing on the FBI's planning for the project, including its approach to developing the system, management controls over the project, information technology management processes, project baselines, contracting processes, and funding sources. Rather than issue a single audit report, the OIG plans to issue a series of reports examining discrete aspects of the Sentinel project, such as the FBI's monitoring of the contractor's performance against established baselines and the progress of the project.

### The FBI's Handling of the Brandon Mayfield Matter

The OIG is completing its investigation of the FBI's conduct in connection with the identification of a fingerprint found on evidence from the March 2004 Madrid train bombing. FBI fingerprint examiners erroneously concluded that the fingerprint belonged to Brandon Mayfield, an attorney in Portland, Oregon. As a result of the misidentification, the FBI initiated an investigation of Mayfield that resulted in his arrest as a "material witness" and his

detention for approximately 2 weeks. Mayfield was released when the Spanish National Police matched the fingerprints on the evidence to an Algerian national. The OIG is examining the cause of the erroneous fingerprint identification and the FBI's handling of the matter, including its investigation of Mayfield.

### Follow-up Examining Implementation of Recommendations in the Hanssen Review

The OIG has initiated a follow-up review of the FBI's progress in implementing recommendations contained in the OIG's August 2003 report entitled, "A Review of the FBI's Performance in Detering, Detecting, and Investigating the Espionage Activities of Robert Philip Hanssen." Hanssen's espionage began in November 1979 – 3 years after he joined the FBI as a special agent – and continued intermittently until his arrest in February 2001. The OIG concluded that Hanssen's ability to escape detection was due to long-standing systemic problems in the FBI's counterintelligence program and a deeply flawed internal security program. The OIG report made 21 recommendations to help the FBI improve its internal security and enhance its ability to deter and detect espionage. The Hanssen follow-up review will assess the FBI's response to the recommendations in the following five areas of the report: 1) improving the FBI's performance in detecting an FBI penetration; 2) improving coordination with the Department; 3) improving source recruitment, security, and handling; 4) security improvements; and 5) management and administrative improvements.

### The FBI's Chinese Counterintelligence Program

At the request of the FBI Director, the OIG is reviewing the FBI's performance in connection with the handling of Katrina Leung, an asset in the FBI's Chinese counterintelligence program who had a long-term intimate relationship with her FBI

handler, former special agent James J. Smith. The OIG is examining a variety of performance and management issues related to the FBI's handling of Leung and its counterintelligence program.

### **FBI and ICE Interaction on Terrorist Financing Cases**

The OIG is reviewing allegations regarding the interaction between the FBI and the Department of Homeland Security's (DHS) Bureau of Immigration and Customs Enforcement (ICE) on terrorist financing cases. Pursuant to a Memorandum of Agreement (MOA) entered into between the FBI and the ICE in May 2003, the FBI is the nation's lead agency with respect to terrorist financing cases and has the authority to decide which agency leads these cases. Together with the DHS OIG, the OIG is examining allegations that the FBI purposely delayed action on a criminal wiretap application that had been proposed by the ICE's Houston Office in connection with a terrorist financing case and took other actions to exclude the ICE from the case. The OIGs also are reviewing the effectiveness of the MOA and the process at both agencies for handling cases pursuant to the MOA.

### **Alleged Abuse of Military Detainees**

The OIG is examining FBI employees' observations and actions relating to alleged abuse of detainees at Guantanamo Bay, Iraq, and Afghanistan. The OIG is investigating whether FBI employees participated in any incident of detainee abuse in military facilities at these locations, whether FBI employees witnessed incidents of abuse, how FBI employees reported observations of abuse, and how those reports were handled by the FBI.

### **Implementation of the *Communications Assistance for Law Enforcement Act***

In October 1994, Congress enacted the *Communications Assistance for Law Enforcement Act of 1994* (CALEA). The purpose of CALEA is to preserve

the ability of law enforcement to conduct electronic surveillance in the face of rapid advances in telecommunications technology. The OIG is reviewing: 1) the FBI's strategy for implementing CALEA; 2) the progress and impediments to CALEA's implementation, including the effect of emerging technologies; 3) CALEA's implementation costs, including projections of future costs; and 4) whether the implementation of CALEA has affected federal, state, and local law enforcement in their ability to conduct electronic surveillance.

### **CODIS Operational and Laboratory Vulnerabilities**

Since 2000, the OIG has conducted a variety of audits regarding CODIS, covering such areas as the FBI's overall management of CODIS; state and local DNA laboratory compliance with existing standards, accuracy, and allowability of DNA profiles contained in CODIS; and vulnerabilities of FBI practices and protocols. Our audits have provided recommendations to improve laboratory activities and enhance the FBI's efforts in managing CODIS. In continuing this effort, we currently are evaluating CODIS' operational and laboratory vulnerabilities. The OIG will analyze its prior work to identify trends and potential vulnerabilities in the national DNA community. In addition, we will assess the FBI's administration of CODIS and evaluate the implementation of corrective action from prior, related OIG audits.

### **The FBI's Seaport Security Efforts**

The United States' 361 ports comprise the world's most extensive and complex port system. The OIG is assessing the FBI's responsibilities and capabilities for preventing and responding to terrorist attacks in the maritime domain, including seaports, and also the extent and effectiveness of its inter-agency coordination with the U.S. Coast Guard, state and local officials, and others responsible for protecting the nation's seaports.





# U.S. Marshals Service

The USMS protects more than 2,000 federal judges and other members of the federal judiciary, transports federal prisoners, protects endangered federal witnesses, manages assets seized from criminal enterprises, and pursues and arrests federal fugitives. The Director and Deputy Director work with 94 U.S. Marshals, each appointed by the President or the Attorney General, to direct the work of approximately 4,800 employees at more than 350 locations throughout the 50 states, Guam, Northern Mariana Islands, Puerto Rico, U.S. Virgin Islands, Mexico, Jamaica, and the Dominican Republic.

## Reports Issued

### The USMS's Apprehension of Violent Fugitives

The USMS is the federal government's primary agency for apprehending fugitives. In July 2005, the OIG's Evaluation and Inspections Division issued a report on the USMS's efforts to apprehend violent fugitives. Our evaluation found that the USMS had increased its apprehension of violent fugitives by 51 percent from FY 2001 through FY 2004 and raised the number of apprehended individuals per staff year from 18 in FY 2002 to 21 in FY 2004. However, the increase in violent federal fugitives at large outpaced the USMS's progress, rising 3 percent from FY 2001 through FY 2004. At the close of FY 2004, 14,419 violent fugitives still were at large.

The OIG found two key reasons for the USMS's improved performance and efficiency. First, the USMS increased by 21 percent the amount of time that deputy marshals and other personnel were devoted to fugitive investigations, from 911 staff years in FY 2002 to 1,104 staff years in FY 2004. Second, the USMS established Regional Fugitive Task Forces (RTF) that enable federal, state, and local law enforcement personnel to work together across jurisdictional lines and share expertise and resources to apprehend the most dangerous fugitives. Presently, five RTFs are operating across federal districts in nine states and the District of Columbia.

In our report, the OIG recommended that the USMS move forward with a plan to establish 6 more RTFs that would operate in 19 states and 3 territories and take steps to implement on a wider basis the practices of the most successful RTFs. We also recommended establishing measures and goals to track performance in apprehending violent fugitives and improving data collection and analysis to accurately determine caseload and necessary resources. The USMS concurred with all the recommendations, has requested appropriations for the creation of additional RTFs, and is employing its Chiefs' Investigative Advisory Committee to develop performance standards and measure progress in reducing the number of violent fugitives at large.

## The USMS's Use of Independent Contractors as Guards

The USMS relies on independent contractors hired as guards to assist USMS deputy marshals in day-to-day operations throughout its 94 districts. The USMS hires more than 2,700 independent contract guards annually and uses them primarily to transport federal prisoners to and from court facilities and guard federal prisoners in courtrooms or cellblocks. Each guard hired as an independent contractor requires a separate contract. Procurement of these independent contractors is an entirely decentralized function in which contracting officers in USMS districts contract with individuals for the necessary guard services. Independent contractors constitute a core part of the USMS's workforce in many districts, sometimes accounting for more than 50 percent of the total hours charged to prisoner handling activities.

The OIG's Audit Division audited the USMS's internal controls over the procurement of independent contractors for guard service. Our audit also assessed whether the USMS was adequately monitoring the performance of its independent contract guards, examined whether independent contractors were meeting the USMS's experience and fitness-for-duty requirements, evaluated the initial training provided to contract personnel, and determined whether independent contractors were performing only authorized duties.

We found that the USMS districts' procurement practices were in violation of USMS policy and the Federal Acquisition Regulation with regard to procurement of independent contractors. We also discovered a lack of controls over the procurement process for independent contractors that have created an environment conducive to inconsistencies and inefficiencies. We identified internal control weaknesses in the hiring and monitoring of independent contractors that allowed for the hiring of unqualified

individuals for guard service. In addition, we found that armed contract guards did not always receive firearms training on a timely basis, and we could not verify whether the majority of independent contractors tested had been medically certified or received background investigations because of the lack of documentation in USMS files.

The OIG recommended that the USMS: 1) ensure the use of formal procurement procedures in the districts, 2) revise fitness-for-duty requirements, 3) maintain complete contract files, 4) institute a formal evaluation process, 5) track and document contractor training, 6) ensure firearms qualifications, and 7) consider alternative methods for obtaining guard services. The USMS concurred with all the recommendations and has begun instituting corrective actions.

## The USMS's Cooperative Agreement Program

The USMS is responsible for the custody and transportation of detainees awaiting trial in federal courts. Most of the 49,000 USMS detainees in custody daily are held in state, local, private, and federal jail facilities using: 1) Cooperative Agreement Program (CAP) agreements with state and local jails where capital investment funding is provided in exchange for guaranteed bed space; 2) Intergovernmental Service Agreements (IGA) with state and local jails, where a daily rate is paid to the jails to house detainees; 3) private jail facilities, where a daily rate is paid to house detainees; and 4) federal detention facilities.

In locations where detention space is scarce, the USMS negotiates with state and local governments to provide an agreed-upon amount of CAP funds to improve local jail facilities or expand jail capacities. In return, the state and local governments guarantee the USMS an agreed-upon

number of bed spaces for a specified number of years. Use of the bed space also requires an IGA between the USMS and the facility. Since 1982, the USMS has awarded about \$285 million to counties and municipalities under CAP agreements, resulting in more than 13,600 guaranteed spaces for federal detainees. In recent years, Congress steadily has reduced the appropriation for the CAP program and eliminated funding for the program altogether for FY 2005.

Our audit focused on whether the USMS has developed adequate plans, in the absence of CAP funding, to secure jail space in cities where CAP agreements will expire during the next three fiscal years and where jail space is scarce but no CAP agreements exist. We found that the USMS has not determined whether jails with expiring CAP agreements will continue to house USMS detainees at a reasonable cost after the CAP agreements expire. To address these issues, we recommended that the USMS develop specific plans for securing detention space in the event that CAP funding is not restored in future appropriations.

## Investigations

The following is an example of a case involving the USMS that the OIG investigated during this reporting period:

- ◆ In our March 2005 *Semiannual Report to Congress*, we reported on a case in which 2 newspaper reporters followed a U.S. marshal for 10 days during a 17-day period in September and October 2004 and found that the U.S. marshal rarely worked a full day and used his assigned government-owned vehicle for personal errands on one occasion. The reporters published an article on their findings, which prompted the OIG to examine the U.S. marshal's work-related activities for a 4-week period that included the 17 days during which the reporters conducted surveillance. We concluded that the U.S. marshal failed to satisfy the basic 40-hour workweek requirement of his position and misused a government vehicle. We completed our investigation in March 2005 and provided a copy of our report to the USMS and the Deputy Attorney General's Office. In August 2005, the U.S. marshal was terminated from his position.



# Federal Bureau of Prisons

The BOP operates a nationwide system of prisons and detention facilities to incarcerate those imprisoned for federal crimes and detain those awaiting trial or sentencing in federal court. The BOP has approximately 35,000 employees and operates 115 institutions, 6 regional offices, 2 staff training centers, and 28 community corrections management offices. The BOP is responsible for the custody and care of approximately 187,000 federal offenders, 160,000 of whom are confined in BOP-operated correctional institutions and detention centers. The remainder are confined in facilities operated by state or local governments or in privately operated facilities.

## Reports Issued

### Deterring Staff Sexual Abuse of Federal Inmates

The OIG investigates many cases involving staff sexual abuse of federal inmates. In total, these cases annually comprise approximately 12 percent of the OIG's total number of investigations. The OIG conducted this review to assess the problem of sexual abuse of federal inmates by correctional staff and examine the shortcomings of current federal laws intended to deter and punish staff sexual abuse.

Federal law criminalizes all sexual relations and sexual contact between prison staff and inmates. Consent is never a legal defense for corrections staff who engage in sexual acts with inmates

because federal law mandates that all sexual relations between staff and inmates are considered abuse. Even if a sexual act would have been considered consensual if it occurred outside of a prison, by statute it is criminal sexual abuse when it occurs inside a prison.

We concluded that current federal laws criminalizing staff sexual relations with federal prisoners are deficient in two critical ways. First, the crime of sexual abuse of an inmate currently is a misdemeanor punishable by a maximum sentence of 1 year unless the staff member uses force or overt threats to sexually abuse the inmate. Because prison employees control many aspects of inmates' lives, in many cases prison employees obtain sex from inmates without resorting to the use of force or overt threats. Second, current federal sex abuse laws do not apply to federal inmates held in facilities under contract to the federal government rather than in BOP facilities. As a result, abuse of federal inmates held at contractor facilities sometimes goes unpunished because of limitations in current federal law.

In addition, we found that many federal prosecutors are reluctant to prosecute sexual abuse cases because the crimes are not felonies. Between FYs 2000 and 2004, the OIG presented 163 sexual abuse cases for prosecution and only 73, or 45 percent, were accepted for prosecution. Moreover, current federal laws that categorize unforced sexual abuse as a misdemeanor are out-of-step with state laws. We found that 43 states make unforced sexual relations with inmates a felony, with the average maximum sentence length approximately 10 years' imprisonment.



The OIG report recommended that the Department seek passage of legislation to make unforced sex with inmates a felony. We also recommended legislation to extend federal criminal jurisdiction to individuals who engage in a sexual act with a federal prisoner housed in a detention facility under contract to the Department. The Department and the BOP agreed with these recommendations and are seeking the necessary legislative changes.

## Investigations

During this reporting period, the OIG received 2,808 complaints involving the BOP. The most common allegations made against BOP employees included job performance failure, use of unnecessary force, rude treatment of inmates, official misconduct, misuse of government property, introduction of contraband, and off-duty misconduct. The vast majority of complaints dealt with non-criminal issues that the OIG referred to the BOP's Office of Internal Affairs.

At the close of the reporting period, the OIG had 233 open cases of alleged misconduct against BOP employees. The criminal investigations cover a wide range of allegations, including bribery of a public official, introduction of contraband, and sexual abuse of inmates. The following are examples of cases involving the BOP that the OIG's Investigations Division investigated during this reporting period:

- ◆ An investigation by the OIG's Chicago Field Office resulted in the arrest of two BOP correctional officers assigned to the Federal Correctional Institution (FCI) in Pekin, Illinois. The first correctional officer was arrested on charges of conspiracy, introduction of contraband, and making false statements to the OIG. The investigation led to an indictment charging that the first correctional officer smuggled contraband, including heroin, creatine, and cellular phones, from inmates' family members into the prison in exchange for cash. When interviewed, the correctional officer provided false information in a signed sworn statement. The second correctional officer was arrested and pled guilty to a charge of providing marijuana to an inmate. During an OIG interview, the second correctional officer confessed to having developed a sexual relationship with an inmate and smuggling marijuana into the prison for him. One other correctional officer, two inmates, and a civilian previously were arrested in this case. Judicial proceedings continue.
- ◆ An investigation by the OIG's Miami Field Office and the U.S. Postal Inspection Service led to the conviction of a former BOP correctional officer, previously assigned to the FCI in Tallahassee, Florida, on charges of introduction of contraband. Investigators obtained evidence that inmates' relatives mailed contraband, including food items and cosmetics, to a post office box used by the correctional officer. The correctional officer subsequently smuggled the contraband into the FCI and provided it to inmates in exchange for sexual favors. Sentencing is pending.
- ◆ An investigation by the OIG's Boston Area Office resulted in the guilty plea of a former BOP maintenance foreman, previously assigned to the Devens Federal Medical Center in Devens, Massachusetts, on charges of embezzling funds belonging to the United States. The investigation determined that the maintenance foreman, who had been issued a federal government credit card for use in obtaining goods and services for the medical center, made arrangements with three vendors to charge his government credit card, as well as credit cards issued to his subordinates, for services that supposedly had been supplied by a third-party contractor. The maintenance foreman also arranged for the vendors to issue checks that he endorsed and cashed for his own use. In total, the maintenance foreman embezzled approximately \$90,000. Sentencing is pending.

- ◆ An investigation by the OIG's Washington Field Office led to the arrest of a BOP correctional officer, two civilians, and two inmates on charges of introduction of contraband into the FCI in Gilmer, West Virginia. The investigation revealed that the inmates conspired with the civilians and the correctional officer to obtain and introduce marijuana inside the FCI. Judicial proceedings continue.

## Ongoing Work

### The BOP's Management of Inmate Mail

Three terrorists convicted of the 1993 bombing of the World Trade Center allegedly wrote approximately 90 letters while incarcerated in federal prison to Islamic extremists in other countries, including inmates who had been part of a Spanish terror cell tied to the 2004 Madrid terrorist attacks. The letters, which praised Usama Bin Laden, were

printed in Arabic newspapers and used to recruit other terrorists. As a result, the OIG is assessing the BOP's inmate mail screening and translation procedures to determine whether the BOP ensures that federal inmates are not using the mail system or the cover of a foreign language to continue criminal behavior, encourage the furtherance of criminal behavior, or encourage any activity that may threaten the public or national security.

### The BOP's Pharmacy Services

The BOP currently has over 150 pharmacists who fill 4 to 5 million prescriptions per year for federal inmates. The pharmacists also are responsible for managing inventories of prescription medication and related supplies, conducting patient counseling, and maintaining patient records. The OIG is assessing whether the BOP ensures adequate controls and safeguards over prescription drugs; evaluating the BOP's efforts to reduce the rising costs of prescription drugs; and assessing whether BOP pharmacies are in compliance with applicable laws, regulations, policies, and procedures.



# Drug Enforcement Administration

The DEA enforces federal laws and regulations related to the growth, production, or distribution of controlled substances. In addition, the DEA seeks to reduce the supply of and demand for illicit drugs, both domestically and internationally. The DEA has approximately 10,900 employees staffing its 23 division offices in the United States and the Caribbean and 80 offices in 58 other countries.

## Reports Issued

### The DEA's Payments to Confidential Sources

Confidential sources are an important tool used by the DEA to help initiate investigations and provide information or services to facilitate arrests and seizures of drugs and cash. The OIG's Audit Division audited the DEA's controls over confidential source payments and its compliance with regulations concerning confidential sources. The OIG review found various areas where the DEA can improve its management of confidential informants and its compliance with relevant Attorney General Guidelines.

In May 2002, the Attorney General issued revised Guidelines Regarding the Use of Confidential Informants. The guidelines outline requirements that the DEA must fulfill before activating a confidential source. For example, case agents for confidential sources must complete and sign a written Initial Suitability Report and Recommendation (ISRR) that addresses specific

risk factors or indicate on the report that a particular factor is not applicable. In addition, once a confidential source has been established, the guidelines require the case agent to review, at least annually, the confidential source's file and complete and sign a written Continuing Suitability Report and Recommendation (CSRR) that must be forwarded to a field manager for written approval. The purpose of the CSRR is to determine whether the risk of using a source has changed since the initial evaluation and whether the confidential source should continue to be utilized. The guidelines also require the DEA to establish accounting and reconciliation procedures that reflect all monies paid to confidential sources.

Our audit found that both ISRRs and CSRRs were not adequately documented. For example, the OIG found that most written DEA initial suitability assessments did not address specific risk assessment factors, and therefore did not meet guidelines requirements that suitability statements detail the specific benefits of utilizing a confidential source despite the identified risk factors. The majority of suitability statements we reviewed contained general statements indicating, in essence, that the benefits of using the confidential source outweighed the risks – without specifying either the benefits or the risks. We also found instances where multiple DEA offices categorized the same source differently and improperly categorized other sources. In addition, we concluded that the DEA does not have an effective system that accounts for and reconciles all confidential source payments. Instead, the DEA relies on a manual process to ascertain payment information to confidential sources – a time-consuming process that is prone to error.

The OIG report provided 12 recommendations to help the DEA improve its management of confidential sources. These recommendations include requiring comprehensive written ISRRs and CSRRs that address all of the factors specified in the guidelines; requiring the long-term confidential source review committee to either review the confidential source files for all long-term confidential sources or review the written ISRRs and CSRRs and document their findings; enhancing the existing DEA database system to track confidential source impeachment information; and accounting for all payments made to a confidential source by the DEA, not just payments using DEA-appropriated funds. The DEA concurred with most of the recommendations.

## Investigations

During this reporting period, the OIG received 168 complaints involving the DEA. The most common allegations made against DEA employees included job performance failure, misuse of a credit card, theft, misuse of government property, and false statements. The OIG opened 9 investigations and referred 155 allegations to the DEA's Office of Professional Responsibility (OPR).

At the close of the reporting period, the OIG had 28 open cases of alleged misconduct against DEA employees. The most common allegation was theft. The following are examples of cases involving the DEA that the OIG's Investigations Division investigated during this reporting period:

- ◆ The OIG's Dallas Field Office and the DEA OPR conducted a joint investigation into allegations by a civilian defendant in a DEA methamphetamine investigation that DEA special agents used excessive force during his arrest, violating his civil rights. During the investigation, the OIG interviewed the defendant, all DEA special agents present

during the arrest, and personnel who provided the defendant's medical treatment. Medical personnel stated that the defendant attributed his facial injuries to falling down when he attempted to flee from law enforcement. Attending medical personnel said they did not find any evidence indicating that the defendant was abused. The investigation concluded that no excessive force was used during the defendant's arrest, and the interview statements did not support the defendant's allegation that he was struck or hit. The DEA personnel involved in the defendant's arrest were cleared of any wrongdoing.

- ◆ The OIG investigated allegations that a former DEA resident agent in charge (RAC) was receiving kickbacks from confidential source payments related to a foreign-undercover operation. Although the OIG investigation was unable to corroborate the allegations of criminal misconduct on the part of the RAC or any current or former DEA employee involved in the operation, it did find that the RAC and the agents under his supervision did not follow established DEA procedures for the establishment and proper use of a DEA confidential source. In addition, the RAC and his supervisor did not exercise adequate management and control over the expenditure of \$181,500 in DEA funds in the operation. The OIG completed its report and provided it to the DEA for appropriate action.
- ◆ An investigation by the OIG's Dallas Field Office led to the arrest and guilty plea of a DEA evidence technician assigned to the Laredo District Office in Laredo, Texas, on charges of theft. An indictment returned in the Southern District of Texas alleged that the evidence technician removed jewelry and cellular telephones from the non-drug evidence room and sold the items in return for monetary compensation. Following an OIG polygraph, the evidence technician admitted to stealing

evidence valued in excess of \$2,000 from the non-drug evidence room. The investigators also developed evidence that he was a regular player in high-stakes poker games in which known Laredo crime figures participated. Judicial proceedings continue.

- ◆ In our March 2004 *Semiannual Report to Congress*, we reported on a case in which a former DEA associate special agent in charge (ASAC) of the DEA's New York Division was arrested in the Southern District of New York on charges of embezzlement, false claims, aiding and abetting, mail and wire fraud, and theft of honest services. A joint investigation by the OIG's New York Field Office and the DEA OPR led to a 214-count indictment alleging that the ASAC embezzled \$138,000 from the DEA and misused DEA resources to perform work for a private investigations firm he owned and operated. During this reporting period, the ASAC was sentenced pursuant to his guilty plea to 30 months' incarceration followed by 36 months' supervised release, and he was ordered to pay full restitution in the amount of \$154,959.

## Ongoing Work

### The DEA's Control of the Diversion of Controlled Pharmaceuticals

The OIG is conducting a follow-up review of the DEA's enforcement of laws that prohibit the diversion of controlled pharmaceuticals. Our September 2002 report on this subject included recommendations that the DEA increase investigative resources devoted to the diversion problem, clarify the law enforcement authorities of diversion investigators, ensure adequate training for special agents in diversion, and explore additional intelligence capabilities to support diversion control. This follow-up review will assess the DEA's response to the recommendations as well as the DEA's response to emerging diversion threats, such as illegal Internet pharmacies.





# Bureau of Alcohol, Tobacco, Firearms and Explosives

The ATF enforces federal laws on firearms, arson, and explosives, and criminal laws on alcohol and tobacco smuggling and diversion. The ATF's responsibilities include regulating the firearms and explosives industries and providing training and support to federal, state, local, and international law enforcement partners. The ATF's nearly 5,000 special agents, inspectors, regulatory specialists, forensic auditors, laboratory technicians, and other personnel work primarily in 23 field divisions across the 50 states, Puerto Rico, the U.S. Virgin Islands, and Guam. Foreign offices are located in Mexico, Canada, Colombia, and France.

## Reports Issued

### National Integrated Ballistic Information Network Program

Through the National Integrated Ballistic Information Network (NIBIN) program, the ATF provides Integrated Ballistics Identification System equipment to state and local law enforcement agencies. The agencies' firearms examiners and technicians use the equipment to obtain computerized images of the unique marks made on bullets and cartridge casings when firearms are discharged. The images are electronically compared to other images in the system to determine whether a firearm matches one used in another criminal case. NIBIN enables law enforcement agencies to quickly discover links between crimes, some of which would not have been identified without this technology.

At the request of the ATF, the OIG's Audit Division assessed the ATF's management and implementation of NIBIN. The OIG found that NIBIN had been fully deployed with the capability to compare ballistic images on a national level. However, we concluded that ballistics equipment had not been deployed to the sites that could best utilize it and the nationwide search capability of NIBIN was rarely used. We also found that the ATF had not taken steps to maximize the entry of evidence into NIBIN. In addition, the audit determined that: 1) many law enforcement agencies were not participating in the program, 2) the ATF was not promoting the program enough to maximize participation, 3) many law enforcement agencies were not maximizing the amount of firearms evidence collected and submitted for entry into NIBIN, 4) a high-volume law enforcement agency was not reviewing high-confidence matches in NIBIN, and 5) many law enforcement agencies were not adequately managing backlogged evidence.

To improve the operation and success of NIBIN, we made 12 recommendations to the ATF. The ATF concurred with all of the recommendations.

### Review of the ATF's Disciplinary System

In September 2005, the OIG's Evaluation and Inspections Division reported on ATF investigations of employee misconduct and discipline of employees when misconduct is confirmed. The report was the fourth in a series of reviews of Department components' disciplinary systems.

The OIG found that the ATF did not ensure that all misconduct was properly reported or thoroughly investigated. In addition, the documentation and tracking of misconduct cases was incomplete and inconsistent, which prevented the ATF from ensuring that consistent penalties were proposed. Decisions to mitigate proposed discipline were not always sufficiently justified and the implementation of penalties for misconduct was not always documented. The OIG also reported that the ATF had no timeliness goals or standards to measure the disciplinary system's performance. The average time the ATF took to investigate and adjudicate misconduct cases, however, was similar in range to the three other Department components that the OIG previously reviewed.

At the ATF's request, the OIG reviewed a pilot project the ATF has been using since June 2003 for its more serious misconduct cases. In the pilot project, a single "Bureau Deciding Official" makes final decisions on proposed discipline, which under the ATF's traditional system these disciplinary decisions were made by various local managers. The OIG determined that the pilot project has produced final discipline decisions that are more consistent, reasonable, and timely than those imposed through the ATF's standard process, and we concluded that making the Bureau Deciding Official process permanent was warranted.

The OIG made nine recommendations to help the ATF improve its disciplinary system, including to have all investigations of alleged misconduct be conducted or reviewed by the ATF Investigations Division before a case is adjudicated; establish a time period for how far back prior discipline should be considered; eliminate the policy of allowing the same individual to serve as the proposing and deciding official for the same misconduct case; and establish policies and procedures to ensure that discipline imposed is applied consistently. The ATF generally concurred with the report's recommendations and is taking steps to implement them.

## Investigations

The following is an example of a case involving the ATF that the OIG's Investigations Division investigated during this reporting period:

- ◆ An investigation by the OIG's Philadelphia Area Office led to the arrest and guilty plea of a former ATF contract background investigator in the District of New Jersey on charges of theft of government funds. OIG investigators developed evidence that the background investigator falsified investigation reports by not conducting the required interviews. She subsequently submitted fraudulent payment vouchers to the ATF and received payment. The investigator was sentenced to 3 years' probation, fined \$2,000, and ordered to forfeit \$5,500.

## Ongoing Work

### Violent Crime Impact Teams

The OIG is evaluating an ATF initiative to reduce violent firearms crimes in selected cities across the United States. This review will assess whether the ATF effectively implemented the Violent Crime Impact Teams and whether the teams are achieving the program's stated goal of reducing violent crime.

### ATF Laboratories Follow-up

The ATF operates three forensic laboratories that examine firearms, tool marks, fire debris, explosives materials, fingerprints, questioned documents, and trace evidence. During FY 2004, the laboratories processed over 3,000 evidence submissions. The OIG is evaluating whether the laboratories manage workloads effectively to provide timely services to ATF field divisions. Our audit follows up on audit findings reported in 2001 by the Department of Treasury OIG, which was responsible for auditing the ATF until its transfer to the Department in 2003.

# Other Department Components

## Office of Justice Programs

## Office of Community Oriented Policing Services

OJP manages the Department's multi-faceted grant program. Since its inception in 1984, OJP has awarded more than 80,000 grants totaling more than \$39 billion for a wide variety of programs to prevent and control crime. OJP has approximately 700 employees and is composed of five bureaus: 1) the Bureau of Justice Assistance (BJA), 2) the Bureau of Justice Statistics, 3) the National Institute of Justice (NIJ), 4) the Office of Juvenile Justice and Delinquency Prevention, and 5) the Office for Victims of Crime.

The Office of Community Oriented Policing Services (COPS) was created as a result of the *Violent Crime Control and Law Enforcement Act of 1994* to advance community policing in jurisdictions of all sizes across the country. COPS provides grants to tribal, state, and local law enforcement agencies to hire and train community policing professionals, acquire and deploy cutting-edge crime-fighting technologies, and develop and test innovative policing strategies.

## Reports Issued

The OIG continued to audit grants awarded by OJP and COPS. Examples of findings from these audits during this reporting period included the following:

- ◆ The University of New Hampshire (UNH) in Durham, New Hampshire, was awarded two grants from OJP to fund research and development efforts as part of the Consolidated Advanced Technologies for Law Enforcement Program, which is located at UNH. We determined that UNH failed to fully comply with grant requirements, did not spend all available funds, did not exercise adequate management and control over grant budgets, and charged direct cost expenditures to the grants for purchases that were not approved in the budgets. As a result, we identified more than \$1.2 million in grant funds recommended to be put to better use and are questioning an additional \$577,605 in grant funds received. We reported total dollar-related findings of nearly \$1.8 million, which is approximately 17 percent of the total funding for both grants.



- ◆ Prairie View Prevention Services in Sioux Falls, South Dakota, was awarded three grants from COPS to assist state and local law enforcement agencies in reducing the production, distribution, and use of methamphetamine. The three congressionally-earmarked grants totaled nearly \$2.1 million. While Prairie View was compliant with grant budget management and control requirements, we found non-compliance issues such as unsupported salaries and fringe benefits as well as excessive drawdowns of grant funds in advance of incurring grant-related expenditures. We also found that Prairie View did not comply with OMB requirements and Financial Status Reports and Progress Reports were not always submitted in a timely manner. Additionally, Financial Status Reports were not always accurate and indirect costs were incorrectly allocated. As a result, we reported total questioned costs of \$485,124.
- ◆ The Colorado Department of Corrections (CDOC) in Colorado Springs, Colorado, was awarded a grant from OJP to fund the Serious and Violent Offender Reentry Initiative. The nearly \$2.2 million grant was awarded to provide funding to develop, implement, and evaluate reentry strategies to ensure the safety of the community and the reduction of serious violent crime. We found that CDOC transferred funds between budget categories exceeding 10 percent of the award amount, a violation of OJP financial guidelines. The grantee also was reimbursed \$87,710 for costs charged to the grant that either were not supported or were not allowable. Moreover, CDOC failed to adequately monitor its subgrantee or contractors and Progress Reports were not always submitted timely. As a result, we reported total dollar-related findings of \$349,084.

## Investigations

The following are examples of cases involving OJP or COPS that the OIG's Investigations Division investigated during this reporting period:

- ◆ A joint investigation by the OIG's Dallas Field Office, FBI, and Arkansas State Police led to the arrest of a former detective with the Crittenden County, Arkansas, Sheriff's Department on charges of theft. In 1997, the Sheriff's Department placed the detective in charge of applying for and managing federal funds obtained through the Local Law Enforcement Block Grant program administered by the BJA. Investigators developed evidence that the detective devised a scheme to steal some of the funds by establishing a fictitious company to purchase law enforcement equipment for the Sheriff's Department. Instead of purchasing equipment, the detective channeled funds totaling more than \$27,000 into his personal bank account. He pled guilty in the Eastern District of Arkansas to an information charging him with theft from an organization receiving federal funds. Sentencing is pending.
- ◆ An investigation by the OIG's Fraud Detection Office led to the arrest of a former administrative assistant at the Neighborhood Youth and Parent Prevention Partnership (NYPPP) – which is partially funded by OJP grants – on charges of fraud and embezzlement from an organization receiving federal funds. OIG investigators determined that, from September 1999 to September 2003, the administrative assistant embezzled more than \$30,000 by writing checks to herself for “salary advances” or to reimburse herself for fraudulent “official expenses.” The administrative assistant pled guilty in the Western District of Michigan; was sentenced to 30 days' incarceration, 9 months' home confinement, and 3 years' supervised release; and was ordered to pay \$30,576 in restitution.

- ◆ In our March 2005 *Semiannual Report to Congress*, we discussed a case in which a former Texas police chief was convicted in the Southern District of Texas on 52 counts of extortion, conspiracy, and fraud. A joint investigation conducted by the OIG's Houston Area Office, FBI, and Texas Rangers developed evidence that the police chief, along with a former Texas police captain, conspired to make materially false statements to the COPS grant program and defraud the government of grant funds. During this reporting period, the former police chief was sentenced to 63 months' incarceration followed by 3 years' supervised release.

## Ongoing Work

### NIJ's Antiterrorism Technology Development Program

Pursuant to the *Antiterrorism and Effective Death Penalty Act of 1996*, NIJ sponsors the development of counterterrorism technologies through its collaborations with various technology partners. The OIG is reviewing NIJ's Antiterrorism Technology Development Program to: 1) determine whether program funds were awarded for projects that satisfy the intent of the program, 2) assess the adequacy of program oversight, 3) determine whether grantees have used program funds in accordance with grant requirements, and 4) assess the adequacy of the program's progress toward meeting its goals and objectives.

### COPS' Methamphetamine Initiative

In 1998, Congress established a methamphetamine initiative administered by COPS to help address the spread of methamphetamine. Since then, COPS has invested more than \$350 million nationwide to combat the spread of methamphetamine. The OIG is assessing COPS' administration

of methamphetamine initiative grants and its monitoring of grantee activities. We also are evaluating the extent to which the grantees have administered grants in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant awards.

## U.S. Attorneys' Offices

U.S. Attorneys serve as the federal government's principal criminal and civil litigators and conduct most of the trial work in which the United States is a party. Under the direction of the Attorney General, 93 U.S. Attorneys are stationed throughout the United States, Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands. More than 11,700 employees work in those offices and in the EOUSA.

## Investigations

The following are examples of cases involving the USAO that the OIG's Investigations Division investigated during this reporting period:

- ◆ An investigation by the OIG's Washington Field Office led to the arrest and guilty plea of a USAO employee on charges of conflict of interest. The employee, acting as coordinator for the Law Enforcement Coordinating Committee (LECC) Program for the USAOs' Middle District of Louisiana from June 1994 to February 2003, had the authority to hire government vendors to conduct training for state and local law enforcement agencies.

Investigators developed evidence that the employee negotiated with a consulting firm to provide training seminars and subsequently arranged for the consulting firm to hire his wife to plan and coordinate these seminars. He also recommended that the LECC coordinator for the Western District of Texas hire the consulting firm to conduct training seminars in that District. As a result of these business dealings, the consulting firm paid the coordinator's wife more than \$55,000. The coordinator, in turn, directly received more than \$20,000 from this business arrangement. Sentencing is pending.

- ◆ The OIG opened an investigation after learning that the background reinvestigation of an assistant U.S. attorney (AUSA) revealed that he had failed to file income tax returns for the years 2000 to 2003. The investigation confirmed that the AUSA lied in a Department form and to OIG agents about his failure to file. Prosecution of the case was declined. The AUSA resigned from his position as a result of the investigation.

## Ongoing Work

### The USAOs' Use of Intelligence Research Specialists

The OIG is assessing whether the USAO makes effective use of its Intelligence Research Specialists to analyze and share terrorism-related information. The review will examine three areas: the purpose and implementation of the positions, the types of work Intelligence Research Specialists are producing, and how the work is disseminated and used.

# Top Management Challenges

The OIG has created a list of top management challenges in the Department annually since 1998, initially in response to congressional requests but in recent years as part of the Department's annual *Performance and Accountability Report*.

The OIG's list of top challenges for this year, issued in October 2005, is to the right. The challenges are not presented in order of priority – we believe that all are critical management issues facing the Department. However, it is clear that the top challenge facing the Department is its ongoing response to the threat of terrorism. Several other top challenges are closely related to and impact directly on the Department's counterterrorism efforts.

Eight of the challenges from last year's list remain and are long-standing, difficult challenges that will not be solved quickly or easily. However, two challenges from last year's list have been replaced by two other challenges. We removed "Human Capital" and "Forensic Laboratories" this year and added two new challenges: "Department and FBI Intelligence-Related Reorganizations" and "Judicial Security."

## Top Management Challenges in the Department of Justice – 2005

1. Counterterrorism
2. Sharing of Law Enforcement and Intelligence Information
3. Department and FBI Intelligence-Related Reorganizations
4. Information Technology Systems Planning and Implementation
5. Information Technology Security
6. Financial Management and Systems
7. Grant Management
8. Detention and Incarceration
9. Judicial Security
10. Supply and Demand for Drugs

Detailed information about these management challenges can be found at [www.usdoj.gov/oig/challenges/index.htm](http://www.usdoj.gov/oig/challenges/index.htm).

# Testimony

During this reporting period, the Inspector General provided the following testimony:

- ◆ Before the Senate Judiciary Committee concerning the OIG's oversight of the FBI.
- ◆ Before the Senate Judiciary Committee concerning the OIG's work regarding detainees held on immigration charges as part of the Department's terrorism investigations after the September 11 attacks.
- ◆ Before the House Judiciary Committee regarding Section 1001 of the *USA Patriot Act*.
- ◆ Before the House Committee on Government Reform regarding the Department's FY 2004 financial statement audits.
- ◆ Before the House Committee on Appropriations regarding the OIG's oversight work in the FBI.

In addition, the Inspector General submitted a written statement for a Senate Judiciary Committee hearing on the USMS's judicial security process. The Inspector General also testified before two independent commissions during this reporting period:

- ◆ The National Prison Rape Elimination Commission regarding the OIG report on deterring staff sexual abuse of inmates; and
- ◆ The Commission on Safety and Abuse in America's Prisons regarding the OIG's work related to use of excessive force, introduction of contraband, verbal abuse, and civil rights violations in federal prisons.

# Legislation and Regulations

The IG Act directs the OIG to review proposed legislation and regulations relating to the programs and operations of the Department. Although the Department's Office of Legislative Affairs reviews all proposed or enacted legislation that could affect the Department's activities, the OIG independently reviews proposed legislation that affects it and legislation that relates to waste, fraud, or abuse in the Department's programs or operations.

During this reporting period, the OIG reviewed a variety of legislation, including the *Department of Justice Appropriation Authorization Act, Fiscal Years 2006 through 2009*, which contains an OIG-sponsored amendment to increase penalties for sexual abuse of federal inmates by correctional officers in contract detention facilities and expand federal jurisdiction over contraband offenses involving federal prisoners held in contract facilities. The OIG also reviewed legislation related to the *Federal Privacy and Protection Act* and the *Improving Government Accountability Act*.

# Statistical Information

## Audit Statistics

### Audit Summary

During this reporting period, the Audit Division issued 109 audit reports containing more than \$12 million in questioned costs and more than \$2 million in funds recommended to be put to better use and made 466 recommendations for management improvement. Specifically, the Audit

Division issued 19 internal reports of Department programs funded at more than \$521 million; 38 external reports of contracts, grants, and other agreements funded at more than \$79 million; and 52 *Single Audit Act* audits. In addition, the Audit Division issued three Notifications of Irregularities.

Funds Recommended to Be Put to Better Use		
Audit Reports	Number of Audit Reports	Funds Recommended to Be Put to Better Use
No management decision made by beginning of period	7	\$8,651,803
Issued during period	8	\$2,154,437
Needing management decision during period	15	\$10,806,240
Management decisions made during period:		
◆ Amounts management agreed to put to better use <sup>1</sup>	12	\$8,657,077
◆ Amounts management disagreed to put to better use	0	\$0
No management decision at end of period	3	\$2,149,163

<sup>1</sup> Includes instances in which management has taken action to resolve the issue and/or the matter is being closed because remedial action was taken.



## Audits With Questioned Costs

Audit Reports	Number of Audit Reports	Total Questioned Costs (including unsupported costs)	Unsupported Costs
No management decision made by beginning of period	25	\$39,016,272	\$1,577,273
Issued during period	37	\$12,639,339	\$7,078,278
Needing management decision during period	62	\$51,655,611	\$8,655,551
Management decisions made during period:			
◆ Amount of disallowed costs <sup>1</sup>	53	\$45,528,636	\$7,061,346
◆ Amount of costs not disallowed	0	\$0	\$0
No management decision at end of period	9	\$6,126,975	\$1,594,205

<sup>1</sup> Includes instances in which management has taken action to resolve the issue and/or the matter is being closed because remedial action was taken.

## Audits Involving Recommendations for Management Improvements

Audit Reports	Number of Audit Reports	Total Number of Management Improvements Recommended
No management decision made by beginning of period	43	98
Issued during period	96	466
Needing management decision during period	139	564
Management decisions made during period:		
◆ Number management agreed to implement <sup>1</sup>	132	552
◆ Number management disagreed with	0	0
No management decision at end of period	7	12

<sup>1</sup> Includes instances in which management has taken action to resolve the issue and/or the matter is being closed because remedial action was taken.

## Audit Follow-Up

### OMB Circular A-50

OMB Circular A-50, *Audit Follow-Up*, requires audit reports to be resolved within 6 months of the audit report issuance date. Audit monitors the status of open audit reports to track the audit resolution and closure process. As of September 30, 2005, the OIG had closed 134 audit reports and was monitoring the resolution process of 385 open audit reports.

- ◆ COPS Grants to the Passamaquoddy Tribe and Pleasant Point Reservation Police Department, Perry, Maine
- ◆ COPS Methamphetamine Initiative Grants to the Sioux City, Iowa, Police Department
- ◆ USMS Intergovernmental Service Agreement for Detention Facilities with the Central Virginia Regional Jail

## Unresolved Audits

### Audits Over 6 Months Old Without Management Decisions

As of September 30, 2005, the following audits had no management decision or were in disagreement:

- ◆ COPS Grants to Albuquerque, New Mexico, Police Department
- ◆ COPS Grants to AMTRAK Police Department
- ◆ COPS Grants to Dona Ana County, New Mexico, Sheriff’s Department
- ◆ COPS Grants to Picuris Pueblo, New Mexico, Police Department
- ◆ COPS Grants to Texas Tech University Police Department, Lubbock, Texas
- ◆ COPS Grants to the Blackfeet Tribal Business Council, Montana
- ◆ COPS Grants to the City of Camden, New Jersey, Police Department
- ◆ COPS Grants to the Navajo Department of Resource Enforcement, Window Rock, Arizona

## Evaluation and Inspections Statistics

The chart below summarizes the Evaluation and Inspections Division’s (E&I) accomplishments for the 6-month reporting period ending September 30, 2005.

E&I Workload Accomplishments	Number of Reviews
Reviews active at beginning of period	8
Reviews initiated	4
Final reports issued	5
Reviews active at end of reporting period	7

### Unresolved Reviews

DOJ Order 2900.10, *Follow-up and Resolution Policy for Inspection Recommendations by the OIG*, requires reports to be resolved within 6 months of the report issuance date. As of September 30, 2005, there are no unresolved recommendations that meet this criterion.

## Investigations Statistics

The following chart summarizes the workload and accomplishments of the Investigations Division during the 6-month period ending September 30, 2005.

### Source of Allegations

Hotline (telephone and mail)	814
Other sources	3,461
Total allegations received	4,275

### Investigative Caseload

Investigations opened this period	218
Investigations closed this period	173
Investigations in progress as of 9/30/05	409

### Prosecutive Actions

Criminal indictments/informations	42
Arrests	47
Convictions/Pleas	30

### Administrative Actions

Terminations	18
Resignations	39
Disciplinary action	18

### Monetary Results

Fines/Restitutions/Recoveries	\$1,604,421
Seizures	\$1,000
Civil Penalties	\$500,000

## Integrity Awareness Briefings

OIG investigators conducted 72 Integrity Awareness Briefings for Department employees throughout the country. These briefings are designed to educate employees about the misuse of a public official's position for personal gain and to deter employees from committing such offenses. The briefings reached more than 3,000 employees.

# Appendix 1

## GLOSSARY OF TERMS

The following are definitions of specific terms as they are used in this report.

**Alien:** Any person who is not a citizen or national of the United States.

**Combined DNA Index System:** A distributed database with three hierarchical levels that enables federal, state, and local forensic laboratories to compare DNA profiles electronically.

**Disclaimer of Opinion:** A disclaimer of opinion results when auditors are unable to express an opinion on the fairness of the agency financial statements due to a limiting factor, such as a lack of adequate supporting financial information.

**Drawdown:** The process by which a grantee requests and receives federal funds.

**Enterprise Architecture:** An Enterprise Architecture establishes an agency-wide roadmap to achieve an agency's mission through optimal performance of its core business processes within an efficient IT environment. An Enterprise Architecture is made up of four components: Business Architecture, Applications Architecture, Data Architecture, and Technical Architecture.

**External Audit Report:** The results of audits and related reviews of expenditures made under Department contracts, grants, and other agreements. External audits are conducted in accordance with the Comptroller General's Government Auditing Standards and related professional auditing standards.

**Information:** Formal accusation of a crime made by a prosecuting attorney as distinguished from an indictment handed down by a grand jury.

**Internal Audit Report:** The results of audits and related reviews of Department organizations, programs, functions, computer security and IT, and financial statements. Internal audits are conducted in accordance with the Comptroller General's Government Auditing Standards and related professional auditing standards.

**Material Weakness:** A reportable condition in which the design or operation of the internal control does not reduce to a relatively low level the risk that error, fraud, or noncompliance in amounts that would be material in relation to the principal statements or to performance measures may occur and not be detected within a timely period by employees in the normal course of their assigned duties.

**Qualified Opinion:** The judgment by the certified public accountant in an audit report that "except for" something, the financial statements fairly present the financial position and operating results of the entity.

**Questioned Cost:** A cost that is questioned by the OIG because of: 1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; 2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or 3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

**Recommendation That Funds be Put to Better Use:** Recommendation by the OIG that funds could be used more efficiently if management of an entity took actions to implement and complete the recommendation, including: 1) reductions in outlays; 2) deobligation of funds from programs or operations; 3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; 4) costs not incurred by implementing recommended improvements related to the operations of the entity, a contractor, or grantee; 5) avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or 6) any other savings that specifically are identified.

**Reportable Condition:** Includes matters coming to the auditor's attention that, in the auditor's judgment, should be communicated because they represent significant deficiencies in the design or operation of internal controls that could adversely affect the entity's ability to properly report financial data.

**Supervised Release:** Court-monitored supervision upon release from incarceration.

**Unqualified Opinion:** An auditor's report that states the financial statements present fairly, in all material respects, the financial position and results of operations of the reporting entity, in conformity with generally accepted accounting principles.

**Unsupported Cost:** A cost that is questioned by the OIG because the OIG found that, at the time of the audit, the cost was not supported by adequate documentation.

# Appendix 2

## ACRONYMS AND ABBREVIATIONS

The following are acronyms and abbreviations widely used in this report.

<b>ATF</b>	Bureau of Alcohol, Tobacco, Firearms and Explosives	<b>INS</b>	Immigration and Naturalization Service
<b>BJA</b>	Bureau of Justice Assistance	<b>IT</b>	Information technology
<b>BOP</b>	Federal Bureau of Prisons	<b>JMD</b>	Justice Management Division
<b>CODIS</b>	Combined DNA Index System	<b>NIJ</b>	National Institute of Justice
<b>COPS</b>	Office of Community Oriented Policing Services	<b>OIG</b>	Office of the Inspector General
<b>DEA</b>	Drug Enforcement Administration	<b>OJP</b>	Office of Justice Programs
<b>Department</b>	U.S. Department of Justice	<b>OMB</b>	Office of Management and Budget
<b>FBI</b>	Federal Bureau of Investigation	<b>September 11</b>	September 11, 2001, terrorist attacks
<b>EOUSA</b>	Executive Office for U.S. Attorneys	<b>TSC</b>	Terrorist Screening Center
<b>FY</b>	Fiscal year	<b>USAO</b>	U.S. Attorneys' Offices
<b>IG Act</b>	<i>Inspector General Act of 1978, as amended</i>	<b>USMS</b>	U.S. Marshals Service



# Appendix 3

## EVALUATION AND INSPECTIONS DIVISION REPORTS

**April 1, 2005 – September 30, 2005**

Testimony before the Senate Committee on the Judiciary concerning the USMS's Judicial Security Process

The Department's Terrorism Task Forces

Review of the USMS's Apprehension of Violent Fugitives

Review of the ATF's Disciplinary System

Review of the Security and Emergency Planning Staff's Management of Background Investigations

# Appendix 4

## AUDIT DIVISION REPORTS

April 1, 2005 – September 30, 2005

### INTERNAL AND EXTERNAL AUDIT REPORTS

ATF's National Integrated Ballistic Information Network Program

Compliance with Standards Governing CODIS Activities at the Arizona Department of Public Safety Scientific Analysis Bureau DNA Laboratory, Phoenix, Arizona

Compliance with Standards Governing CODIS Activities at the Colorado Bureau of Investigation Department of Public Safety DNA Laboratory, Denver, Colorado

Compliance with Standards Governing CODIS Activities at the Florida Department of Law Enforcement Tampa Bay Regional Operations Center, Tampa, Florida

Compliance with Standards Governing CODIS Activities at the South Carolina Law Enforcement Division Forensic Services Laboratory, Columbia, South Carolina

Compliance with Standards Governing CODIS Activities at the State of Michigan Department of State Police, Lansing Forensic Science Laboratory

Compliance with Standards Governing CODIS Activities at the State of Connecticut Forensic Science Laboratory, Meriden, Connecticut

COPS Grants Awarded to Youth Advocate Programs, Inc.

COPS Methamphetamine Initiative Grants Administered by the Indiana State Police Department

COPS Methamphetamine Initiative Grants Administered by the Prairie View Prevention Services, Sioux Falls, South Dakota

COPS Methamphetamine Initiative Grants Administered by the Virginia State Police

COPS Methamphetamine Initiative Grants Awarded to the Alabama Department of Public Safety, Montgomery, Alabama

COPS Technology Grant Awarded to the University of New Hampshire

COPS Technology Grants Awarded to the New Bedford, Massachusetts, Police Department

Department's Process for Identifying, Preventing, and Recovering Improper and Erroneous Payments

DEA's Payments to Confidential Sources

FBI's Efforts to Hire, Train, and Retain Intelligence Analysts

FBI's Foreign Language Translation Program Follow-up

BOP's Medical Services Contract with Salem Community Hospital, Salem, Ohio

BOP's Medical Services Contract with Wayne Memorial Hospital, Jesup, Georgia

Independent Evaluation Pursuant to FISMA for FY 2004 of the DEA's Investigative Management Program and Case Tracking System

Independent Evaluation Pursuant to FISMA for FY 2004 of the USMS's Information Security Program

Independent Evaluation Pursuant to FISMA for FY 2004 of the FBI's Tactical Operations Network

Independent Evaluation Pursuant to FISMA for FY 2004 of the DEA's Information Security Program

Independent Evaluation Pursuant to FISMA for FY 2004 of the FBI's Information Security Program

Internet Crimes Against Children Grant Awarded to the City of Dallas, Texas

Internet Crimes Against Children Task Force Grants Awarded to the Utah Attorney General's Office, Salt Lake City, Utah

OJP's Annual Financial Statement for FY 2003 as Restated

OJP's Annual Financial Statement for FY 2004 as Restated

OJP's Cooperative Agreement with Public/Private Ventures

OJP's Grant Awarded to the Colorado Department of Corrections, Colorado Springs, Colorado

OJP's Grant Awarded to the East Los Angeles Community Union Education Foundation

OJP's MADD Victim Services Public Awareness Initiative Grant Awarded to MADD National Headquarters

OJP's National Criminal History Improvement Program Grant Administered by the Kentucky Justice Cabinet

OJP's Office of Violence Against Women Grant Awarded to Legal Aid of Nebraska, Omaha, Nebraska

OJP's Residential Substance Abuse Treatment Grant Awarded to the Colorado Division of Criminal Justice, Denver, Colorado

OJP's State and Local Emergency Preparedness Grant Awarded to Prince George's County, Maryland

OJP's STOP Violence Against Women Formula Grant Awarded to the State of Texas

OJP's Technology Grant Awarded to Smith and Wesson, Inc.

OJP's Technology Grants Awarded to the University of New Hampshire

OJP's Weed and Seed Grant Awarded to Wichita Falls, Texas

OJP's Weed and Seed Grants Awarded to the City of Compton, California

OJP's Weed and Seed Grants Awarded to the Salt Lake City Corporation, Salt Lake City, Utah

OJP BJA Project Safe Neighborhoods Grants Awarded to the Non-Profit Resource Center of Alabama

Processing Classified Information on Portable Computers in the Department

PSN Grant Awarded to the Baylor Health Care System Foundation

Results of the Office for Victims of Crime Antiterrorism and Emergency Assistance Program Grant Audits

Review of the FBI's Headquarters' Information System Control Environment for FY 2004

Review of the Terrorist Screening Center

Review of the Terrorist Screening Center's Efforts to Support Secure Flight

The Joint Automated Booking System

USMS's Intergovernmental Service Agreement for Detention Services with the Blount County, Tennessee, Sheriff's Office

USMS's Cooperative Agreement Program

USMS's Use of Independent Contractors as Guards

Use of Equitable Sharing Assets by the Police Department of the City of Lowell, Massachusetts

Use of Equitable Sharing Revenues by the New Mexico Department of Public Safety, Santa Fe, New Mexico

Use of Equitable Sharing Revenues by the Ohio State Highway Patrol

### ***SINGLE AUDIT ACT REPORTS OF DEPARTMENT OF JUSTICE ACTIVITIES***

Bon Secours Health System, Inc., and Subsidiaries

Chester County, South Carolina

*April 1, 2005 – September 30, 2005*

Cities in Schools, Inc.	National Association of Police Athletic/Activities Leagues, Inc.
City of Baltimore, Maryland	National Capital Area Council of Boy Scouts of America
City of Camden, New Jersey	National Center for Victims of Crime
City of Chattanooga, Tennessee	National Corrections and Law Enforcement Training and Technology Center, Inc.
City of Chester, Pennsylvania	Office of District Attorney, 28th Judicial Circuit, Baldwin County, Alabama
City of Cleveland, Ohio	Police Foundation and Affiliate
City of Dayton, Tennessee	Prince George's County Economic Development Corporation
City of East Point, Georgia	Prince George's County, Maryland
City of Jacksonville, Florida	Report on Child Welfare League of America, Inc.
City of Prichard, Alabama	Simpson County, Mississippi
City of Scranton, Pennsylvania	South Carolina Department of Public Safety
Commonwealth of Puerto Rico, Department of Justice	State of Florida
Commonwealth of Puerto Rico, Police Department	State of Maryland
Comprehensive Women's Service Council, Inc., Beckley, West Virginia	State of New Mexico, Valencia County
Dorchester County, Maryland	State of West Virginia
Douglas County, Missouri	The Bridging the Gap Project, Inc.
Douglas County, Nebraska	The National Forensic Science Technology Center, Inc.
Family Independence Agency	Town of Davie, Florida, FY 2001
Florida Council Against Sexual Violence, Inc.	Town of Davie, Florida, FY 2002
FN Manufacturing, Inc.	Village of Corrales, New Mexico
Jackson County Commission, Alabama	Washington Village/Pigtown Village Center and Neighborhood Planning
Kanawha County, West Virginia	Wayne County, Missouri
Marshall Heights Community Development Organization	White Buffalo Calf Woman Society, Inc., South Dakota
Michigan Department of State Police	Youth Crime Watch of America, Inc., and Affiliate
Municipality of Yauco, Puerto Rico	
National American Indian Court Judges Association, Colorado	

# AUDIT DIVISION REPORTS

April 1, 2005 – September 30, 2005

## Quantifiable Potential Monetary Benefits

<b>Audit Report</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>	<b>Funds Put to Better Use</b>
BOP's Medical Contract with Salem Community Hospital, Salem, Ohio	\$744		
BOP's Medical Services Contract with Wayne Memorial Hospital, Jesup, Georgia	\$76,087	\$70,741	
City of Jacksonville, Florida	\$110,412		
Commonwealth of Puerto Rico, Police Department	\$52,702		
COPS Grants Awarded to Youth Advocate Programs, Inc.	\$206,810	\$44,487	
COPS Methamphetamine Grants Administered by the Indiana State Police Department	\$534,201		
COPS Methamphetamine Grants Awarded to the Alabama Department of Public Safety, Montgomery, Alabama	\$113,748	\$72,377	\$18,000
COPS Methamphetamine Initiative Grants Administered by the Prairie View Prevention Services, Sioux Falls, South Dakota	\$485,124	\$411,106	
COPS Methamphetamine Initiative Grants Administered by the Virginia State Police	\$2,077	\$656	
COPS Technology Grant Awarded to the University of New Hampshire	\$106,688		
COPS Technology Grants Awarded to the New Bedford, Massachusetts, Police Department	\$327,471		
Douglas County, Nebraska	\$6,400	\$6,400	
Family Independence Agency	\$186,207		
FN Manufacturing, Inc.	\$12,563		
Internet Crimes Against Children Grant Awarded to the City of Dallas, Texas	\$318,892	\$275,049	\$453

April 1, 2005 – September 30, 2005

<b>Audit Report</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>	<b>Funds Put to Better Use</b>
Internet Crimes Against Children Task Force Grants Awarded to the Utah Attorney General's Office, Salt Lake City, Utah	\$44,698	\$12,291	
Michigan Department of State Police	\$5,367		
Office of the District Attorney, 28th Judicial Circuit, Baldwin County, Alabama	\$162,116		
OJP BJA Project Safe Neighborhoods Grants Awarded to the Non-Profit Resource Center of Alabama	\$209,519	\$201,167	\$12,088
OJP Cooperative Agreement with Public/Private Ventures, Philadelphia, Pennsylvania	\$465,060	\$10,876	
OJP Grant Awarded to the Colorado Department of Corrections, Colorado Springs, Colorado	\$214,722	\$5,811	\$134,362
OJP Office of Violence Against Women Grant Awarded to Legal Aid of Nebraska, Omaha, Nebraska	\$1,277,909	\$1,031,132	
OJP Residential Substance Abuse Treatment Grant Awarded to the Colorado Division of Criminal Justice, Denver, Colorado	\$3,701		
OJP Stop Violence Against Women Formula Grant Awarded to the State of Texas	\$2,195,627	\$2,195,627	
OJP Technology Grant Awarded to Smith and Wesson, Inc.			\$36,218
OJP Technology Grants Awarded to the University of New Hampshire	\$577,605	\$165,208	\$1,220,304
OJP Weed and Seed Grant Awarded to Wichita Falls, Texas	\$192,769	\$83,808	\$12,232
OJP Youth Delinquency Grant to the East Los Angeles Community Union	\$27,881		
Prince George's County Economic Development Corporation	\$15,914		
PSN Grant Awarded to the Baylor Health Care System Foundation	\$198,527	\$17,956	
Simpson County, Mississippi	\$17,956		
State of Florida	\$2,039,460		
State of Maryland	\$16,802		



<b>Audit Report</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>	<b>Funds Put to Better Use</b>
Use of Equitable Sharing Assets by the Police Department of the City of Lowell, Massachusetts	\$46,744	\$46,744	
Use of Equitable Sharing Revenues by the New Mexico Department of Public Safety, Santa Fe, New Mexico	\$71,083	\$14,525	
USMS's Intergovernmental Service Agreement for Detention Services with the Blount County, Tennessee, Sheriff's Office	\$1,267,763	\$1,267,763	\$720,780
USMS's Cooperative Agreement Program	\$990,119	\$990,119	
Wayne County, Missouri	\$57,871	\$26,932	
<b>Total</b>	<b>\$12,639,339</b>	<b>\$7,078,278</b>	<b>\$2,154,437</b>

# Appendix 5

## Reporting Requirements Index

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The IG Act specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to the applicable pages.

<b>IG Act References</b>	<b>Reporting Requirements</b>	<b>Page</b>
Section 4(a)(2)	Review of Legislation and Regulations	39
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	6-38
Section 5(a)(2)	Significant Recommendations for Corrective Actions	6-37
Section 5(a)(3)	Prior Significant Recommendations Unimplemented	42-43
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	20-21, 25, 27-28, 30-31, 33, 35-37
Section 5(a)(5)	Refusal to Provide Information	None
Section 5(a)(6)	Listing of Audit Reports	48-53
Section 5(a)(7)	Summary of Significant Reports	6-37
Section 5(a)(8)	Audit Reports – Questioned Costs	41
Section 5(a)(9)	Audit Reports – Funds to Be Put to Better Use	40
Section 5(a)(10)	Prior Audit Reports Unresolved	42
Section 5(a)(11)	Significant Revised Management Decisions	None
Section 5(a)(12)	Significant Management Decisions With Which the OIG Disagreed	None

# Report Waste, Fraud, Abuse, or Misconduct

To report allegations of waste, fraud, abuse, or misconduct in  
Department of Justice programs, send complaints to:

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U.S. Department of Justice**

Investigations Division  
950 Pennsylvania Avenue, NW  
Room 4706  
Washington, DC 20530

**E-mail:** [oig.hotline@usdoj.gov](mailto:oig.hotline@usdoj.gov)

**Hotline:** (800) 869-4499

**Hotline fax:** (202) 616-9881

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# Report Violations of Civil Rights and Civil Liberties

Individuals who believe that a Department of Justice  
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