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U.S. DEPARTMENT OF HOMELAND SECURITY
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Mr. Chairman, Congressman Towns and Members of the Subcommittee, thank you for the opportunity to be here today to discuss the federal Inspectors General oversight role in preventing waste, fraud, and abuse after Hurricane Katrina.

As noted in recent reports issued by the Select Bipartisan Committee of this House, the White House, and most recently the Senate, the federal response to Hurricane Katrina identified a number of weaknesses and shortcomings that had a direct impact on the lives of many citizens. However, there are some bright spots in the federal response. One in particular, the Offices of the federal Inspectors General, I will share with you today.

I will focus my remarks on three areas:

- The Role of the federal Inspectors General;
- Key Oversight Accomplishments of the Inspector General Community; and
- Future Oversight and Accountability Structure.

As I lay out the work of the Inspectors General, and you read through the work that is being conducted, it is important that I point out the unique coordination that is taking place. The coordinated oversight efforts are not only unique to the Inspector General Community, but we would argue to the federal community as a whole. This model is effective, efficient, and working well.

The Role of the Federal Inspectors General

Immediately after Hurricane Katrina devastated the Gulf Coast region, federal response and recovery efforts began on an unprecedented scale. The federal government dedicated billions of dollars to address the widespread devastation, upheaval and dislocation. With such a massive commitment of government resources and record amounts of federal funds being spent; the opportunity for fraud, waste, and abuse is rife. Given the scale of this disaster and the need for oversight, the federal Inspectors General (IGs) as a community stepped up to the plate and conducted an unparalleled oversight and stewardship effort. The oversight and stewardship efforts continue today.

Congress appropriated \$85 billion to meet the needs of reconstruction. In addition, various foreign governments donated approximately \$100 million to hurricane victims. The Federal Emergency Management Agency's (FEMA) Disaster Relief Fund received \$36.5 billion and \$1.5 billion for Hurricanes Rita and Wilma. As of March 31, 2006, FEMA issued \$7 billion in Hurricane Katrina related mission assignments to other federal agencies. The third supplemental also provided direct allocations in the total amount of \$28.6 billion to other federal agencies for hurricane related recovery efforts.

As the federal government obligated these large sums to response and recovery efforts, the federal IG community stepped in to provide oversight and stewardship. They were a natural fit to provide this needed effort. The coordinated oversight of the federal IGs

came about through their work on the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE).

Just prior to Hurricane Katrina, the PCIE/ECIE had established a Homeland Security Roundtable to deal with government-wide homeland security related issues. After Hurricane Katrina, the Homeland Security Roundtable served as a forum for the IG community to plan and discuss hurricane recovery oversight. The Roundtable members meet regularly to share information and collaborate. Each participating IG provides oversight of federal dollars for their respective agencies whether the funding is from a direct appropriation or through a mission assignment from the Federal Emergency Management Agency (FEMA).

The PCIE/ECIE offers the capacity needed for consistent reporting and the preventive interaction to oversee the billions in recovery dollars. The result is no one agency is responsible for all oversight and stewardship activities. The benefit of this organizational structure is that each agency is best able to monitor and investigate its own recovery responsibilities. Therefore, greater oversight is taking place and oversight efforts are not being duplicated.

Coordinated through the PCIE/ECIE, the IG community is ensuring that audit and investigative efforts and resources are focused on disaster-related issues. Taking the lead in this effort is Inspector General Richard L Skinner. As the chair of the PCIE/ECIE Homeland Security Roundtable and Inspector General of the Department of Homeland Security (DHS), Inspector General Skinner is coordinating the PCIE/ECIE audit and investigative activities. Under Mr. Skinner's leadership, federal IG staff have been working tirelessly to ensure that: (1) agency internal controls are in place to prevent fraud, waste, and abuse; (2) IG investigative activities are coordinated with the Department of Justice's Hurricane Katrina Fraud Task Force; (3) agency stewardship plans for hurricane relief activities are in place and operating as intended; and (4) the IG community is executing its hurricane relief oversight efforts in a coordinated fashion to ensure resources are utilized as efficiently and effectively as possible.

In addition, the PCIE/ECIE established a central hotline to handle reports of fraud, waste, and abuse throughout the Gulf Coast. The Hurricane Relief Fraud Hotline supports all federal agencies involved in the recovery efforts. Initially, the Department of Defense Office of Inspector General served as the operator of the Hotline on behalf of all the Offices of Inspectors General (OIGs). In April 2006 operation of the hotline was turned over to the Department of Justice Joint Command Center in Baton Rouge. The Hotline, which has reported 14,385 calls through the end of March 2006, functions as a channel for tracking incoming complaints and allegations of wrongdoing.

Additionally, on September 8, 2005, in the immediate aftermath of Hurricane Katrina, United States Attorney General Alberto R. Gonzales established the Hurricane Katrina Fraud Task Force. The Task Force is charged with deterring, detecting, and prosecuting dishonest individuals and contractors trying to take advantage of the disaster relief

efforts. The overall goal is to stop people who seek to illegally take the money that is intended for the victims of the hurricanes and the rebuilding of the Gulf Coast region.

In addition, within the Department of Homeland Security, Inspector General Skinner created a separate Special Inspector General for Gulf Coast Recovery. The Special IG provides:

- Independent audits and investigations of disaster relief operations;
- Independent and objective leadership and coordination of, and recommendations on, policies designed to promote economy, efficiency, and effectiveness in the administration of disaster programs and operations, and prevent and detect fraud, waste, and abuse;
- An independent and objective means of keeping the Congress, the Secretary of Homeland Security, and all other federal departments and agencies involved in disaster relief fully and currently informed about problems and deficiencies relating to the administration of disaster relief programs and operations, and the necessity for and progress of corrective action.

This allows us to stay current on all disaster relief operations and provide on-the-spot advice on internal controls and precedent setting decisions.

Key Accomplishments

The OIGs have completed a number of audits and investigations, which will greatly benefit the federal government's hurricane relief activities. The overall audit effort is coordinated with the Government Accountability Office (GAO). Overall the IGs have committed approximately 600 personnel to recovery oversight.

However, the scope of hurricane relief projects to be reviewed is formidable. As of March 31, 2006, the IGs reviewed over 6,665 contracts with a total value of \$10 billion. My office reviewed a total value of \$5.38 billion in contracts.

Moreover, with the costs of recovery so high and the great need for accountability, many IGs involved in hurricane relief oversight have significantly expanded their activities. As of March 31, 2006, approximately 465 government auditors were devoted to Hurricane Katrina contract reviews. To date, they have completed 40 management and performance reviews and 246 contract reviews. Many of these reviews represented audits of multiple award contracts, grants, mission assignments, and other funding vehicles.

On April 30, 2006, we published our semi-annual report entitled, *PCIE/ECIE Oversight of Gulf Coast Hurricane Recovery, A Semiannual Report to Congress*. The report provides a summary from each OIG of the audit work of their respective federal department or agency involved in the rebuilding. According to the OIGs, many of their recommendations are already being implemented. Additionally, many of these recommendations are designed to not just address errors or shortcomings in the federal

response, but to set the stage for more efficient and cost-effective responses to future disasters.

DHS OIG completed reviews include:

- The transitional housing contract with Corporate Lodging Consultants;
- The acquisition of cruise ships for evacuee transitional housing;
- The purchase of mobile homes and modular homes at Hope, Arkansas and Red River Army Depot, Texas;
- The use of armed guard services provided by Blackwater Security Consulting, LLC; and
- Debris removal contracts entered into by the City of Biloxi, Mississippi.

These are just a sample of the reviews completed by our office. The reviews completed by other OIGs' are too numerous to list.

However, a sample of their work includes:

- The Department of Energy's (DOE) review of the efficacy of its response under the National Response Plan;
- DOJ's audit of 33 Hurricane Katrina disaster relief grants with a total value of over \$5 million;
- The Department of Labor's (DOL) numerous audits of the implementation of National Emergency Grants awarded to several states;
- The Department of Transportation's (DOT) audit of the internal controls over the Emergency Disaster Relief Transportation Services contract;
- The Department of Veterans Affairs' (VA) audit of alleged mismanagement of VA's permanent change of station travel program;
- The Environmental Protection Agency's (EPA) audits of its and States' efforts to assess and restore public drinking water supplies after Hurricane Katrina;
- The Treasury Inspector General for Tax Administration's (TIGTA) audit work that determined the Internal Revenue Service's planning for the 2006 tax-filing season is on course, but unique challenges exist for the toll-free telephone operations and Taxpayer Assistance Center Program for disaster-related issues;
- The United States Postal Service's (USPS) audit work that concluded the Postal Service adequately safeguarded employees, reestablished mail processing, redirected mail under tight time constraints, and managed emergency purchasing for Hurricane Katrina.

Our Semiannual Report gives in-depth information of the above audits as well as provides summaries of each OIG's on-going and planned audits. As of March 31, 2006 government auditors are conducting 111 management and performance reviews and 289 contract reviews for a value of \$6 billion of contracts awarded.

A sample of our on-going or planned reviews include:

- A review of the major contracts awarded by FEMA and the Joint Field Offices;
- A review of public assistance projects;
- A review of FEMA's mission assignments;
- A review of FEMA's sheltering and transitional housing;
- An audit of property management controls and practices at FEMA in relation to accountable property purchased;
- Our auditors are preparing an inventory of federal disaster assistance programs and assessing their potential for duplication of benefits; and,
- Our auditors will assess how effectively FEMA managed flood insurance in the wake of Hurricane Katrina.

As for other OIG efforts, following is a sample of on-going and planned audits:

- Department of Education auditors are assessing the adequacy of Department controls over funding for the Restart, Emergency Impact Aid, and Homeless Youth programs,
- DOE auditors are determining whether the Strategic Petroleum Reserve effectively met energy security requirements as part of its response to Hurricane Katrina and Rita,
- Department of Health and Human Services (HHS) auditors are determining whether HHS is appropriately accounting for the \$396.3 million of hurricane related spending under mission assignments from FEMA,
- DOJ auditors are determining whether the \$5.2 million sole source contract for roof repairs at a Texas correctional facility had adequate justification and was awarded on an arm's-length basis with reasonable costs,
- DOL auditors are conducting numerous audits to determine whether individuals are receiving dual benefits, e.g. benefits from several states or from several programs, such as unemployment benefits and public service employment payments, or are fraudulently receiving benefits so that such payments are terminated and appropriately recovered,
- DOT auditors are determining whether the affected States have DOT funds dedicated to congressionally directed highway projects that are no longer needed and, if so, whether the funds can be redirected for hurricane reconstruction projects,
- TIGTA auditors are reviewing the agency's preparedness for and responsiveness to the needs of national banks, thrifts, savings and loans, and their customers during and after the hurricanes,
- VA auditors are conducting an audit to assess Gulf Coast hurricane management controls over contract and procurement activities, controls to reestablish healthcare and benefit delivery to veterans, and quality-of-care issues resulting from the evacuation,
- EPA auditors are reviewing EPA's Hurricane Katrina-related expenditures to prevent and detect fraud, waste, and abuse, and to ensure that the EPA is safeguarding assets to prevent or minimize loss or theft,

- Federal Communications Commission auditors are planning an audit to examine the \$211 million recovery assistance program for the Gulf Coast that is funded by the Universal Service Fund,
- General Services Administration (GSA) auditors are auditing the effectiveness of GSA's response to Hurricane Katrina, in which GSA has had a central role in procuring approximately \$1 billion in equipment and services used by FEMA,
- National Aeronautics and Space Administration (NASA) auditors are determining whether the agency has established the necessary internal controls to manage Hurricane Katrina recovery and reconstruction efforts, including rebuilding the Michoud Assembly Facility and the Stennis Space Center, supplemental funding, and procurements,
- Social Security Administration (SSA) auditors are reviewing the status of SSA's service delivery to the individuals and beneficiaries affected by Hurricanes Katrina and Rita, and are also assessing the agency's plans to ensure payments made under emergency procedures were appropriate and properly safeguarded,
- TIGTA auditors are reviewing numerous tax compliance issues, including oversight of tax-exempt organizations, IRS examination and collection functions, IRS disaster relief codes and associated freezes, and other 2006 filing season legislation,
- United States Department of Agriculture (USDA) auditors are conducting numerous audits, including reviews of various hurricane relief initiatives, including barge movements, grain storage, and Natural Resources Conservation Services, Emergency Watershed Protection Program, Dead Animal Debris Disposal Project, and Farm Service Agency Emergency Conservation Program. They are also reviewing controls over housing funds provided to disaster victims and the agency's oversight of the Disaster Food Stamp Program, and
- USPS auditors are reviewing the Postal Service's replacement and repair of facilities affected by Hurricane Katrina, the Postal Inspection Service's procurement and response efforts, and the Postal Service's emergency preparedness.

A complete list of the work as well as recommendations and findings of the reviews named above may be found in our semiannual report.

Additionally, the OIG coordinated work through the Katrina Fraud Task Force is having great success. Each of the OIGs investigates potential violations of law related to hurricane recovery efforts in the Gulf Coast region. Where concerns arise, criminal investigators are assigned to determine whether there has been a violation of law. Members of the PCIE/ECIE submit monthly reports listing the key details about their investigations. As of March 31, 2006, approximately 86 government investigators were devoted to various investigative activities. Since the hurricane relief and recovery process was initiated, the IG investigative community has reported 174 indictments, 152 arrests, and 48 convictions. In addition, investigative teams were deployed to each of the IG Joint Field Offices in Alabama, Louisiana, and Mississippi to provide technical assistance to FEMA, State, and local officials, including respective federal, State, and local law enforcement agencies and prosecutors as part of a "fraud awareness" initiative.

Additionally, as of March 31, 2006, members of the PCIE/ECIE have reported 785 open cases of potential criminal activity. Each of the IGs investigative staff also continues to process hotline complaints. As of March 31, 2006, the PCIE/ECIE Katrina Fraud Hotline received 9,664 complaints and the IGs received 4,721 complaints directly on their own offices' IG hotlines.

Lastly, on March 31, 2006, the DHS OIG issued a report entitled, *A Performance Review of FEMA's Disaster Management Activities in Response to Hurricane Katrina*, which reviewed FEMA's response to Hurricane Katrina and proposed 38 recommendations. The 38 recommendations, grouped into three general categories include, better defined roles, greater efficiency, and more training.

My office also continues to aggressively conduct audits designed to identify and address fraud, waste, and abuse as early as possible.

Future Oversight and Accountability Structure: Do the OIGs have the Needed Resources to do their Job

The current model being used by the PCIE/ECIE Homeland Security Roundtable has been very effective. DHS OIG and other federal agency IGs use funds from their base operating budgets to plan and participate in the PCIE/ECIE activities. In effect, they have to cannibalize from other audit programs to find resources for their planning and participation efforts in Katrina oversight. In order to fully commit to oversight and stewardship efforts, a greater priority must be placed on institutionalizing the role of PCIE/ECIE in these types of government-wide activities.

Additionally, to effectively address oversight, federal interagency data sharing and collaboration are a must. However, data-sharing arrangements between FEMA and other federal agencies to safeguard against fraud and promote the delivery of disaster assistance are not in place. Critical tasks, from locating missing children and registered sex offenders to identifying duplicate assistance payments and fraudulent applications, have all been hindered because mechanisms and agreements to foster interagency collaboration did not exist prior to Hurricane Katrina.

FEMA could enhance its internal controls if it had in place data matching agreements with other federal agencies such as the Social Security Administration, the Internal Revenue Service, and the Postal Service to verify names, addresses, and social security numbers of individuals applying for disaster assistance. Interagency data sharing, and pre-arranged data sharing agreements, should be prioritized to ensure a proactive approach to mitigating fraud, waste, and abuse, while simultaneously enhancing the efficiency, effectiveness, and economy of federal initiatives.

In other data-sharing initiatives, the U.S. Department of Housing and Urban Development (HUD) and FEMA are presently working to establish a computer-matching

program to detect excessive or insufficient housing assistance. We believe that similar arrangements with the Social Security Administration, Small Business Administration, Internal Revenue Service, Postal Service, and others, would be beneficial to detecting fraud and facilitating the delivery of disaster assistance to eligible applicants, particularly if the data can be shared in real-time.

We are currently reviewing data sharing processes and procedures that can be enhanced to promote effective interagency collaboration. We believe agencies should put in place data sharing agreements to facilitate response, recovery, and oversight in conjunction with an emergency declaration. This would not only facilitate the delivery of assistance to disaster victims, but also would be a major factor in preventing fraud, waste, and abuse in FEMA's disaster relief programs.

Conclusion

In closing, as I have discussed today although there have been noted weaknesses in the federal government's response to Hurricane Katrina; there are some bright spots. The Offices of the federal Inspectors General, in particular, have stepped up to the plate and worked together in an unprecedented manner.

Fortunately, the OIG community was well poised to address the need for oversight of the federal government's disaster response and recovery programs and operations. Working together, with the support of the DOJ Hurricane Katrina Fraud Task Force, the OIG community will ensure that taxpayers' dollars are managed and used wisely and that the affected communities and people receive the full benefits of the funds to be spent on response and recovery. Above all, our goal is to turn lessons learned into problems solved.