



# OFFICE OF INSPECTOR GENERAL

## Department of Homeland Security

### SEMIANNUAL REPORT TO THE CONGRESS

April 1, 2012 through September 30, 2012

### *Securing America's Borders*



## Statistical Highlights of OIG Activities

April 1, 2012 through September 30, 2012

### Dollar Impact

|  |               |
|--|---------------|
| Questioned Costs                                     | \$235,673,878 |
| Funds Put to Better Use                              | \$100,766,220 |
| Management Agreement That Funds Be:                  |               |
| Recovered  | \$13,725,586  |
| Deobligated  | \$12,456,762  |
| Funds Recovered (from audits and investigations)     | \$114,890,144 |
| Fines, Restitutions, and Administrative Cost Savings | \$8,820,420   |

### Activities

|   |       |
|---|-------|
| Management Reports Issued                           | 63    |
| Financial Assistance Grant Reports                  | 31    |
| Investigative Reports Issued                        | 811   |
| Investigations Initiated                            | 383   |
| Investigations Closed                               | 1,235 |
| Open Investigations                                 | 1,532 |
| Investigations Referred for Prosecution             | 188   |
| Investigations Accepted for Prosecution             | 57    |
| Investigations Declined for Prosecution             | 82    |
| Arrests   | 95    |
| Indictments   | 71    |
| Convictions   | 84    |
| Personnel Actions                                   | 61    |
| Total Complaints Received                           | 7,739 |
| Complaints Referred (to programs or other agencies) | 7,127 |
| Complaints Closed                                   | 7,641 |



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

October 31, 2012

The Honorable Janet Napolitano  
Secretary  
U.S. Department of Homeland Security  
Washington, DC 20528

Dear Madam Secretary:

I am pleased to present our semiannual report, which summarizes the activities and accomplishments of the Department of Homeland Security (DHS) Office of Inspector General for the 6-month period ended September 30, 2012.

During this reporting period, our office published 63 management reports and 31 financial assistance grant reports. DHS management concurred with 95 percent of the recommendations contained in our management reports. As a result of these efforts, we identified \$235.7 million of questioned costs, of which \$11 million was not supported by documentation. We recovered \$114.9 million as a result of disallowed costs identified from previous audit reports and from investigative efforts. We issued 12 reports identifying \$100.8 million in funds that could be put to better use.

In the investigative area, we issued 811 investigative reports, initiated 383 investigations, and closed 1,235 investigations. Our investigations resulted in 95 arrests, 71 indictments, 84 convictions, and 61 personnel actions. Additionally, we reported \$8.8 million in collections resulting from fines and restitutions, administrative cost savings, and other recoveries.

I would like to take this opportunity to thank you for the interest and support that you have provided to our office. We look forward to working closely with you, your leadership team, and Congress to promote economy, efficiency, and effectiveness in DHS programs and operations, and to help the Department accomplish its critical mission and initiatives in the months ahead.

Sincerely,

A handwritten signature in black ink that reads "Charles K. Edwards". The signature is written in a cursive style with a large initial "C".

Charles K. Edwards  
Acting Inspector General





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## Working Relationship Principles for Agencies and Offices of Inspector General

The *Inspector General Act* establishes for most agencies an Office of Inspector General (OIG) and sets out its mission, responsibilities, and authority. The Inspector General is under the general supervision of the agency head. The unique nature of the Inspector General function can present a number of challenges for establishing and maintaining effective working relationships. The following working relationship principles provide some guidance for agencies and OIGs.

To work together most effectively, the agency and its OIG need to clearly define what the two consider to be a productive relationship and then consciously manage toward that goal in an atmosphere of mutual respect.

By providing objective information to promote Government management, decision making, and accountability, the OIG contributes to the agency's success. The OIG is an agent of positive change, focusing on eliminating waste, fraud, and abuse and on identifying problems and recommendations for corrective actions by agency leadership. The OIG provides the agency and Congress with objective assessments of opportunities to be more successful. The OIG, although not under the direct supervision of senior agency management, must keep them and the Congress fully and currently informed of significant OIG activities. Given the complexity of management and policy issues, the OIG and the agency may sometimes disagree on the extent of a problem and the need for and scope of corrective action. However, such disagreements should not cause the relationship between the OIG and the agency to become unproductive.

### To work together most effectively, the OIG and the agency should strive to—

#### Foster open communications at all levels.

The agency will promptly respond to OIG requests for information to facilitate OIG activities and acknowledge challenges that the OIG can help address. Surprises are to be avoided. With very limited exceptions, primarily related to investigations, the OIG should keep the agency advised of its work and its findings on a timely basis, and strive to provide information helpful to the agency at the earliest possible stage.

**Interact with professionalism and mutual respect.** Each party should always act in good faith and presume the same from the other. Both parties share, as a common goal, the successful accomplishment of the agency's mission.

#### Recognize and respect the mission and priorities of the agency and the OIG.

The agency should recognize the OIG's independent role in carrying out its mission within the agency, while recognizing the responsibility of the OIG to report both to Congress and to the agency head. The OIG should work to carry out its functions with a minimum of disruption to the primary work of the agency. The agency should allow the OIG timely access to agency records and other materials.

**Be thorough, objective, and fair.** The OIG must perform its work thoroughly, objectively, and with consideration to the agency's point of view. When responding, the agency will objectively consider differing opinions and means of improving operations. Both sides will recognize successes in addressing management challenges.

**Be engaged.** The OIG and agency management will work cooperatively in identifying the most important areas for OIG work, as well as the best means of addressing the results of that work, while maintaining the OIG's statutory independence of operation. In addition, agencies need to recognize that the OIG will need to carry out work that is self-initiated, congressionally requested, or mandated by law.

**Be knowledgeable.** The OIG will continually strive to keep abreast of agency programs and operations, and will keep agency management informed of OIG activities and concerns being raised in the course of OIG work. Agencies will help ensure that the OIG is kept up to date on current matters and events.

**Provide feedback.** The agency and the OIG will implement mechanisms, both formal and informal, to ensure prompt and regular feedback.

## Executive Summary

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This Semiannual Report to the Congress is issued pursuant to the provisions of Section 5 of the *Inspector General Act of 1978*, Public Law 95-452, as amended (*Inspector General Act*), and covers the period from April 1, 2012, to September 30, 2012. The report is organized to reflect our organization and that of the Department of Homeland Security.

During this reporting period, we completed significant audit, inspection, and investigative work to promote the economy, efficiency, effectiveness, and integrity of the Department's programs and operations. Specifically, we issued 63 management reports (appendix 3), 31 financial assistance grant reports (appendix 4), and 811 investigative reports. Our reports provide the Department Secretary and Congress with an objective assessment of the issues, and at the same time provide specific recommendations to correct deficiencies and improve the economy, efficiency, and effectiveness of the respective programs.

Also, our audits resulted in questioned costs of \$235,673,878, of which \$11,012,948 was not supported by documentation. We recovered

\$114,890,144 (appendix 5) as a result of disallowed costs identified from current and previous audit reports and from investigative efforts. We issued 12 reports identifying \$100,766,220 in funds that could be put to better use. In the investigative area, we initiated 383 investigations and closed 1,235 investigations. Our investigations resulted in 95 arrests, 71 indictments, 84 convictions, and 61 personnel actions. Additionally, we reported \$8,820,420 in collections resulting from fines and restitutions, administrative cost savings, and other recoveries.

We have a dual reporting responsibility to both the Congress and the Department Secretary. During the reporting period, we continued our active engagement with Congress through extensive meetings, briefings, and dialogues. Members of Congress, their staffs, and the Department's authorizing and appropriations committees and subcommittees met on a range of issues relating to our work and that of the Department. We also testified before Congress on six occasions during this reporting period. Testimony prepared for these hearings may be accessed through our website at [www.oig.dhs.gov/](http://www.oig.dhs.gov/).

## Department of Homeland Security Profile

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On November 25, 2002, President Bush signed the *Homeland Security Act of 2002* Public Law 107-296, as amended, officially establishing the Department of Homeland Security (DHS), with the primary mission of protecting the American homeland. DHS became operational on January 24, 2003. Formulation of DHS took a major step forward on March 1, 2003, when, according to the President's reorganization plan, 22 agencies and approximately 181,000 employees were transferred to the new Department.

DHS' first priority is to protect the United States against further terrorist attacks. Component agencies analyze threats and intelligence, guard U.S. borders and airports, protect America's critical infrastructure, and coordinate U.S. preparedness for and response to national emergencies.

### DHS is organized into the following components:

- Directorate for Management
- Directorate for National Protection and Programs
- Directorate for Science and Technology
- Domestic Nuclear Detection Office
- Federal Emergency Management Agency
- Federal Law Enforcement Training Center
- Office for Civil Rights and Civil Liberties
- Office of General Counsel
- Office of Health Affairs
- Office of Inspector General
- Office of Intelligence and Analysis
- Office of Legislative Affairs
- Office of Operations Coordination and Planning
- Office of Policy
- Privacy Office
- Transportation Security Administration
- United States Citizenship and Immigration Services
- United States Coast Guard
- United States Customs and Border Protection
- United States Immigration and Customs Enforcement
- United States Secret Service



## Office of Inspector General Profile

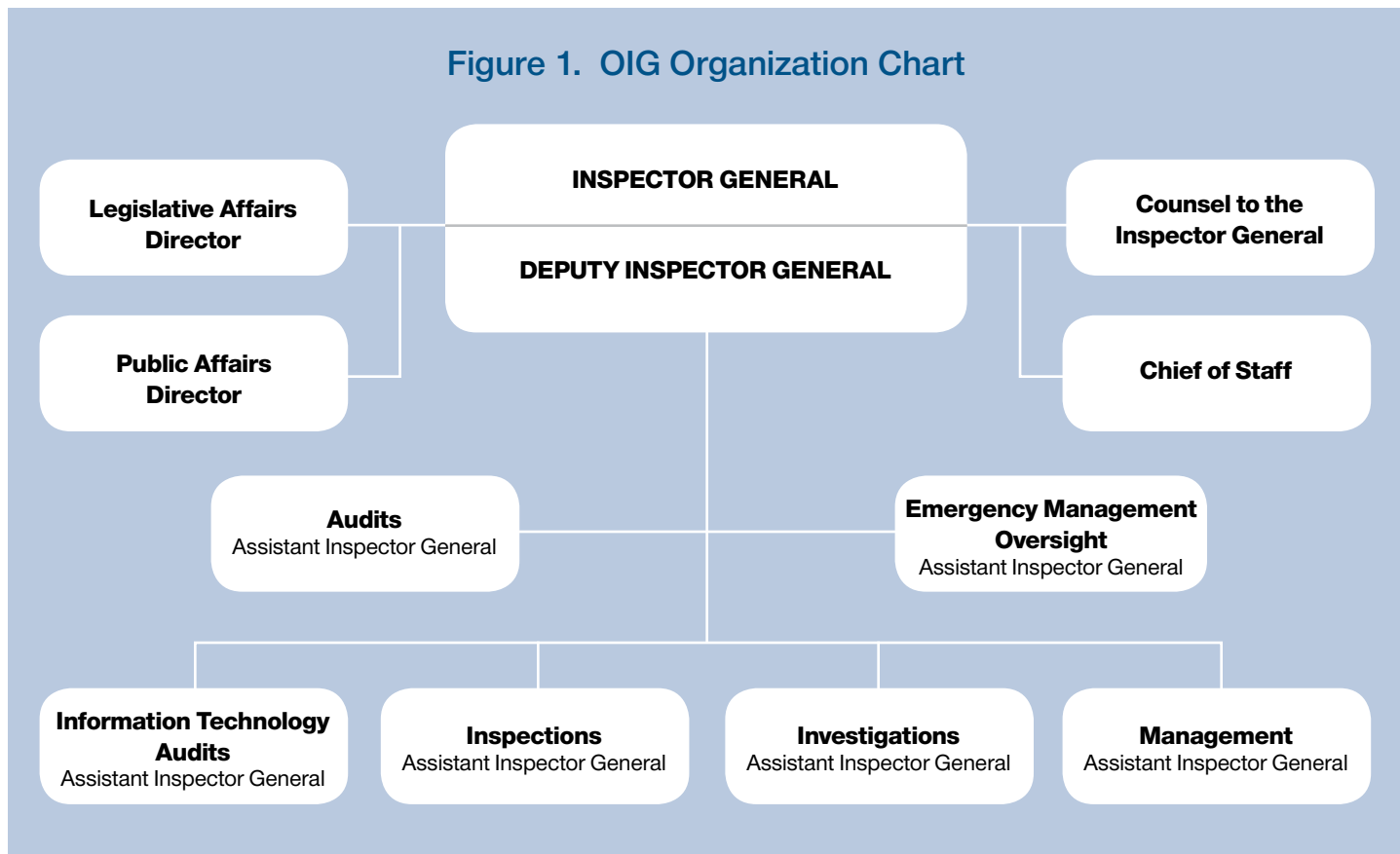
The *Homeland Security Act of 2002* provided for the establishment of an Office of Inspector General (OIG) in DHS by amendment to the *Inspector General Act*. By this action, Congress and the administration ensured independent and objective audits, inspections, and investigations of the operations of the Department.

The Inspector General is appointed by the President, subject to confirmation by the Senate, and reports directly to the Secretary of DHS and to Congress. The *Inspector General Act* ensures the Inspector General’s independence. This

independence enhances our ability to prevent and detect fraud, waste, and abuse, as well as to provide objective and credible reports to the Secretary and Congress regarding the economy, efficiency, and effectiveness of DHS’ programs and operations.

We were authorized 676 full-time employees during the reporting period. We consist of an Executive Office and 9 functional components based in Washington, DC. We also have field offices throughout the country. Figure 1 illustrates the OIG management team.

Figure 1. OIG Organization Chart





***OIG consists of the following components:***

***The Executive Office*** consists of the Inspector General, the Deputy Inspector General, a Chief of Staff, a Senior Management Analyst, and a Special Assistant. It provides executive leadership to OIG.

***The Office of Legislative Affairs (OLA)*** is the primary liaison to members of Congress and their staffs. Specifically, OLA responds to inquiries from Congress; notifies Congress about OIG initiatives, policies, and programs; coordinates preparation of testimony, briefings, and talking points for Congress; and tracks legislation of interest to the Department and the Inspector General community. OLA tracks congressional requests, which are either submitted by a member of Congress or mandated through legislation. OLA also provides advice to the Inspector General and supports OIG staff as they address questions and requests from Congress.

***The Office of Public Affairs (OPA)*** is OIG's principal point of contact for all media outlets and the public. OPA provides news organizations with accurate and timely information in compliance with legal, regulatory, and procedural rules. OPA prepares and issues news releases, arranges interviews, and coordinates and analyzes information to support OIG's policy development and mass communications needs. OPA is responsible for developing OIG's integrated communications strategy and helps promote understanding and transparency of OIG work products. In addition, OPA advises the Inspector General and others within OIG on complex programmatic and public affairs issues that affect OIG and its relationship with DHS, other Federal agencies, State and local government, the media, and the public.

***The Office of Counsel*** provides legal advice to the Inspector General and other management officials; supports audits, inspections, and investigations by identifying and construing applicable laws and regulations; serves as OIG's designated ethics office; manages OIG's *Freedom of Information Act* and *Privacy Act* responsibilities; represents OIG in administrative litigation and assists the Department of Justice in Federal litigation affecting OIG; furnishes attorney services for the issuance and enforcement of OIG subpoenas; reviews OIG reports for legal sufficiency; reviews proposed legislation and regulations; proposes legislation on behalf of OIG, and provides legal advice on OIG operations.

***The Office of Audits (OA)*** conducts and coordinates audits and program evaluations of the management and financial operations of the management and financial operations of DHS. Auditors examine the methods that the Department, components, grantees, and contractors employ in carrying out essential programs or activities. Audits evaluate whether established goals and objectives are achieved, resources are used economically and efficiently, and intended and realized results are consistent with laws, regulations, and good business practice; and determine whether financial accountability is achieved and the financial statements are not materially misstated.

***The Office of Emergency Management Oversight (EMO)*** performs independent and objective audits on the effectiveness, efficiency, and economy of Federal Emergency Management Agency (FEMA) programs with an emphasis on disaster relief fund spending, while identifying fraud, waste, and abuse as early as possible. EMO keeps Congress, the Secretary, the FEMA Administrator, and

others informed on problems relating to disaster operations and assistance programs, and progress regarding corrective actions. EMO focuses on safeguarding Federal funds, by reviewing internal controls and monitoring and advising DHS and FEMA officials on contracts, grants, and purchase transactions.

***The Office of Information Technology Audits (ITA)*** conducts audits and evaluations of DHS' information technology (IT) management, cyber infrastructure, systems integration, and systems privacy activities protections. ITA reviews the cost-effectiveness of acquisitions, implementation, and management of major systems and telecommunications networks across DHS. ITA audits systems that affect privacy to assess whether the organizational governance, culture, and safeguards comply with Federal privacy requirements. In addition, it evaluates the systems and related architectures of DHS to ensure that they are effective, efficient, and implemented according to applicable policies, standards, and procedures. The office also assesses DHS' cybersecurity program as mandated by the *Federal Information Security Management Act* (FISMA). In addition, ITA conducts audits and provides technical forensics assistance to OIG offices in support of OIG's fraud prevention and detection program.

***The Office of Inspections (ISP)*** provides the Inspector General with a means to analyze programs quickly and to evaluate operational efficiency, effectiveness, and vulnerability. This

work includes special reviews of sensitive issues that arise suddenly and congressional requests for studies that require immediate attention. ISP may examine any area of the Department. In addition, it is the lead OIG office for reporting on DHS intelligence, international affairs, civil rights and civil liberties, and science and technology. Inspectors use a variety of study methods and evaluation techniques to develop recommendations for DHS. Inspection reports are released to DHS, Congress, and the public.

***The Office of Investigations (INV)*** investigates allegations of criminal, civil, and administrative misconduct involving DHS employees, contractors, grantees, and programs. These investigations can result in criminal prosecutions, fines, civil monetary penalties, administrative sanctions, and personnel actions. INV also provides oversight and monitors the investigative activity of DHS' various internal affairs offices.

***The Office of Management (OM)*** provides administrative support functions, including OIG strategic planning; development and implementation of administrative directives; OIG's information and office automation systems; budget formulation and execution; correspondence control; personnel and procurement services; security; training and workforce development; and oversight of the travel and accounting services provided to OIG on a reimbursable basis by the Bureau of the Public Debt. OM also prepares OIG's annual performance plan and semiannual reports to Congress.

# SUMMARY OF SIGNIFICANT OIG ACTIVITY





## DIRECTORATE FOR MANAGEMENT

### MANAGEMENT REPORTS

#### *Information Technology Management Letter for the FY 2011 DHS Financial Statement Audit*

We contracted with the independent public accounting firm KPMG LLP (KMPG) to perform a review of DHS' IT general controls in support of the fiscal year (FY) 2011 DHS financial statement audit. The overall objective of this review was to evaluate the effectiveness of IT general controls of DHS' financial processing environment and related IT infrastructure as necessary to support the engagement. KPMG also performed technical security testing for key network and system devices, as well as testing over key financial application controls. KPMG noted that DHS took corrective action to address many prior years' IT control weaknesses. However, during FY 2011, KPMG continued to identify IT general control weaknesses at each component. The most significant weaknesses from a financial statement audit perspective related to entity-wide security, access controls, and service continuity. Collectively, the IT control weaknesses limit DHS' ability to ensure that critical financial and operational data are maintained in such a manner to ensure confidentiality, integrity, and availability. In addition, these weaknesses negatively affect the internal controls over DHS' financial reporting and its operation, and combined KPMG considers them to collectively represent a material weakness under standards established by the American Institute of Certified Public Accountants.

(OIG-12-81, May 2012, ITA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-81\\_May12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-81_May12.pdf)

#### *DHS Information Technology Management Has Improved, but Challenges Remain*

We assessed the progress made in establishing the Chief Information Officer's oversight and authority, achieving integration, improving IT management functions, and addressing our prior recommendations. Since our 2008 report, the DHS Chief Information Officer has increased oversight and authority by reviewing DHS

component programs and acquisitions. Also, DHS has achieved some infrastructure integration goals with data center and network consolidation and matured key information technology management functions, such as portfolio management.

However, the Chief Information Officer's ability to affect budget decisions remains a challenge. The combination of the Chief Information Officer's exclusion from the early budget planning stages and missing component budget information limits the Chief Information Officer's ability to make meaningful decisions and recommendations. We recommended that the Deputy Under Secretary for Management assign the DHS Chief Information Officer centralized control over DHS' IT budget planning process to review, guide, and approve IT investments. The Deputy Under Secretary for Management concurred with the recommendation, but stated that the Office of the Chief Information Officer is firmly integrated with the processes for making budget, financial, and program management decisions within the agency. We disagree and emphasized the need for the Chief Information Officer to participate earlier in the budget planning process.

(OIG-12-82, May 2012, ITA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-82\\_May12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-82_May12.pdf)

#### *CBP Acquisition of Aviation Management Tracking System*

Our audit objective was to determine whether DHS and its components have designed efficiencies for the acquisition, conversion, and maintenance of Customs and Border Protection's (CBP) and United States Coast Guard's (USCG) H-60 helicopters. During our audit "Developing Efficiencies for the Acquisition, Conversion, and Maintenance of CBP and USCG H-60 Helicopters," we determined that CBP was planning to purchase a new, separate aviation maintenance tracking system that will not be coordinated with USCG's already operational system. This is contrary to CBP/USCG's Joint Strategy (2010) to unify CBP's aviation logistics and maintenance system with that of USCG, as well as the Secretary's directives to improve coordination and efficiencies among DHS components. The Joint Strategy concluded that the first step should be to



unify the aviation maintenance tracking system used by the two agencies. We recommended that CBP terminate any new acquisitions of aviation logistics and maintenance information management systems, and transition to USCG's Asset Logistics and Maintenance Information System. This would improve the effectiveness of aviation management information tracking for CBP and DHS, and save more than \$7 million. CBP did not concur with our two recommendations.

After the report was originally issued, we reissued it to modify the statement of compliance with generally accepted government auditing standards (GAGAS). We took this action because it came to our attention that a family member of a senior DHS OIG official was employed by an entity associated with this audit. To ensure that this impairment to our independence in appearance did not affect our findings and conclusions, we thoroughly re-reviewed our work on this audit, as well as the results. Through this re-review, we verified that the impairment did not affect our results. Our evidence was sound and fully supported our findings and conclusions. The report remains unchanged, except for the statement of compliance with GAGAS. We remain committed to assisting the Department in improving its effectiveness and efficiency to better carry out its mission.

(OIG-12-104, August 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-104\\_Aug12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-104_Aug12.pdf)

***Department of Homeland Security Compliance with Federal Acquisition Regulation Revisions for the Proper Use and Management of Cost-Reimbursement Contracts***

To address a congressional mandate in the *Duncan Hunter National Defense Authorization Act* for FY 2009, we reviewed DHS' compliance with the Federal Acquisition Regulation (FAR) revisions regarding their use and management of other than firm-fixed-price contracts. We determined that DHS did not always comply with FAR Case 2008-030, *Proper Use and Management of Cost-Reimbursement Contracts*. Specifically, DHS

did not always (1) document required information to justify the selection of other than firm-fixed-price contract-types; and (2) assign acquisition workforce resources to manage other than firm-fixed-price contracts in accordance with the revisions. This occurred because DHS policies do not fully align with the FAR Case requirements, or in some instances, because acquisition personnel did not comply with existing policies. As a result, DHS may not award or manage these contracts properly, increasing the risk associated with procurement of goods and services. We made two recommendations which, when implemented, should improve DHS' compliance with the FAR revisions regarding the use of other than firm-fixed-price contracts. DHS concurred with both recommendations and provided corrective actions to address the concerns identified.

(OIG-12-133, September 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-133\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-133_Sep12.pdf)

## DIRECTORATE FOR NATIONAL PROTECTION AND PROGRAMS

### MANAGEMENT REPORTS

***Effects of a Security Lapse on FPS' Michigan Guard Services Contract***

On February 26, 2011, a person placed a bag containing an improvised explosive device (IED) outside the Patrick V. McNamara Federal Building in Detroit, Michigan. A guard, hired by DECO, Inc., which is under contract with the Federal Protective Service (FPS) to provide security for the building, brought the bag into the facility and placed it under a screening console. The IED inside the bag was not identified until March 18, 2011, 21 days after the bag's discovery. Congressman Bennie G. Thompson asked us to review DECO's actions and determine whether it breached its contract when its guards did not properly handle the IED and whether DECO's performance has been sufficiently remedied. DECO breached several provisions of the contract's statement of work and post

orders. This occurred because of poor judgment on the part of a guard, not systemic problems within DECO. We identified issues warranting management's attention concerning deficiencies in post inspections, guard training, and the guard suitability program. We made four recommendations in these areas to help FPS improve its operations.

After this report was originally issued, we reissued it to modify the statement of compliance with Quality Standards for Inspections (QSI). We took these actions because it came to our attention that a family member of a senior DHS OIG official was employed by an entity associated with this review. To ensure that this impairment to our independence in appearance did not affect our findings and conclusions, we thoroughly re-reviewed our work on this review, as well as the results. Through this re-review, we verified that the impairment did not affect our results. Our evidence was sound and fully supported our findings and conclusions. The report remains unchanged, except for the statement of compliance with QSI. We remain committed to assisting the Department in improving its effectiveness and efficiency to better carry out its mission.

(OIG-12-100, August 2012, ISP)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIGr\\_12-100\\_Aug12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIGr_12-100_Aug12.pdf)

#### ***US-VISIT Faces Challenges in Identifying and Reporting Multiple Biographic Identities***

US-VISIT is the central repository of biometric and biographic data for individuals entering the United States, and is charged with helping to verify the identity of visitors and aliens. US-VISIT does not have automated procedures in place to specifically target individuals who may use multiple names and dates of birth to attempt to enter the United States. Although some manual procedures are in place, program analysts spend the vast majority of their time resolving slight biographic discrepancies from the same individuals rather than identifying potential fraud. We identified examples of data errors that pose a challenge to US-VISIT effectively identifying biographic fraud, as well as specific examples of individuals who may

have used multiple identities to attempt to enter the United States. We made two recommendations to the National Protection and Programs Directorate (NPPD) to target potential biographic fraud and refer it to law enforcement for further action. NPPD concurred with both recommendations and has already undertaken some actions to comply with our recommendations.

(OIG-12-111, August 2012 ITA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-111\\_Aug12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-111_Aug12.pdf)

#### ***DHS Can Strengthen Its International Cybersecurity Programs***

The borderless nature of threats to, and emanating from, cyberspace requires robust engagement and strong partnerships with countries around the world. International engagement is a key element of the DHS mission to safeguard and secure cyberspace. In this report, we identify measures DHS' NPPD can take to enhance the overall effectiveness of its efforts to establish and maintain partnerships with the international community to promote the benefits of networked technology globally and a secure, reliable, and interoperable cyberspace. Overall, NPPD and its subcomponents have undertaken actions to promote collaboration with the international community and develop partnerships with other nations to better protect cyberspace. However, additional actions can be taken to further NPPD's international affairs program with other countries, international industry, and the private sector; streamline its international affairs functions; and strengthen its communications and information-sharing activities with its counterparts. We made five recommendations that focus on the strategic planning needed to promote the protection of global cyberspace, improve the efficiency and effectiveness of NPPD's international affairs operations, and support international incident response and the sharing of best practices. NPPD management concurred with the recommendations and has begun taking actions to implement them.

(OIG-12-112, August 2012, ITA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIGr\\_12-112\\_Aug12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIGr_12-112_Aug12.pdf)

## FEDERAL EMERGENCY MANAGEMENT AGENCY

### MANAGEMENT REPORTS

#### ***Information Technology Management Letter for the Federal Emergency Management Agency Component of the FY 2011 DHS Financial Statement Audit***

We contracted with KPMG to perform the audit of the FEMA Consolidated Balance Sheet and related statements as of September 30, 2011. As part of this review, KPMG noted certain matters involving internal control and other operational matters with respect to IT and documented its comments and recommendation in the IT Management Letter. The overall objective of our audit was to evaluate the effectiveness of general IT controls of FEMA's financial processing environment and related IT infrastructure. KPMG noted that FEMA took corrective action to address many prior years' IT control weaknesses. However, during FY 2011, KPMG continued to identify general IT control weaknesses at FEMA. The most significant weaknesses from a financial statement audit perspective related to access controls, change control, entity-wide security, system software, and service continuity. Collectively, the IT control weaknesses limit FEMA's ability to ensure that critical financial and operational data are maintained in such a manner to ensure confidentiality, integrity, and availability. In addition, these weaknesses negatively impact the internal controls over FEMA's financial reporting and its operation, and KPMG considers them to collectively represent a material weakness under standards established by the American Institute of Certified Public Accountants.

(OIG-12-70, April 2012, ITA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-70\\_Apr12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-70_Apr12.pdf)

#### ***National Flood Insurance Program's Management Letter for FY 2011 DHS Consolidated Financial Statements Audit***

We contracted with KPMG to review the National Flood Insurance Program's internal control over financial reporting. The management letter discusses two observations for management's

consideration identified during the FY 2011 financial statement audit. These observations were discussed with the appropriate members of management and are intended to improve internal control or result in other operating efficiencies. These issues did not meet the criteria to be reported in the *Independent Auditors' Report on DHS' FY 2011 Financial Statements and Internal Control over Financial Reporting*, dated November 11, 2011, included in the Department of Homeland Security's FY 2011 *Annual Financial Report*.

(OIG-12-71, April 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-71\\_Apr12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-71_Apr12.pdf)

#### ***Capping Report: FY 2011 FEMA Public Assistance and Hazard Mitigation Grant and Subgrant Audits***

This report summarizes the results of Public Assistance (PA) program and Hazard Mitigation Grant Program (HMGP) grant and subgrant audits performed during FY 2011. We reviewed audit findings and recommendations made to FEMA officials as they related to PA program funds awarded to State, local, and tribal governments and eligible nonprofit organizations. In FY 2011, we issued 58 audit reports on grantees and subgrantees awarded FEMA PA and HMGP funds between June 2001 and October 2008 as a result of 30 presidentially declared disasters in 13 States and one U.S. Territory. The subgrantees were awarded \$1.72 billion in project funding for debris removal; emergency protective measures; or permanent repair, restoration, and replacement of damaged facilities. We audited \$1.22 billion of the \$1.72 billion, or 71 percent of the awarded amounts. Of the 58 audits performed in FY 2011, 54 reports contained 220 recommendations resulting in a potential monetary benefit of \$336.9 million. This amount included \$307.8 million in project costs questioned as ineligible or unsupported costs and which should be disallowed, and \$29.1 million in funds that were unused or uncollected and which should be put to better use.

(OIG-12-74, April 2012, EMO)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-74\\_Apr12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-74_Apr12.pdf)

***Review of Costs Invoiced by the Newport News Fire Department Under Fire Station Construction Grant No. EMW-2009-FC-00629R Awarded by the Federal Emergency Management Agency***

FEMA awarded a grant of \$2,597,425 to the Newport News, Virginia, Fire Department for constructing a new fire station with *American Recovery and Reinvestment Act* (ARRA) funds. We determined that the Newport News Fire Department invoiced sufficient allowable, allocable, and reasonable costs to earn the \$2,597,425 provided under the grant. In addition, we verified that the Fire Department submitted to the Federal Government the required quarterly reports on project activities. We also determined that the Fire Department complied with the grant and ARRA requirements for paying prevailing wages and using American-made iron, steel, and manufactured goods in the construction of the project. The report did not contain any recommendations. (OIG-12-75, April 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-75\\_Apr12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-75_Apr12.pdf)

***Opportunities To Improve FEMA's Public Assistance Preliminary Damage Assessment Process***

FEMA's current PA Public Damage Assessment (PDA) process needs improvement, because FEMA does not require PDA teams to conduct detailed or complete assessments of affected disaster areas. In addition, FEMA established a \$1 per capita amount in 1983 to measure a State's capability to respond to a disaster. FEMA has not reevaluated the basis of the \$1 per capita amount, resulting in the statewide per capita indicators not keeping up with income or inflation. We recommended that FEMA develop a thorough, comprehensive PA PDA process that more realistically estimates the magnitude and economic impact of a disaster. Furthermore, FEMA should reassess the criteria used to measure a State's capacity to respond to a disaster to reflect changing economic conditions since 1983. In that reassessment, FEMA also should determine if other Federal data measures would provide a better assessment of a State's capability to respond to

a disaster than the current statewide per capita amount.

(OIG-12-79, May 2012, EMO)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-79\\_May12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-79_May12.pdf)

***FEMA's Progress in Implementing Employee Credentials***

FEMA is responsible for developing Federal response capability to deliver assistance in a natural or manmade disaster or act of terrorism. We concluded that FEMA has not completed implementation of the employee credentialing program known as the FEMA Qualification System (FQS). Specifically, FEMA has not identified an IT system to track the training, development, and deployment of disaster employees. There is no detailed IT plan or detailed plan for training and course development needed to implement the FQS. We recommended that FEMA's Director, Incident Workforce Management Office, (1) establish and implement an approved FQS project plan, with defined metrics and timeframes that ensure adequate project planning and program transparency; (2) develop a detailed plan and budget for the training and course development needed to implement the FQS; and (3) develop a comprehensive IT system to track credentialing, training, and deployment information. FEMA concurred with the recommendations.

(OIG-12-89, June 2012, OA/EMO)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-89\\_Jun12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-89_Jun12.pdf)

***Review of Costs Claimed by Washington Township, MI, Fire Department Under Fire Station Construction Grant Number EMW-2009-FC-01152R***

FEMA granted \$1,510,016 to the Washington Township, Michigan, Fire Department for constructing a new fire station. We audited \$1,434,504 claimed under the grant to determine whether the costs were allowable, allocable, and reasonable according to the grant and applicable Federal requirements. We questioned the eligibility for reimbursement of \$78,020 for



purchases that did not comply with procurement requirements. In addition, we determined that Washington Township submitted the required status reports to the Federal Government and complied with grant requirements for using American-made materials in the new fire station and for paying prevailing wages to construction workers. The report contains one recommendation for FEMA to resolve \$78,020 of questionable costs that Washington Township claimed for reimbursement. FEMA agreed with the report recommendation and will recover the \$78,020.

(OIG-12-90, June 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-90\\_Jun12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-90_Jun12.pdf)

***FEMA's Efforts To Recoup Improper Payments in Accordance With the Disaster Assistance Recoupment Fairness Act of 2011(2)***

We assessed the cost-effectiveness of FEMA's efforts to recoup improper payments in accordance with *Disaster Assistance Recoupment Fairness Act of 2011* (DARFA). As of June 8, 2012, FEMA adjudicated 6,432 cases totaling \$37,095,697 that were initially identified for recoupment. Of that amount, FEMA has granted waivers for applicants in approximately 96 percent of the cases it has reviewed. Specifically, FEMA has granted 6,167 waivers and denied 265 waivers totaling \$35,497,327 and \$1,597,370, respectively. Additionally, FEMA has expended an estimated \$2,589,076 on related activities including staffing, supplies, and applicant refunds. FEMA has not begun to recoup payments from applicants who were denied waivers. This is the second in a series of six congressionally mandated reports that will be issued every 3 months through June 2013. This report does not contain any recommendations. It is too early to determine the cost-effectiveness of the process because waiver requests and reimbursements are still ongoing. Updated information and a cost-effectiveness assessment will be provided in our future reports.

(OIG-12-91, June 2012, EMO)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-91\\_Jun12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-91_Jun12.pdf)

***The Federal Emergency Management Agency's Requirements for Reporting Homeland Security Grant Program Achievements***

During FYs 2002 through 2011, FEMA distributed more than \$18 billion from the Homeland Security Grant Program. Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, requires DHS OIG to audit individual States' management of State Homeland Security Program (SHSP) and Urban Areas Security Initiative (UASI) grants. Several of these individual State audits identified similar issues regarding FEMA's requirements for States to report progress in enhancing first responder capabilities. In addition, Congress and the Government Accountability Office (GAO) have expressed concerns over the measurement of progress in achieving needed capabilities with Homeland Security Grant Program funds.

FEMA did not have a method to determine the extent to which these funds enhanced the States' capabilities to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies. FEMA did not require States to report progress in achieving milestones as part of the annual application process for Homeland Security Grant Program funds. As a result, when annual grant application investment justifications for individual continuing programs were being reviewed, FEMA did not know whether prior year milestones for the programs had been met before awarding more funds to the States. FEMA also did not know the amount of funding required to achieve needed preparedness and response capabilities.

Our four recommendations call for FEMA to initiate improvements which, when implemented, should help strengthen management, performance, and oversight of ongoing individual State programs funded by Homeland Security Grant Program funds. FEMA concurred with three recommendations and partially concurred with one recommendation.

(OIG-12-92, June 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-92\\_Jun12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-92_Jun12.pdf)



***Progress Has Been Made in Securing Laptops and Wireless Networks at FEMA***

This report addresses the strengths and weaknesses of FEMA efforts to safeguard laptop computers and implement controls to protect the sensitive data processed by its wireless networks and devices from potential exploits. FEMA has taken actions to improve the inventory and configuration management controls to protect its laptop computers and the sensitive information they store and process. Furthermore, FEMA has implemented technical controls to protect the information stored on and processed by its wireless networks and devices. However, we identified weaknesses in the component-wide adoption of FEMA's automated property management system, reporting of lost and stolen laptops, implementation of hard drive encryption, use of a standardized laptop image, timely installation of security patches, documentation of laptop sanitization, and accounting for wireless networks. We made two recommendations to the Chief Administrative Officer and five recommendations to the Chief Information Officer. FEMA concurred with all of our recommendations and has initiated actions to implement them.

(OIG-12-93, June 2012, ITA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-93\\_Jun12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-93_Jun12.pdf)

***Costs Claimed by Bristol Township Volunteer Fire Department under Fire Station Construction Grant No. EMW-2009-FC-01627R***

FEMA granted \$2,235,191 to the Bristol Township Volunteer Fire Department, Bristolville, Ohio, for constructing a new fire station. We audited \$1,927,826 claimed under the grant to determine whether the costs were allowable, allocable, and reasonable according to the grant and applicable Federal requirements. We questioned \$21,164 for telephone equipment and a security system that are not eligible for reimbursement under FEMA program guidance. In addition, we determined that Bristol Township submitted the required status reports to the Federal Government and complied with grant requirements for using American-made materials in the new fire station and for paying prevailing wages to construction

workers. We made one recommendation for FEMA to resolve \$21,164 of questionable costs that Bristol Township Volunteer Fire Department claimed for reimbursement. FEMA agreed that the \$21,164 not allowable and is taking steps to resolve the matter.

(OIG-12-97, July 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-97\\_Jul12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-97_Jul12.pdf)

***Costs Claimed by Grand Traverse Metro Emergency Services Authority under a Fire Station Construction Grant***

FEMA granted \$2,813,034 to Grand Traverse, Michigan, Metro Emergency Services Authority for constructing a new fire station. We audited \$2,589,021 claimed under the grant to determine whether the costs were allowable, allocable, and reasonable according to the grant and applicable Federal requirements. We questioned costs of \$591,457 for purchases that did not comply with procurement requirements (\$278,286); for ineligible services, systems, and equipment (\$190,916); and for salary and benefits of two Grand Traverse Metro employees that were not adequately supported (\$122,255). In addition, we determined that Grand Traverse Metro submitted the required status reports to the Federal Government and complied with grant requirements for using American-made materials in the new fire station and for paying prevailing wages to construction workers. We made three recommendations for FEMA to resolve \$591,457 of questionable costs that Grand Traverse Metro claimed for reimbursement. FEMA agreed with the intent of the three recommendations and is working with Grand Traverse Metro to identify specific corrective actions.

(OIG-12-98, July 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-98\\_Jul12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-98_Jul12.pdf)

***The State of New Mexico's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2007 through 2009***

The State of New Mexico received \$16.5 million in SHSP grants awarded by FEMA during FYs 2007 through 2009. This audit was mandated by Public

Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, to determine (1) whether grant funds were distributed and spent effectively, efficiently, and in compliance with applicable laws and regulations; and (2) the extent to which grant funds enhanced the State's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

Generally, the State did an effective and efficient job of administering the program requirements, distributing grant funds, and ensuring that all available funds were used. The State formed working groups to establish priorities, and spent grant funds in accordance with applicable Federal laws and regulations.

However, we identified six specific areas for improving grants management: the strategic planning process, performance and financial reporting, monitoring subgrantee performance, management and administrative costs, obligation of funds to local units of government, and improper payments for services and equipment. Our 14 recommendations call for FEMA to initiate improvements which, when implemented, should help strengthen program management, performance, and oversight. FEMA partially concurred with one recommendation and concurred with the remaining recommendations. (OIG-12-102, July 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-102\\_Jul12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-102_Jul12.pdf)

***Costs Invoiced by McKing Consulting Corporation Under Order Number HSFEHQ-05-F-0438***

FEMA modified a 2005 task order with McKing Consulting Corporation with \$721,000 of ARRA funds to obtain additional program support services to accelerate the award of fire station construction grants authorized by ARRA. We audited \$42,361,519 invoiced during the task order's period of performance, July 2005 through December 2010, to determine whether the costs were allowable, allocable, and reasonable according to the task order and applicable Federal requirements. We questioned \$154,535 paid to McKing

Consulting Corporation for labor (\$143,173) because certain individuals did not qualify for the rates at which they were billed, and for storage costs (\$11,362) that exceeded McKing's incurred costs less credits and adjustments. We also determined that McKing Consulting Corporation complied with the ARRA reporting requirements for submitting recipient reports; however, the reports included inaccurate and unsupported information. We made three recommendations for FEMA to resolve the questioned costs, examine the qualifications of other staff to determine whether billing rates were appropriate, and decide whether McKing Consulting Corporation should resubmit its final recipient report. FEMA concurred with the recommendations.

(OIG-12-106, July 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-106\\_Jul12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-106_Jul12.pdf)

***Survey of FEMA's Hazard Mitigation Planning***

We evaluated the HMGP's efficiency and effectiveness. We determined that a more comprehensive audit was not warranted, based on our fieldwork.

FEMA has made progress in the HMGP since the passage of the *Disaster Mitigation Act of 2000*. Even though the program is voluntary, all 50 States, the District of Columbia, and several territories have participated, with more than 26,000 jurisdictions developing plans since its inception. Jurisdictions with a plan account for approximately 70 percent of the Nation's population. Despite the program's relative success, some jurisdictions have been reluctant to participate, particularly those in less populated areas that have not experienced recent disasters. FEMA is developing a system to monitor State, tribal, and local participation and to track planned or implemented mitigation projects.

Based on our survey findings, we determined that FEMA needs to implement a better system to track participants' progress, and continue ongoing efforts to address States' concerns regarding plan reporting requirements. We made two recommendations to assist FEMA in its management and oversight function. We will follow up on FEMA's

progress as the program continues to develop. (OIG-12-109, August 2012, EMO)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-109\\_Aug12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-109_Aug12.pdf)

***The State of Georgia's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008 through 2010***

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, as amended, requires DHS OIG to audit individual States' management of SHSP and UASI grants. This report responds to the reporting requirement for the State of Georgia.

In most instances, the State of Georgia distributed and spent SHSP and UASI awards in compliance with applicable laws and regulations. However, improvements are needed in the following areas: developing a comprehensive strategy with measurable objectives, developing a performance measurement system to assess emergency preparedness, obligating unencumbered grant funds timely, and strengthening onsite monitoring activities to ensure subgrantee compliance with Federal inventory and accountability requirements. These issues exist because FEMA and the Georgia Emergency Management Agency have not provided sufficient guidance and oversight for the grant process. As a result, the State does not have an effective way to measure or assess overall State capabilities and emergency preparedness. We made nine recommendations that call for FEMA to initiate improvements which, if implemented, should help strengthen grant program management, performance, and oversight. FEMA concurred with the intent of all of the recommendations. (OIG-12-110, July 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIGr\\_12-110\\_Jul12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIGr_12-110_Jul12.pdf)

***Costs Claimed by Brunswick Volunteer Fire Company, Inc. under Fire Station Construction Grant Number EMW-2009-FC-00409R***

FEMA granted \$2,431,161 of ARRA funds to the Brunswick Volunteer Fire Company, Inc. (Fire Company), Brunswick, Maryland, for constructing a new fire station. The audit objective

was to determine whether costs incurred were allowable, allocable, and reasonable according to the grant and applicable Federal requirements. We determined that the Fire Company incurred sufficient costs to earn the grant. In addition, we determined that the Fire Company submitted the required status reports to the Federal Government and complied with grant requirements for using American-made materials in the new fire station and for paying prevailing wages to construction workers. However, the Fire Company did not follow Office of Management and Budget guidance in determining the number of jobs funded by ARRA.

(OIG-12-113, August 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-113\\_Aug12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-113_Aug12.pdf)

***The State of Michigan's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2007 Through 2009***

The State of Michigan received approximately \$98 million in SHSP and UASI grants awarded by FEMA during FYs 2007 through 2009. This audit was mandated by Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, to determine (1) whether grant funds were distributed and spent effectively, efficiently, and in compliance with applicable laws and regulations; and (2) the extent to which grant funds enhanced the State's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

Generally, the State spent grant funds effectively, efficiently, and in compliance with applicable Federal laws and regulations. Its strategic plans linked funding to all-hazards capabilities and to goals that were established based on risk assessments. It also implemented a process to approve allowable grant-related costs before subgrantees expended funds and requested reimbursements.

However, improvements are needed in five areas: UASI regional funds, oversight and monitoring, Federal procurement standards, Federal inventory and property standards, and the State Adminis-

trative Agency's approval process. Our nine recommendations call for FEMA to initiate improvements which, when implemented, should help strengthen program management, performance, and oversight. FEMA concurred with all nine of our recommendations. (OIG-12-114, August 2012, OA)  
[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-114\\_Aug12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-114_Aug12.pdf)

***The State of Arkansas' Management of State Homeland Security Program Grants Awarded During Fiscal Years 2008 Through 2010***

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, as amended, requires DHS OIG to audit individual States' management of SHSP and UASI grants. This report responds to the reporting requirement for the State of Arkansas. The State of Arkansas distributed and spent SHSP grant funds in compliance with applicable laws and regulations. However, the following improvements are needed: strategies should include measurable objectives; FEMA should issue guidance for developing adequate performance measures to assess overall State capabilities and preparedness; the State Administrative Agency should obligate grant funds to subgrantees more timely; and the State Administrative Agency should better monitor subgrantees to ensure compliance with requirements pertaining to procurement, inventory, and accountability. These issues exist because FEMA and the State Administrative Agency have not provided sufficient guidance and oversight for the grant process. We made five recommendations that call for FEMA to initiate improvements which, if implemented, should help strengthen grant program management, performance, and oversight. FEMA concurred with the intent of all but one of the recommendations. (OIG-12-116, September 2012, OA)  
[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-116\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-116_Sep12.pdf)

***FEMA's Management of Corrective Actions and Lessons Learned from National Level Exercises***

The *Homeland Security Act of 2002* Public Law 107-296, as amended, formalized what is now

known as the National Level Exercise (NLE) program. NLEs are used to assess the Nation's capacity to prevent, prepare for, respond to, and recover from a large-scale disaster. As a result of our review, we identified areas for improvement and made three recommendations. Specifically, FEMA did not adequately manage and track corrective actions assigned to it resulting from disaster management exercises carried out in 2007 and 2009, and fewer than 40 percent of all these corrective actions were completed at the time of our review. Furthermore, FEMA did not validate corrective actions to ensure that they could be used to improve future mission performance. Finally, FEMA did not effectively disseminate agency-specific lessons learned. We recommended that FEMA revise Exercise and Evaluation Program Management Directive 123-15 to reflect the current organizational structure and ensure that the Exercise and Evaluation Program Steering Committee meets regularly; finalize, issue, and implement a *Remedial Action Management Program/Corrective Action Program Manual*; and ensure that completed corrective actions are validated and submitted in a timely manner to the Lessons Learned Information Sharing website. FEMA concurred with our recommendations. (OIG-12-118, September 2012, OA)  
[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-118\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-118_Sep12.pdf)

***State of Kansas' Management of State Homeland Security Program Grants Awarded During Fiscal Years 2008 Through 2010***

DHS, through FEMA, provides Federal funding to States to enhance their ability to prevent, deter, respond to, and recover from terrorist attacks, major disasters, and other emergencies. From FY 2008 through FY 2010, FEMA awarded \$21.4 million in SHSP funding to the State of Kansas. As of the start of our audit fieldwork, July 2011, \$11.2 million (52 percent) remained unspent. Our review identified instances in which the expenditure of SHSP funds did not comply with Federal procurement, monitoring, and performance requirements. As a result, we questioned \$197,532 of unsupported management and administrative costs. We also determined



that the absence of measurable outcomes made it difficult for FEMA to evaluate the effects of SHSP expenditures on the State's preparedness capabilities. The report contains three recommendations to FEMA that, when fully implemented, should improve program transparency, accountability, and performance. FEMA officials concurred with all three recommendations.

(OIG-12-122, September 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-122\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-122_Sep12.pdf)

***The State of Utah's Management of Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008 Through 2010***

The State of Utah received approximately \$7.6 million in UASI grants awarded by FEMA during FYs 2008 through 2010. This audit was mandated by Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*. The objectives of the audit were to determine (1) if the State of Utah distributed and spent UASI grant funds effectively and efficiently and in compliance with applicable Federal laws, regulations, and guidance, and (2) the extent to which UASI grant funds enhanced the State's ability to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters.

Overall, the State of Utah did an efficient and effective job of administering the UASI grant program requirements, distributing grant funds, and ensuring that funds were used appropriately. Grant funds were used to enhance the State's preparedness for disasters and acts of terrorism. We identified two minor areas for improvement: (1) ensuring transfers of grant funding between projects that are approved, and (2) ensuring that equipment purchased with grant funds is properly marked. We made two recommendations to help strengthen program management and oversight. FEMA concurred with and implemented both recommendations.

(OIG-12-124, September 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-124\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-124_Sep12.pdf)

***Costs Claimed by Sumter County, FL, Fire Rescue under Fire Station Construction Grant Number EMW-2009-FC-05940R***

We determined whether costs claimed were allowable, allocable, and reasonable according to the grant agreement and applicable Federal requirements. With ARRA funds, FEMA awarded a grant of \$2,131,638 to the Sumter County, Florida, Fire Rescue to construct two new fire stations and substantially renovate an existing fire station. We determined that Sumter County had incurred sufficient allowable, allocable, and reasonable costs to earn costs claimed of \$2,025,056. In addition, we verified that Sumter County submitted to the Federal Government the required quarterly reports on project activities. We also determined that Sumter County ensured compliance with ARRA requirements for paying prevailing wages and using American-made iron, steel, and manufactured goods in the construction of the project. The report contains no recommendations.

(OIG-12-126, September 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-126\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-126_Sep12.pdf)

***FEMA's Efforts To Recoup Improper Payments in Accordance With the Disaster Assistance Recoupment Fairness Act of 2011 (3)***

We assessed the cost-effectiveness of FEMA's efforts to recoup improper payments in accordance with DARFA. As of September 7, 2012, FEMA adjudicated 18,283 cases totaling \$101,113,733 that were initially identified for recoupment. Of that amount, FEMA has granted waivers for applicants in approximately 93 percent of the cases it has reviewed. Specifically, FEMA has granted 16,990 waivers and denied 1,293 waivers totaling \$94,862,566 and \$6,251,167, respectively. FEMA has recouped \$1,312,956 from applicants that were denied waivers. Additionally, FEMA has expended an estimated \$7,287,666 on related activities. This includes planning and implementing provisions of the process, training employees, and conducting waiver activities. This is the third in a series of six congressionally mandated reports that will be issued every 3 months through June 2013. This report does not contain any recommendations. It



is too early to determine the cost-effectiveness of the process because waiver requests and reimbursements are still ongoing. Updated information and a cost-effectiveness assessment will be provided in our future reports.

(OIG-12-127, September 2012, EMO)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-127\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-127_Sep12.pdf)

## DISASTER ASSISTANCE GRANTS

*The Robert T. Stafford Disaster Relief and Emergency Assistance Act* Public Law 93-288, as amended (*Stafford Act*), governs disasters declared by the President of the United States. Title 44 of the Code of Federal Regulations provides further guidance and requirements for administering disaster assistance grants awarded by FEMA. We review grants to ensure that grantees or subgrantees account for and expend FEMA funds according to Federal regulations and FEMA guidelines.

We issued 31 financial assistance grant reports during the period. Those reports disclosed questioned costs totaling \$224,355,410, of which \$4,510,769 was unsupported. A list of the reports, including questioned costs and unsupported costs, is provided in appendix 4.

### ***FEMA Public Assistance Grant Funds Awarded to City of Coral Springs, Florida—Hurricane Wilma***

The City of Coral Springs, Florida (City), received a PA grant award totaling \$24.7 million from the Florida Division of Emergency Management, a FEMA grantee, for damages related to Hurricane Wilma that occurred in October 2005. The award provided 100 percent FEMA funding for debris removal activities, emergency protective measures, and permanent repairs to buildings and facilities. We reviewed \$22.5 million of costs awarded to the City. The City accounted for project expenditures on a project-by-project basis as required by Federal regulation. However, we identified \$5.3 million of questioned costs consisting of \$1.6 million of costs that were covered by insurance and \$3.7 million of costs that were unsupported, duplicate, unreasonable, or ineligible. Additionally, the City did not always comply with FEMA guidelines on the use

of time-and-material contracts. We recommended that the Regional Administrator, FEMA Region IV, disallow the \$5.3 million of questioned costs. (DA-12-15, April 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DA-12-15\\_Apr12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DA-12-15_Apr12.pdf)

### ***FEMA Public Assistance Grant Funds Awarded to the City of Pompano Beach, Florida—Hurricane Wilma***

The City of Pompano Beach, Florida (City), received an award of \$10.3 million from the Florida Division of Emergency Management, a FEMA grantee, for damages resulting from Hurricane Wilma, which occurred in October 2005. The award provided 100 percent FEMA funding for debris removal, emergency protective measures, and repairs to buildings and facilities. Our audit focused on \$8.3 million awarded under one large project and three small projects. The City generally accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines. However, we identified \$29,683 of questioned costs resulting from ineligible project charges for small projects that were not completed. We recommended that the Regional Administrator, FEMA Region IV, disallow the \$29,683 of questioned costs.

(DA-12-16, May 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DA-12-16\\_May12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DA-12-16_May12.pdf)

### ***FEMA Public Assistance Grant Funds Awarded to the City of Pompano Beach, Florida—Hurricane Katrina***

The City of Pompano Beach, Florida (City), received an award of \$658,530 from the Florida Division of Emergency Management, a FEMA grantee, for damages resulting from Hurricane Katrina, which occurred in August 2005. The award provided 100 percent FEMA funding for debris removal, emergency protective measures, and repairs to facilities. Our audit focused on \$581,141 awarded under one large project. The City generally accounted for FEMA projects according to Federal regulations and FEMA guidelines. However, we identified \$230,980 of questioned costs resulting from ineligible and unsupported project charges. We recommended

that the Regional Administrator, FEMA Region IV, disallow the \$230,980 of questioned costs. (DA-12-17, May 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DA-12-17\\_May12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DA-12-17_May12.pdf)

***FEMA Public Assistance Grant Funds Awarded to Henderson Point Water and Sewer District, Pass Christian, Mississippi—Hurricane Katrina***

The Henderson Point Water and Sewer District (District) in Pass Christian, Mississippi, received a PA award of \$4.3 million from the Mississippi Emergency Management Agency, a FEMA grantee, for damages resulting from Hurricane Katrina, which occurred in August 2005. The award provided 100 percent FEMA funding for emergency protective measures and replacement of utilities, equipment, and buildings. We reviewed \$4.1 million of costs awarded to the District. The District generally accounted for FEMA projects on a project-by-project basis as required by Federal regulations and FEMA guidelines. However, the District did not comply with Federal procurement requirements when awarding contracts valued at \$4,055,155. In addition, we identified \$141,065 of ineligible costs, \$443,440 of unsupported costs, \$87,907 of funds that can be put to better use, and \$1,555,313 of unnecessary costs. We recommended that the Regional Administrator, FEMA Region IV, disallow \$4,019,698 of questioned costs, deobligate \$87,907 of funds to be put to better use, and review documentation to ensure that project claim costs are valid.

(DA-12-18, May 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DA-12-18\\_May12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DA-12-18_May12.pdf)

***FEMA Public Assistance Grant Funds Awarded to Catholic Charities Housing Association of Biloxi, Inc., Biloxi, Mississippi***

The Catholic Charities Housing Association of Biloxi, Inc. (Catholic Charities Housing) Biloxi, Mississippi, received a PA award of \$30.7 million from the Mississippi Emergency Management Agency, a FEMA grantee, for damages resulting from Hurricane Katrina, which occurred in August 2005. The award provided 100 percent FEMA funding for emergency protective measures and repair and replacement of buildings,

equipment, and recreational facilities. We reviewed \$29.8 million of costs awarded to Catholic Charities Housing. Catholic Charities Housing generally accounted for expenditures on a project-by-project basis, as required by Federal regulations and FEMA guidelines. However, we identified \$1,177,564 of project funding that should be deobligated and put to better use, which consisted of \$952,515 for project work not implemented and \$225,049 of ineligible funding resulting from a miscalculation of estimated project management costs. In addition, we questioned \$65,528 of project costs claimed for unauthorized work. We recommended that the Regional Administrator, FEMA Region IV, (1) deobligate \$1,177,564 of ineligible project funding, (2) disallow \$65,528 of questioned costs, and (3) review the Cost Estimating Format calculations on other disaster projects for accuracy and adjust obligated amounts accordingly.

(DA-12-19, May 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DA-12-19\\_May12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DA-12-19_May12.pdf)

***FEMA Public Assistance Grant Funds Awarded to City of Miramar, Florida—Hurricane Wilma***

The City of Miramar, Florida (City), received an award of \$16.5 million from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from Hurricane Wilma, which occurred in October 2005. The award provided 100 percent FEMA funding for debris removal activities, emergency protective measures, and permanent repairs to buildings and facilities. We reviewed costs totaling \$15.9 million. The City did not account for project expenditures separately as required by Federal regulations. In addition, we questioned \$5,991,845 of contract costs claimed for debris removal activities because the City did not comply with Federal procurement standards. We also questioned \$30,238 of costs covered by insurance and the Federal Highway Administration. We recommended that the Regional Administrator, FEMA Region IV, (1) instruct the State to emphasize to its subgrantees the requirement that FEMA funding be accounted for on a project-by-project basis; (2) disallow the \$5,991,845 of ineligible costs claimed for debris removal

contracts that were not procured in accordance with Federal procurement requirements, unless FEMA makes an affirmative decision that all or part of the contract costs are fair and reasonable, and waives the procurement requirements; and (3) disallow the \$30,238 of ineligible costs claimed for costs covered by insurance and the Federal Highway Administration.

(DA-12-20, June 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DA-12-20\\_Jun12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DA-12-20_Jun12.pdf)

***FEMA Public Assistance Grant Funds Awarded to the City of Hattiesburg, Mississippi***

The City of Hattiesburg, Mississippi (City), received a PA grant award totaling \$10.8 million from the Mississippi Emergency Management Agency (State), a FEMA grantee, for damages resulting from Hurricane Katrina, which occurred in August 2005. The award provided 100 percent FEMA funding for emergency protective measures and the replacement of utilities, equipment, and buildings. We reviewed \$4.9 million of costs awarded to the City. The City generally accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines. However, the City's claim included \$235,341 of charges that were not adequately supported. We also identified \$448,509 in ineligible project funding to replace a fire station and \$436,375 of ineligible road repair costs. We recommended that the Regional Administrator, FEMA Region IV, (1) disallow the \$235,342 of unsupported costs, (2) instruct the State to improve its procedures for validating claimed project costs, (3) deobligate and put to better use \$448,509 of ineligible funding, (4) disallow \$436,375 of ineligible road repairs, and (5) reemphasize to FEMA personnel the need to maintain adequate documentation.

(DA-12-21, June 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DA-12-21\\_Jun12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DA-12-21_Jun12.pdf)

***FEMA Public Assistance Grant Funds Awarded to Long Beach Port Commission, Long Beach, Mississippi***

The Long Beach Port Commission (Port), Long Beach, Mississippi, received a grant award totaling

\$4.3 million from the Mississippi Emergency Management Agency (State), a FEMA grantee, for damages resulting from Hurricane Katrina, which occurred in August 2005. The award provided 100 percent FEMA funding for debris removal, replacement of buildings, and repairs to the harbor and parking areas. We reviewed \$4.1 million of costs awarded to the Port. The Port accounted for expenditures on a project-by-project basis, as required by Federal regulations and FEMA guidelines. However, the Port did not follow Federal procurement procedures when awarding contracts valued at \$1,734,397. We recommended that the Regional Administrator, FEMA Region IV, (1) disallow \$1,734,397 of ineligible costs claimed for contracts that were not procured in accordance with Federal requirements, unless FEMA decides to grant an exception for all or part of the costs as provided for in 44 CFR 13.6(c) and Section 705(c) of the *Stafford Act*, and (2) instruct the State to reemphasize to the Port its requirement to comply with Federal procurement regulations and FEMA guidelines when acquiring goods and services under the FEMA award.

(DA-12-22, July 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DA-12-22\\_Jul12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DA-12-22_Jul12.pdf)

***FEMA Public Assistance Grant Funds Awarded to South Florida Water Management District Under Hurricane Charley***

The South Florida Water Management District (District) received an award of \$4.4 million from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from Hurricane Charley, which occurred in August 2004. The award provided 100 percent FEMA funding for the first 72 hours of debris removal activities and emergency protective measures, and 90 percent funding thereafter for these two activities. The award also provided 90 percent FEMA funding for permanent repairs to buildings, roads, and flood control facilities. We reviewed project costs with awards totaling \$4.3 million under the disaster. The District did not account for large project expenditures separately as required by Federal regulations. We also determined that the District was awarded \$3.1

million for repairs to flood control facilities that were ineligible for FEMA assistance. Finally, the District's claim included \$24,622 excess equipment costs. We recommended that the Regional Administrator, FEMA Region IV, (1) instruct the State to reemphasize to the District its need to account for large project expenditures on a project-by-project basis, (2) deobligate and put to better use the \$3.1 million of ineligible project funding awarded under the flood control projects, and (3) disallow the \$24,622 of questioned costs.

(DA-12-23, August 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DA-12-23\\_Aug12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DA-12-23_Aug12.pdf)

***FEMA Public Assistance Grant Funds Awarded to South Florida Water Management District under Hurricane Jeanne***

The South Florida Water Management District (District) received an award of \$3.4 million from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from Hurricane Jeanne, which occurred in September 2004. The award provided 100 percent FEMA funding for the first 72 hours of debris removal activities and emergency protective measures, and 90 percent funding thereafter for these two activities. The award also provided 90 percent FEMA funding for permanent repairs to buildings, roads, and flood control facilities. We reviewed costs claimed under projects with awards totaling \$3.3 million. The District did not account for large project expenditures separately as required by Federal regulations. We also determined that the District was awarded \$1.8 million for repairs to flood control facilities that were ineligible for FEMA assistance. We recommended that the Regional Administrator, FEMA Region IV, (1) instruct the State to reemphasize to the District its need to account for large project expenditures on a project-by-project basis, and (2) deobligate and put to better use the \$1.8 million of ineligible project funding awarded under the flood control projects.

(DA-12-24, August 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DA-12-24\\_Aug12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DA-12-24_Aug12.pdf)

***FEMA Public Assistance Grant Funds Awarded to City of Pensacola Florida—***

***Hurricane Dennis***

The City of Pensacola, Florida (City), received a PA award of \$9.9 million from the Florida Division of Emergency Management, a FEMA grantee, for damages resulting from Hurricane Dennis, which occurred in July 2005. The award provided 100 percent FEMA funding for debris removal activities, emergency protective measures, repairs to roads and bridges, and permanent repairs to buildings and other facilities. We reviewed costs totaling \$8 million claimed under three large projects. We determined that the City accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines for the three projects included in our review.

(DA-12-25, August 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DA-12-25\\_Aug12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DA-12-25_Aug12.pdf)

***FEMA Public Assistance Grant Funds Awarded to South Florida Water Management District under Hurricane Frances***

The South Florida Water Management District (District) received an award of \$13.4 million from the Florida Division of Emergency Management (State), a FEMA grantee, for damages resulting from Hurricane Frances, which occurred in September 2004. The award provided 100 percent FEMA funding for the first 72 hours of debris removal activities and emergency protective measures, and 90 percent funding thereafter for these two activities. The award also provided 90 percent FEMA funding for permanent repairs to buildings, roads, and flood control facilities. We reviewed projects costs on awards totaling \$13.2 million. The District did not account for large project expenditures separately as required by Federal regulations. We also determined that the District was awarded \$10 million for repairs to flood control facilities that were ineligible for FEMA assistance. In addition, the District's claim included \$185,359 of questioned costs that should be disallowed. This consisted of \$88,351 of ineligible small project costs, \$61,462 of excess equipment costs, \$20,086 of ineligible repair costs, and \$15,460 of unreasonable labor costs.



We recommended that the Regional Administrator, FEMA Region IV, (1) instruct the State to reemphasize to the District its need to account for large project expenditures on a project-by-project basis, (2) deobligate and put to better use the \$10.0 million of ineligible project funding awarded under the flood control projects, and (3) disallow the \$185,359 of questioned costs.

(DA-12-26, August 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DA-12-26\\_Aug12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DA-12-26_Aug12.pdf)

***FEMA Hazard Mitigation Grant Program Funds Awarded to Wichita Public School District #259, Wichita, Kansas***

The Wichita Public School District #259 (Wichita) received an HMGP award of \$13.4 million following the severe storms, tornadoes, and flooding that occurred between May 4 and June 1, 2007, to design and construct tornado safe rooms in 16 schools. At the time of our audit, Wichita had claimed \$6.7 million in direct project costs. Wichita accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines, the project met FEMA eligibility requirements, and project management complied with applicable regulations and guidelines.

(DD-12-07, April 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DD-12-07\\_Apr12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DD-12-07_Apr12.pdf)

***FEMA Public Assistance Grant Program Funds Awarded to Dawson Public Power District, Lexington, Nebraska***

Dawson Public Power District (Dawson) received an award of \$10.45 million from the Nebraska Emergency Management Agency, a FEMA grantee, for damages caused by severe winter storms from December 19, 2006, through January 1, 2007. Dawson generally accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines. However, Dawson inadvertently claimed \$26,021 of costs that were not related to the disaster. We recommended that FEMA disallow \$26,021

(\$19,516 Federal share) of ineligible costs not related to the disaster.

(DD-12-08, April 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DD-12-08\\_Apr12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DD-12-08_Apr12.pdf)

***FEMA Region VII Direct Administrative Costs for Harrison County, Missouri***

As part of our audit work for another subgrantee, we retrieved data from FEMA's Enterprise Data Warehouse to identify direct administrative costs FEMA approved for subgrantees under disasters declared between August 2005, and November 2007 (the effective date of FEMA's implementation of amended management cost regulations). We identified one project that FEMA Region VII approved that included \$40,800 of ineligible direct administrative costs for Harrison County, Missouri. For disasters declared before November 13, 2007, Federal regulations state that direct administrative costs are covered by a sliding scale. We recommended that the Regional Administrator, FEMA Region VII, disallow \$40,800 of ineligible direct administrative costs.

(DD-12-09, April 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DD-12-09\\_Apr12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DD-12-09_Apr12.pdf)

***Insurance Allocations to FEMA Public Assistance Grant Funds Awarded to the Administrators of the Tulane Educational Fund, New Orleans Louisiana***

The Administrators of the Tulane Educational Fund (Tulane) received an award of \$153.1 million from the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), a FEMA grantee, for damages resulting from Hurricane Katrina. We determined that FEMA did not apply \$24.5 million of proceeds from Tulane's commercial insurance policies to reduce the value of Tulane's projects and did not determine the total amount of eligible and ineligible losses covered under Tulane's commercial insurance policies. We recommended the Regional Administrator, FEMA Region VI, apply an additional \$24.5 million of proceeds from Tulane's commercial insurance policies to reduce the award

amount (because these costs are funded from another source, they are ineligible) and as soon as possible, complete a review of eligible and ineligible expenses covered under Tulane's commercial insurance policies to determine whether the amount of proceeds applied to reduce the value of Tulane's projects should be increased or decreased. (DD-12-10, April 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DD-12-10\\_Apr12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DD-12-10_Apr12.pdf)

***FEMA Public Assistance Grant Funds Awarded to City of Bogalusa, Louisiana***

The City of Bogalusa, Louisiana (City), received an award of \$4.39 million for damages caused by Hurricane Katrina, which occurred in August 2005, and Hurricane Gustav, which occurred in September 2008. The City accounted for and expended FEMA grant funds on a project-by-project basis, as required. However, the City did not obtain and maintain insurance for certain repaired facilities and claimed ineligible costs. We recommended that FEMA disallow \$583,312 as ineligible costs and deobligate unused Federal funds and put to better use \$182,889 under Hurricane Katrina and \$12,911 (\$11,620 Federal share) under Hurricane Gustav.

(DD-12-11, May 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DD-12-11\\_May12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DD-12-11_May12.pdf)

***Legal Responsibility Issues Related to FEMA Public Assistance Grant Funds Awarded to Orleans Parish Criminal Sheriff's Office, Orleans Parish, Louisiana***

We audited \$178.0 million of FEMA PA funds awarded to the Orleans Parish Criminal Sheriff's Office (OPCSO) in Orleans Parish, Louisiana. FEMA awarded these funds to OPCSO for permanent disaster recovery work related to Hurricane Katrina, which occurred in August 2005. FEMA obligated \$104.5 million under 14 projects for work that was either (1) related to properties that OPSCO does not own or (2) funded from projects related to properties that OPCSO does not own. Further, neither FEMA nor GOHSEP is certain who is legally responsible for obtaining and maintaining insurance on damaged facilities, which is a condition of funding

for receiving PA funds. We recommended that FEMA disallow \$97,868,553 of funds obligated for work that was either related to properties that OPCSO does not own or funded from projects related to properties that OPCSO does not own, cease and desist the obligation of additional Federal funds related to properties for which legal responsibility is disputed, and if OPSCO and the City of New Orleans do not reach a legally binding agreement regarding ownership and legal responsibility for these properties within 6 months, require GOHSEP to recover all Federal funds paid to date to the two entities for these properties.

(DD-12-12, May 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DD-12-12\\_May12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DD-12-12_May12.pdf)

***FEMA Hazard Mitigation Grant Program Funds Awarded to Comal County, Texas***

Comal County (County) received an award of \$16.3 million from the Texas Division of Emergency Management, a FEMA grantee, for a mitigation project following Hurricane Rita, which occurred in September 2005. The County's project did not meet FEMA eligibility requirements. Therefore, we questioned \$16,302,516 (\$12,226,887 Federal share) of ineligible costs and we recommended that FEMA develop and implement project review and approval processes and procedures to ensure that FEMA Region VI enforces project eligibility requirements in the future.

(DD-12-13, June 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DD-12-13\\_Jun12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DD-12-13_Jun12.pdf)

***FEMA Public Assistance Grant Program Funds Awarded to City of Milwaukee, Wisconsin***

The City of Milwaukee, Wisconsin (City), received a PA award of \$15.4 million following the severe storms, tornadoes, and flooding that occurred on June 5, 2008. FEMA did not properly account for funds for an approved alternate project, and \$10.9 million in unneeded funds remain approved. In addition, FEMA and grantee (Wisconsin Emergency Management) officials did not always fulfill their grant management responsibilities. Although the City generally accounted for and expended funds according to Federal regulations

and FEMA guidelines, we identified \$12,129 of ineligible costs. Therefore, FEMA should (1) deobligate \$10.9 million and put those funds to better use, (2) improve its own and the grantee's grant management procedures, and (3) disallow \$12,129 of ineligible costs.

(DD-12-14, June 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DD-12-14\\_Jun12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DD-12-14_Jun12.pdf)

***FEMA Public Assistant Grant Program Funds Awarded to Ochsner Clinic Foundation, New Orleans, Louisiana***

Ochsner Clinic Foundation (Ochsner) received an award of \$18.3 million from GOHSEP, a FEMA grantee, for damages resulting from Hurricane Katrina, which occurred on August 29, 2005. Ochsner did not account for and expend FEMA grant funds according to Federal regulations and FEMA guidelines. Ochsner's insurance carriers fully reimbursed Ochsner for all FEMA-eligible expenses. Therefore, Ochsner's entire grant, currently obligated for \$18.3 million, is ineligible for FEMA funding. Although Ochsner's insurance proceeds made its entire grant ineligible for FEMA funding, we determined that \$9.7 million of the \$18.3 million grant was also ineligible for reasons other than insurance. We recommended that FEMA disallow \$18,266,765 of ineligible project costs covered by insurance and request GOHSEP to recover \$11,668,346 of funding reimbursed to Ochsner.

(DD-12-15, June 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DD-12-15\\_Jun12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DD-12-15_Jun12.pdf)

***FEMA Public Assistance Grant Funds Awarded to City of Greensburg, Kansas***

The City of Greensburg, Kansas (City), received an award of \$16.5 million from the Kansas Department of Emergency Management, a FEMA grantee, for damages caused by severe storms, tornadoes, and flooding that occurred May 4 to June 1, 2007. The City accounted for grant funds on a project-by-project basis as required by Federal regulations. However, the City did not always expend the funds according to Federal

regulations and FEMA guidelines. The City claimed \$609,351 in contract costs that were not supported by sufficient documentation, \$43,317 of duplicate contract costs, and \$33,988 for an ineligible extended warranty. As a result, we questioned \$686,656 of unsupported and ineligible costs that the City claimed, and we recommended that FEMA disallow these costs. We also recommended that FEMA deobligate and put to better use \$2,233,103 of unused Federal funds that exceeded the amount the City claimed for one project.

(DD-12-16, June 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DD-12-16\\_Jun12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DD-12-16_Jun12.pdf)

***FEMA's Decisions To Replace Rather Than Repair Buildings at the University of Iowa***

We audited FEMA's decisions to replace rather than repair buildings at the University of Iowa. FEMA Region VII officials did not correctly apply FEMA's "50 Percent Rule" when deciding in 2008 to replace the Hancher Voxman-Clapp (HVC) building complex and Art Building East. In early 2012, near the conclusion of our audit, FEMA officials provided new and detailed cost estimates for HVC and Art Building East. However, these new estimates continued to include unallowable code-triggered upgrades, without which FEMA cannot reach the minimum 50 Percent Rule building replacement threshold. In their response to the draft report, FEMA officials continued to assert that they properly decided to replace, rather than repair, the buildings.

We recommended that FEMA Region VII officials suspend their replacement decisions for HVC and Art Building East; develop cost estimating policies and procedures for estimating costs on large and complex projects; and deobligate \$61,684,880 (\$55,516,392 Federal share) from HVC (Project 10367) and \$22,060,714 (\$19,854,643 Federal share) from Art Building East (Project 1587).

(DD-12-17, June 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DD-12-17\\_Jun12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DD-12-17_Jun12.pdf)

***FEMA Public Assistance Grant Funds Awarded to St. Tammany Parish Sheriff's Office, Slidell, Louisiana***

St. Tammany Parish Sheriff's Office (Sheriff), Slidell, Louisiana, received an award of \$5.09 million from GOHSEP for damages caused by Hurricane Katrina, which occurred in August 2005; Hurricane Rita, which occurred in September 2005; and Hurricane Gustav, which occurred in September 2008. The Sheriff did not account for and expend FEMA grant funds according to Federal regulations and FEMA guidelines. The Sheriff claimed unsupported and ineligible costs and did not obtain and maintain insurance for certain vehicles. We recommended that FEMA disallow \$2,468,002 as ineligible costs and deobligate unused Federal funds and put to better use \$47,641 under Hurricane Katrina and \$1,846 (\$1,661 Federal share) under Hurricane Gustav.

(DD-12-18, August 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DD-12-18\\_Aug12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DD-12-18_Aug12.pdf)

***Direct Administrative Costs Paid for FEMA Public Assistance Grant Funds***

FEMA inappropriately authorized the retroactive application of laws, regulations, and policies regarding management and administrative costs effective for disasters declared *after* November 13, 2007. As a result, FEMA Region VI obligated \$45.5 million for direct administrative costs for disasters declared before November 13, 2007. The sliding-scale administrative allowance covers all direct and indirect costs associated with managing and administering subgrants under the PA program for these disasters. We recommended that the Regional Administrator, FEMA Region VI, (1) disallow \$45.5 million of ineligible duplicate direct administrative costs obligated for disasters that occurred before November 13, 2007; (2) provide training to FEMA Region VI personnel involved in the administration of PA grants to ensure that they understand cost principles applicable to direct and indirect costs incurred under Federal grants; and (3) establish guidelines to assist its personnel and grantees in recognizing direct administrative costs that are unreasonable or

unnecessary and in establishing maximum limits to the amount of direct administrative costs allowable for various project amounts.

(DD-12-19, August 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DD-12-19\\_Aug12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DD-12-19_Aug12.pdf)

***FEMA Public Assistance Grant Funds Awarded to St. Charles Parish, Louisiana***

St. Charles Parish, Louisiana (Parish), received PA awards of \$3.5 million and \$1.4 million, respectively, for damages from Hurricanes Gustav and Ike, both occurring in September 2008. The Parish did not timely reconcile its claimed costs to incurred costs; and GOHSEP did not provide effective grant management. The Parish's project records included overruns, underruns, and unclaimed costs; and the Parish claimed unsupported and ineligible costs and did not follow all procurement regulations. We recommended that FEMA direct GOHSEP to strengthen its grant accounting procedures; develop and implement oversight procedures to better monitor subgrantee activities; assist the Parish to strengthen its accounting procedures to ensure compliance with Federal guidelines; and instruct the Parish to develop and implement procedures sufficient to ensure that Federal procurement regulations are followed. We also recommended that FEMA disallow \$50,845 in unsupported direct administrative costs and \$1,235 of duplicate claimed costs, and make approximately \$354,000 of other adjustments to project amounts.

(DD-12-20, September 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DD-12-20\\_Sep12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DD-12-20_Sep12.pdf)

***FEMA Public Assistance Grant Funds Awarded to the Alaska Department of Transportation & Public Facilities, Northern Region, Fairbanks, Alaska***

We audited FEMA PA grant funds awarded to the Alaska Department of Transportation & Public Facilities, Northern Region, Fairbanks, Alaska (Department), under FEMA Disaster Number 1669-DR-AK. Department officials did not account for and expend \$124,092 according to Federal regulations and FEMA guidelines.



Specifically, we identified \$124,092 in ineligible engineering costs claimed that were not sufficiently documented.

We recommended that the FEMA Region X Administrator, in coordination with the grantee, disallow \$124,092 (Federal share \$93,069) in ineligible engineering services that were not sufficiently documented.

(DS-12-09, April 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DS-12-09\\_Apr12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DS-12-09_Apr12.pdf)

***FEMA Public Assistance Grant Funds Awarded to the Alaska Department of Transportation & Public Facilities, Northern Region, Fairbanks, Alaska***

We audited FEMA PA grant funds awarded to the Alaska Department of Transportation & Public Facilities, Northern Region, Fairbanks, Alaska (Department), under FEMA Disaster Number 1440-DR-AK. Department officials did not account for and expend \$304,554 according to Federal regulations and FEMA guidelines. Specifically, we identified ineligible (1) cost allocations of \$232,085, (2) repairs of \$29,981 outside approved scope of work, (3) repairs of \$24,568 due to incomplete work, (4) predisaster repairs of \$16,300, and (5) maintenance costs of \$1,620.

We recommended that the FEMA Region X Administrator, in coordination with the grantee, disallow \$304,554 (Federal share \$228,416) in ineligible costs.

(DS-12-10, May 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DS-12-10\\_May12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DS-12-10_May12.pdf)

***FEMA Public Assistance Grant Funds Awarded to El Dorado County, California***

We audited PA grant funds awarded to El Dorado County, California (County), for FEMA Disaster Number 1628-DR-CA. Of the \$3.3 million we reviewed, the County did not comply with Federal grant regulations and FEMA guidelines to award a contract totaling \$2.2 million, nor did it ensure

the reasonableness of the contract price. Additionally, the County can improve record keeping for procurement activities.

We recommended that the FEMA Region IX Administrator (1) disallow \$2,183,613 (Federal share \$1,637,710) in ineligible Project 34 costs that were not procured in accordance with Federal procurement requirements, unless FEMA decides to grant an exception for all or part of the costs as provided for in 44 CFR 13.6(c) and Section 705(c) of the *Stafford Act*, (2) instruct the California Emergency Agency (Cal EMA) to provide additional guidance emphasizing that subgrantees must follow Federal procurement standards at 44 CFR 13.36 when procuring contracts for FEMA projects or risk losing Federal funding, and (3) instruct Cal EMA to provide additional guidance emphasizing that subgrantees need to take the steps necessary to ensure that procurements funded by FEMA PA grant awards are supported with sufficient documentation that outlines compliance with Federal procurement regulations.

(DS-12-11, July 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DS-12-11\\_Jul12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DS-12-11_Jul12.pdf)

***FEMA Public Assistance Grant Funds Awarded to the Alaska Department of Transportation and Public Facilities, Central Region, Anchorage, Alaska***

We audited FEMA PA grant funds awarded to the Alaska Department of Transportation and Public Facilities, Central Region, Anchorage, Alaska (Department), under FEMA Disaster Number 1865-DR-AK. Department officials did not account for and expend \$2,032,157 according to Federal regulations and FEMA guidelines. Specifically, we identified ineligible contract procurements of \$2,032,157.

We recommended that the FEMA Region X Administrator, in coordination with the grantee, disallow \$2,032,157 (Federal share \$1,524,118) in ineligible costs.

(DS-12-12, July 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DS-12-12\\_Jul12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DS-12-12_Jul12.pdf)

### ***FEMA Public Assistance Grant Funds Awarded to the City of Vacaville, California***

We audited PA grant funds awarded to the City of Vacaville, California (City), for FEMA Disaster Number 1628-DR-CA. Of the \$1.5 million we reviewed, City officials generally expended and accounted for PA funds according to Federal grant regulations and FEMA guidelines for the three projects we audited. The City did not, however, spend any money on the two projects we subjected to a limited review. In summary, our work identified \$137,530 of unused funds and \$6,000 in ineligible project costs.

We recommended that the FEMA Region IX Administrator (1) deobligate \$137,530 (Federal share \$103,148) from Projects 622 and 2585 and put those Federal funds to better use, and (2) disallow \$6,000 (Federal share \$4,500) in ineligible Project 1827 costs. (DS-12-13, August 2012, EMO)

[http://www.oig.dhs.gov/assets/GrantReports/OIG\\_DS-12-13\\_Aug12.pdf](http://www.oig.dhs.gov/assets/GrantReports/OIG_DS-12-13_Aug12.pdf)

## **INVESTIGATIONS**

### ***Fraudulent Claim Leads to FEMA***

#### ***Disaster Arrest***

With the Small Business Administration (SBA) OIG, we investigated and arrested a former county official who submitted false benefit applications and received approximately \$134,000 in funds following Hurricane Ike. He was charged with violation of fraud related to a major disaster and is facing a maximum of 360 months confinement and a \$250,000 fine.

### ***FEMA Employee Sentenced for Bid Rigging***

Following our investigation, a former FEMA Supervisor and his business colleague were arrested and pleaded guilty to fraud charges. The former employee and his business partner were found to have engaged in bid rigging in order to steer FEMA trailer deactivation contracts over to their company. According to records, FEMA paid the company more than \$31 million between May 2006 and January 2010. The former FEMA employee no longer works for the company and was sentenced to probation.

### ***Preacher Sentenced for Misuse of FEMA Disaster Loan***

We conducted a joint investigation with the SBA, which revealed that a well-known preacher and community activist misused funds received from a \$963,900 disaster loan from FEMA and the SBA after Hurricane Katrina. The funds were approved to rebuild an inner-city church but were instead used by the preacher to purchase personal vehicles, jewelry, designer clothing, and real estate. In addition, the preacher made several thousands of dollars in automated teller machine withdrawals and check card purchases. He was sentenced to 120 months in prison and was also ordered to pay restitution of \$963,900 and a special assessment fee of \$200.

### ***Kickback Scheme Ends in Arrest for Husband and Wife***

We conducted a joint investigation with the Internal Revenue Service, Office of Investigations, which proved that a husband and wife, owners of a company, obtained more than \$1 million from subcontracts from another company owned by a relative. The contracts were awarded in exchange for more than \$200,000 in cash kickbacks to the relative. In furtherance of the scheme, the husband and wife engaged in a series of structured withdrawals from their corporate bank account in amounts just under the amount necessary to trigger reports of cash transactions. In this way, they withdrew \$205,000 in cash in 6 months, then laundered the money by depositing it into several bank accounts. After being found guilty at trial, the husband and wife each received 63 months of incarceration, and the relative received 30 months. Jointly, the three were ordered to pay a total of \$736,769 in restitution to the U.S. Government.

### ***Disaster Benefit Applicant Found Guilty***

With the Department of Housing and Urban Development OIG, we investigated a disaster benefit applicant who was found to have included false identifying information and a false immigration status on an application for benefits. The applicant was sentenced to 8 months incarceration, 3 years of supervised release, and restitution in the amount of \$28,992.

## OFFICE FOR CIVIL RIGHTS AND CIVIL LIBERTIES

We received 982 Civil Rights and Civil Liberties complaints from April 1, 2012 through September 30, 2012. Of those 982 complaints, we opened 25 investigations and referred 940 complaints to the Department's Office for Civil Rights and Civil Liberties or other component agencies. The remaining 17 complaints are pending DHS OIG review to determine whether the complaints should be referred or opened for investigation. Of the 25 investigations which were opened, six have been closed and referred to the Office for Civil Rights and Civil Liberties or other component agencies for action deemed appropriate, and 19 remain open.

## TRANSPORTATION SECURITY ADMINISTRATION

### MANAGEMENT REPORTS

***Review of Costs Invoiced by the Spokane Airport Board for Closed-Circuit Television Cameras at Spokane International Airport Under Other Transaction Agreement Number HSTS04-09-H-REC304***

The Transportation Security Administration (TSA) agreed to provide ARRA funds of \$1,950,696 to the Spokane Airport Board to support the design, installation, and operation of closed-circuit television (CCTV) cameras at Spokane International Airport. Our audit determined that \$1,950,696 invoiced under the agreement was allowable, allocable, and reasonable according to the funding agreement and applicable Federal requirements. In addition, we verified that the Airport Board complied with requirements for submitting quarterly reports on project activities to the Federal Government and for paying prevailing wages. The report did not contain any recommendations.

(OIG-12-76, April 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-76\\_Apr12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-76_Apr12.pdf)

***Transportation Security Administration's Efforts To Identify and Track Security Breaches at Our Nation's Airports***

Senator Frank Lautenberg requested an investigation into media reports on security breaches at Newark Liberty International Airport, including the contributing factors that led to the security breaches. TSA has several programs and initiatives that report and track identified security breaches, but it does not have a comprehensive oversight program to gather information about all security breaches and therefore cannot use the information to monitor trends or make general improvements to security. TSA does not provide the necessary guidance and oversight to ensure that all breaches are consistently reported, tracked, and corrected. As a result, it does not have a complete understanding of breaches occurring at the Nation's airports and misses opportunities to strengthen aviation security. We recommended that TSA refine and use one comprehensive definition and develop a comprehensive oversight program to ensure that security breaches are accurately reported based on the revised definition, and that the events are properly tracked and analyzed for trends. TSA concurred with our recommendations.

(OIG-12-80, May 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-80\\_May12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-80_May12.pdf)

***Implementation and Coordination of TSA's Secure Flight Program***

Through the Secure Flight program, TSA assumed from commercial aircraft operators the performance of passenger watch list matching for all covered flights into, out of, within, and over the United States. Aircraft operators are required to submit passenger data to Secure Flight prior to flight departure for advanced passenger prescreening. This program was established to provide an effective and consistent matching process across all aircraft operators, while safeguarding an individual's personal information and sensitive watch list data.

We reviewed the Secure Flight program to determine whether it is screening all appropriate persons and whether the processes for aircraft

operators to submit passenger data and receive boarding pass instructions are timely and effective. We also reviewed how the program's screening processes are tested for accuracy, prioritization, and timeliness, as well as how it is protecting personally identifiable and sensitive watch list information.

Government and private sector partners recognize the Secure Flight program's value, as it has provided more consistent passenger prescreening. The program has a defined system and processes to conduct watch list matching. To ensure that aircraft operators follow established procedures, Secure Flight monitors records and uses its discretion to forward issues for compliance investigation. Once Secure Flight assumed advanced passenger prescreening from aircraft operators, program focus shifted toward addressing emerging threats through multiple initiatives.

We made four recommendations to identify and eliminate system overrides, prioritize passenger data, standardize compliance, and improve communication and collaboration with partners. TSA concurred with Recommendations 1 and 3 and did not concur with Recommendations 2 and 4. All report recommendations are open.

(OIG-12-94, July 2012, ISP)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIGr\\_12-94\\_Jul12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIGr_12-94_Jul12.pdf)

#### ***Review of Allegations of Misconduct and Mismanagement Within TSA's Office of Global Strategies***

On May 18, 2011, the TSA Administrator received a letter from an anonymous author who made several allegations of misconduct and mismanagement within TSA's Office of Global Strategies (OGS). The allegations fell into three broad categories: security concerns, waste and inefficiency, and workplace issues. We were unable to substantiate most of the author's allegations. Instead, we determined that OGS has taken corrective actions on assessments conducted in Haiti, is methodical in determining where to deploy its representatives around the world, and did not circumvent the hiring process or take improper actions to select two regional directors.

OGS's Capacity Development Branch has spent thousands of dollars on its training programs, but the allegation that its programs provide little more than basic screener training is inaccurate. However, we did confirm that TSA did not issue a timely Emergency Amendment for Haiti following the 2010 earthquake, and has not evaluated all preclearance airports as required. Our recommendations include establishing and implementing timeframes for issuing Emergency Amendments, including deadlines for TSA offices involved in reviewing and providing comments on them; and requiring rescreening for all passengers arriving at U.S. ports of entry from preclearance airports that fail to achieve comparable status.

(OIG-12-96, July 2012, ISP)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIGr\\_12-96\\_Jul12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIGr_12-96_Jul12.pdf)

#### ***Circumstances Surrounding the Issuance of a Security Clearance and Suitability Determination to a General Manager at TSA's Legacy Transportation Threat Assessment and Credentialing Office***

Congressman Bennie Thompson requested that we assess the quality, fairness, and impartiality of the clearance and suitability system at the TSA Transportation Threat Assessment and Credentialing (TTAC) Office, and that we examine the circumstances surrounding the issuance of a security clearance and suitability determination to a general manager of the TTAC Office. The office plays an active role in determinations affecting whether individuals engaged in or with access to various aspects of the U.S. transportation system pose a threat to transportation or national security.

We reviewed TSA Personnel Security to determine whether TSA complied with Federal guidance during the personnel security process for a legacy TSA TTAC general manager. We also reviewed TSA's Office of Human Capital and legacy TTAC Office to determine whether TSA adhered to standard Federal internal controls in the hiring and supervision of general managers in TTAC.



TSA Personnel Security applied appropriate Federal reciprocity and adjudicative guidelines; however, TTAC internal controls were weak on the hiring and supervision of a TTAC general manager.

We made no recommendations in this report. We are conducting a broader review of personnel systems for legacy TTAC, which will result in a report with recommendations and will be available for public dissemination.

(OIG-12-99, July 2012, ISP)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_SLP\\_12-99\\_Jul12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_SLP_12-99_Jul12.pdf)

***Efficiency and Effectiveness of TSA's Visible Intermodal Prevention and Response Program Within Rail and Mass Transit Systems***

We reviewed TSA's Visible Intermodal Prevention and Response (VIPR) program to determine whether: it has a methodology to select VIPR deployments; geographic location and critical infrastructure affect the conduct of VIPR team operations; and VIPR teams are efficient and effective in augmenting local, State, and Federal efforts to enhance security on rail and mass transit systems. We determined that the VIPR program has improved its ability to establish effective partner and stakeholder relationships. However, organizational, programmatic, and operational challenges remain. For example, the VIPR program's placement within TSA hinders its ability to ensure coordinated VIPR field activities. Guidance is needed to clarify law enforcement activities, team member roles and responsibilities, and equipment use during VIPR operations. Additionally, VIPR deployment methodology needs refinement, and resources are not allocated proportionately to team workloads across the Nation. Teams do not receive standardized training, and the length of VIPR team member assignments affects program effectiveness. TSA can enhance program efficiency and effectiveness by addressing these challenges. We made 16 recommendations to improve program efficiency and effectiveness. TSA concurred with 12 of

the recommendations and did not concur with 4 recommendations.

(OIG-12-103, August 2012, ISP)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIGr\\_12-103\\_Aug12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIGr_12-103_Aug12.pdf)

***Costs Invoiced by City of Phoenix for Checked Baggage Screening Projects at Phoenix Sky Harbor International Airport***

TSA agreed to provide the City of Phoenix up to \$26,588,898 to fund 90 percent of the costs to modify Terminal 3 and Terminal 4 North Oversize at the Phoenix Sky Harbor International Airport to incorporate checked baggage inspection systems. We audited \$20,542,009 invoiced by the City of Phoenix through July 31, 2011. We identified \$8,844,377 invoiced for construction and construction-related activities that was questionable for reimbursement because it was not allowable under the terms of the agreement (\$3,994,119) or was not properly supported (\$4,850,258). In addition, we determined that the City of Phoenix complied with the requirements for submitting quarterly reports to the Federal Government and for paying prevailing wages, but could not provide adequate support that it complied with the requirement for buying goods manufactured in America. TSA agreed with our recommendations to resolve the questioned costs and verify that the City of Phoenix complied with the "buy American" requirement.

(OIG-12-105, July 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-105\\_Jul12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-105_Jul12.pdf)

***Transportation Security Administration Has Taken Steps To Address the Insider Threat, but Challenges Remain***

We reviewed TSA's efforts to address insider threat risks. Our objective was to assess the progress that TSA has made toward protecting its information systems and data from the threat posed by trusted employees.

TSA has made progress in addressing the IT insider threat. Specifically, TSA established an agency-wide Insider Threat Working Group and

Insider Threat Section responsible for developing an integrated strategy and program to address insider threat risk. TSA is conducting insider threat vulnerability assessments, is performing checks on privileged user accounts on its unclassified systems, and has established a Security Operations Center responsible for day-to-day protection of information systems and data that can detect and respond to an insider threat incident.

TSA can further develop its program by implementing insider threat policies and procedures, a risk management plan, and an insider threat-specific training and awareness program for all employees. Also, TSA can strengthen its situational awareness security posture by centrally monitoring all information systems and by augmenting current controls to better detect or prevent instances of unauthorized removal or transmission of sensitive information outside of TSA's network boundaries. We made four recommendations that, if implemented, could improve TSA's insider threat program. (OIG-12-120, September 2012, ITA)  
[http://www.oig.dhs.gov/assets/Mgmt/2012/OIGr\\_12-120\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIGr_12-120_Sep12.pdf)

***Costs Invoiced by the Omaha Airport Authority for Closed-Circuit Television Cameras at Omaha Eppley Airfield Airport***

TSA agreed to provide ARRA funds of \$3,562,994 to the Omaha Airport Authority to support the design and installation of CCTV cameras at the Omaha Supply Airfield Airport. Our audit determined that \$3,562,994 invoiced under the agreement was allowable, allocable, and reasonable according to the funding agreement and applicable Federal requirements. In addition, we verified that the Airport Authority complied with requirements for submitting quarterly reports on project activities to the Federal Government and for paying prevailing wages. The report did not contain any recommendations. (OIG-12-121, September 2012, OA)  
[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-121\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-121_Sep12.pdf)

***Costs Invoiced by Sacramento County for a Checked Baggage Screening Project Under Agreement Number HSTS04-09-H-REC148***

TSA agreed to provide Sacramento County, CA, up to \$11,340,000 to fund 90 percent of the costs of a checked baggage inspection system solution at new Terminal B at the Sacramento International Airport. We audited \$7,103,808 invoiced by Sacramento County through March 2012 and identified \$246,479 (Federal share) of program management costs that were not properly supported. The costs represent the salary and expenses of two program managers who oversaw the TSA-funded project and other baggage-handling system work, but charged all the costs to the TSA-funded project. We could not determine the amount of work that should have been allocated to the TSA project, because of the lack of records. In addition, we determined that Sacramento County complied with the requirements for submitting quarterly reports to the Federal Government and for paying prevailing wages, but could not provide adequate support that it complied with the requirement for buying goods manufactured in America. TSA agreed with our recommendations to resolve the questioned costs and verify that Sacramento County complied with the "buy American" requirement. (OIG-12-123, September 2012, OA)  
[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-123\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-123_Sep12.pdf)

***TSA Management and Oversight at Honolulu International Airport***

Representatives John Mica and Jason Chaffetz requested a review to determine why a portion of TSA's screener workforce at Honolulu International Airport did not perform critical transportation security screening of baggage. Although ignoring security procedures is never justified, Transportation Security Officers (TSOs) at one location in Honolulu International Airport did not screen all checked baggage as required during the last few months of 2010. The responsibility for screening the baggage belongs to the individual

TSOs, but this situation might not have occurred if—

- TSA developed changes in screening procedures and comprehensively and thoroughly evaluated the effects of such changes;
- TSA supervisors provided better oversight of TSOs and baggage-screening operations; and
- TSA provided screening operations at the affected location with adequate staff and screening equipment in a timely manner.

We made four recommendations that call for TSA to initiate improvements which, if implemented, should improve airport screening operations. TSA concurred with all of the recommendations. (OIG-12-128, September 2012, OA)  
[http://www.oig.dhs.gov/assets/Mgmt/2012/OIGr\\_12-128\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIGr_12-128_Sep12.pdf)

***Costs Invoiced for Checked Baggage Inspection Systems and Closed Circuit Television Cameras at Orlando International Airport***

TSA agreed to provide ARRA funds of approximately \$51 million to the Greater Orlando Aviation Authority (Authority) for checked baggage inspection systems and CCTV at Orlando International Airport. We determined that costs of \$24,255,866 invoiced by the Authority for these projects were allowable, allocable, and reasonable for TSA reimbursement. In addition, we verified that the Authority submitted to the Federal Government the required quarterly reports on project activities and that the Authority complied with TSA and ARRA requirements for paying prevailing wages and using American-made iron, steel, and manufactured goods in the construction of the projects, as applicable. The report did not contain any recommendations. (OIG-12-129, September 2012, OA)  
[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-129\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-129_Sep12.pdf)

## INVESTIGATIONS

***TSA Officer Pleads Guilty to Leading Prostitution Ring***

We assisted local police in the investigation of a TSA employee after we were informed about a

complaint of prostitution at a local hotel. The investigation revealed that the employee had used a social website to arrange sex parties that he would charge the male participants \$100 to attend. The employee resigned his position and pleaded guilty in state court to one count of prostitution – general. He was sentenced to 360 days with 360 days suspended and 1 year unsupervised probation.

## UNITED STATES CITIZENSHIP AND IMMIGRATION SERVICES

### MANAGEMENT REPORTS

***U.S. Citizenship and Immigration Services' Laptop Safeguards Need Improvements***

We conducted an audit of laptop security at U.S. Citizenship and Immigration Services (USCIS). Our audit objective was to determine whether USCIS has implemented an effective program to safeguard its laptop computers and the information they contain. We made five recommendations to USCIS to improve its laptop inventory and configuration management processes. USCIS concurred with all five recommendations. (OIG-12-83, May 2012, ITA)  
[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-83\\_May12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-83_May12.pdf)

***U.S. Citizenship and Immigration Services' Systematic Alien Verification for Entitlements Program Issues***

We conducted an audit of the Systematic Alien Verification for Entitlements (SAVE) program at USCIS. Our audit objective was to determine whether USCIS had established processes to (1) monitor user compliance with the rules of the SAVE program, (2) enforce actions when users were noncompliant with SAVE program rules, and (3) enable benefit applicants to request record corrections. Additionally, we determined the average length of time USCIS took to adjudicate requests by applicants who received a possibly erroneous SAVE determination. We made two recommendations to USCIS to improve the SAVE

program. USCIS concurred with one of the two recommendations.

(OIG-12-125, September 2012, ITA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-125\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-125_Sep12.pdf)

## INVESTIGATIONS

### ***Bribery Attempt of USCIS Official Leads to Conviction of Foreign National***

We initiated an investigation of a naturalization applicant who offered a \$15,000 bribe to one of our investigators posing as a USCIS official. The bribe was a partial payment for approval of the applicant's employment authorization and permanent residency. Following our arrest of the applicant, he pleaded guilty to Bribery of a Public Official and was sentenced to 27 months imprisonment and ordered to forfeit \$30,000.

## UNITED STATES COAST GUARD

### MANAGEMENT REPORTS

#### ***U.S. Coast Guard's Maritime Patrol Aircraft***

The Ocean Sentry Maritime Patrol Aircraft (HC-144A) is a medium-range surveillance aircraft purchased by the USCG to replace its aging HU-25 Falcon fleet. In July 2010, USCG awarded its latest contract to the European Aeronautic Defense and Space Company North America for three aircraft with a value of about \$117 million. USCG has taken delivery of 13 HC-144A aircraft since the program began in 2003. We reviewed the Ocean Sentry Maritime Patrol Aircraft contract file and supporting documentation, and determined that it generally awarded the contract effectively. However, USCG could have improved its oversight of the contract. USCG personnel did not follow up with the subcontractor to ensure it had implemented recommendations made by the Defense Contract Audit Agency and did not obtain sufficient support to ensure the exclusion of nonchargeable costs when awarding the current Ocean Sentry Maritime Patrol Aircraft contract.

We made one recommendation for USCG to improve its contract and oversight process of the Ocean Sentry Maritime Patrol Aircraft and future acquisitions. USCG partially concurred with our recommendation, which when implemented should help USCG ensure that it only pays for costs allowed in accordance with Federal regulations.

After this report was originally issued, we reissued it to modify the statement of compliance with GAGAS. We took this action because it came to our attention that a family member of a senior DHS OIG official was employed by an entity associated with this audit. To ensure that this impairment to our independence in appearance did not affect our findings and conclusions, we thoroughly re-reviewed our work on this audit, as well as the results. Through this re-review, we verified that the impairment did not affect our results. Our evidence was sound and fully supported our findings and conclusions. The report remains unchanged, except for the statement of compliance with GAGAS. We remain committed to assisting the Department in improving its effectiveness and efficiency to better carry out its mission.

(OIG-12-73, April 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-73\\_Apr12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-73_Apr12.pdf)

#### ***Annual Review of the United States Coast Guard's Mission Performance (FY 2011)***

The Homeland Security Act of 2002 requires DHS OIG to conduct an annual review of USCG's mission performance. We reviewed USCG's performance measures and results for each non-homeland security and homeland security mission, as well as resource hours used to perform these missions. In FY 2011, USCG reported that it met or exceeded 14 of 23 summary performance measures. USCG dedicated approximately 4 percent more resource hours to homeland security missions than non-homeland security missions. FY 2011 homeland security mission resource hours totaled 355,586, while non-homeland security mission resource hours totaled 328,008. The report contained no recommendations.

(OIG-12-119, September 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-119\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-119_Sep12.pdf)



## INVESTIGATIONS

### ***USCG Employee Confesses to Misuse of Government-Issued Credit Card***

We investigated and arrested a former USCG employee who confessed that he used a Government-issued credit card to purchase fuel that he used himself and sold to others. The fraud perpetuated by the former employee totaled approximately \$77,000. He pleaded guilty to Production, Use or Trafficking in Counterfeit Access Device and is awaiting sentencing. This case was jointly investigated with the General Services Administration (GSA) OIG.

### ***Retired Coast Guard Employee Pleads Guilty to Mail Fraud***

We investigated a retired supervisory USCG employee for a scheme in which he stole computer switches and several other pieces of electronic equipment, which he then sold on eBay for personal profit. The stolen electronic equipment was valued at more than \$120,000 and was sold to persons or companies in several States and in Sweden and Colombia. He was indicted on four counts of Mail Fraud and four counts of Retaining Stolen Government Property, pleaded guilty to two counts, and is awaiting sentencing. We were assisted in this investigation by the USCG Investigative Service.

## UNITED STATES CUSTOMS AND BORDER PROTECTION

### MANAGEMENT REPORTS

#### ***Obligation of American Recovery and Reinvestment Act Funds by U.S. Customs and Border Protection for Land Ports of Entry***

CBP received \$420 million under ARRA for construction of land ports of entry. We determined that funds obligated by CBP for project administration and monitoring and for information technology were for purposes authorized by ARRA. Also, CBP, the GSA, and the United States Army Corps of Engineers established adequate oversight and monitoring

processes and procedures for the construction and alteration of port projects. For the overall status of project funds, CBP reported obligations of \$375,453,047 and an unobligated balance of its ARRA appropriation of \$44,546,953, as of October 4, 2011. The report contained no recommendations.

(OIG-12-72, April 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-72\\_Apr12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-72_Apr12.pdf)

#### ***Information Technology Management Letter for the FY 2011 U.S. Customs and Border Protection Financial Statement Audit***

We contracted with KPMG to perform the audit of CBP Consolidated Financial Statements as of September 30, 2011. As part of this review, KPMG noted certain matters involving internal control and other operational matters with respect to IT and documented its comments and recommendation in the IT management letter. The overall objective of our audit was to evaluate the effectiveness of general IT controls of CBP's financial processing environment and related IT infrastructure. KPMG noted that CBP took corrective action to address many prior years' IT control weaknesses. However, during FY 2011, KPMG continued to find general IT control weaknesses at CBP. The most significant weaknesses from a financial statement audit perspective related to access controls and service continuity. Collectively, the IT control weaknesses limit CBP's ability to ensure that critical financial and operational data are maintained in such a manner to ensure confidentiality, integrity, and availability. In addition, these weaknesses negatively impact the internal controls over CBP's financial reporting and its operation, and KPMG considers them to collectively represent a significant deficiency under standards established by the American Institute of Certified Public Accountants.

(OIG-12-77, April 2012, ITA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-77\\_Apr12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-77_Apr12.pdf)

### ***U.S. Customs and Border Protection Privacy Stewardship***

CBP employees collect, use, maintain, or process personally identifiable information (PII) on a daily basis to accomplish the missions of securing borders, protecting against terrorists, and facilitating trade and travel. For example, more than 20,000 border patrol agents collect, handle, share, or maintain PII to secure 6,900 miles of borders with Canada and Mexico, as well as 95,000 miles of shoreline. We determined whether CBP's plans and activities instill a culture of privacy and whether CBP complies with Federal privacy laws and regulations.

CBP has made limited progress toward instilling a culture of privacy that protects sensitive PII. This is in part because it has not established a strong organizational approach to address privacy issues across the component. To strengthen its organizational approach to privacy, CBP needs to establish an Office of Privacy with adequate resources and staffing and hold Assistant Commissioners and Directors accountable for their employees' understanding of and compliance with their privacy responsibilities.

In addition, CBP has made limited progress in complying with Federal privacy laws and regulations. Specifically, CBP needs current privacy threshold analyses for all systems and a complete inventory of its PII holdings, for which it requires relevant privacy impact assessments and accurate system of records notices. Finally, CBP needs to implement stronger measures to protect employee Social Security numbers. Without a component-wide approach to minimizing the collection of employee Social Security numbers, privacy incidents involving employee PII will continue to occur.

(OIG-12-78, April 2012, ITA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-78\\_Apr12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-78_Apr12.pdf)

### ***Customs and Border Protection's Free and Secure Trade Program—Continued Driver Eligibility***

We determined whether CBP's Free and Secure Trade (FAST) program continued eligibility

processes ensure that only eligible drivers remain in the program. The FAST program's continued eligibility processes do not ensure that only eligible drivers remain in the program. CBP is hampered in its ability to ensure that Mexican citizens and residents in the program are low risk. Mexico does not share the southern border FAST program with the United States to vet and continuously monitor drivers' eligibility. Also, the FAST program's continuous vetting process does not assess all violations and criminal information that may render drivers ineligible to participate in the FAST program. The information excluded from this process is reviewed every 5 years. As a result, high-risk drivers may be enrolled and active in the FAST program, exposing CBP to increased risk of compromised border security. In addition, CBP has not implemented a process to assess the effect of the program on border security. We made three recommendations to improve CBP's processes to ensure continued driver eligibility in the FAST program. CBP management concurred with all three recommendations.

(OIG-12-84, May 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-84\\_May12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-84_May12.pdf)

### ***CBP's Use of Unmanned Aircraft Systems in the Nation's Border Security***

We determined whether CBP has established an adequate operation plan to define, prioritize, and execute its unmanned aircraft mission. CBP had not adequately planned resources needed to support its current unmanned aircraft inventory. Although CBP developed plans to utilize the unmanned aircraft's capabilities in its Office of Air and Marine mission, its Concept of Operations planning document did not adequately address processes: (1) to ensure that required operational equipment, such as ground control stations and ground support equipment, is provided for each launch and recovery site; (2) for stakeholders to submit unmanned aircraft mission requests; (3) to determine how mission requests are prioritized; and (4) to obtain reimbursement for missions flown on stakeholders' behalf. This approach places CBP at risk of having invested substantial resources in a program that underutilizes resources and limits its

ability to achieve Office of Air and Marine mission goals. We made four recommendations that will aid CBP in maximizing the use of unmanned aircraft. CBP concurred with all four recommendations.

(OIG-12-85, May 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-85\\_May12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-85_May12.pdf)

***Improvements Needed To Strengthen the Customs-Trade Partnership Against Terrorism Initial Validation Process for Highway Carriers***

We performed a selected review of the Customs Trade Partnership Against Terrorism (C-TPAT) initial validation process to determine whether it ensures that highway carriers' security practices meet minimum security requirements. C-TPAT's initial validation process for highway carriers needs to be strengthened. Documentation maintained by the Supply Chain Security Specialists (SCSSs) for the initial validation process for highway carriers did not always confirm the accuracy and effectiveness of security measures declared in a carrier's C-TPAT security profile. Specifically, SCSSs did not always follow Standard Operating Procedures (SOPs), and did not include adequate details in the validation worksheet, explaining how they verified evidence of implementation for critical business partner and conveyance security procedures. These conditions occurred because the C-TPAT SCSS SOP did not indicate what evidence should be maintained to support conclusions made by SCSSs or where this evidence should be included in the C-TPAT Security Link Portal. In addition, the "evidence of implementation" training provided to SCSSs did not contain specific details of what should be obtained to support tests conducted for critical business partner and conveyance security requirements. The deficiencies that we identified in CBP's initial validation process have reduced the agency's ability to ensure that carriers' security practices promote supply chain integrity, and could expose CBP to increased risk of compromised border security. We made three recommendations which, when implemented, should improve CBP's processes to ensure that highway carriers' security practices meet minimum security requirements.

Management concurred with the recommendations.

(OIG-12-86, June 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-86\\_Jun12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-86_Jun12.pdf)

***CBP Information Technology Management: Strengths and Challenges***

We evaluated CBP's overall IT management approach, including the extent to which IT management practices have been put in place and the current IT environment supports mission needs. We determined that several actions had been taken to support effective stewardship of IT resources, including implementation of a strategic planning process, development of an "As Is" enterprise architecture, and establishment of a system life cycle engineering process. However, additional progress is needed to build the agency's target enterprise architecture. In addition, CBP did not have full oversight over IT spending across all programs and activities within the agency, which increases the risk of enterprise alignment challenges. Also, challenges remain to ensure that the IT environment fully supports CBP's mission needs. Specifically, challenges exist with systems availability, including periodic outages of critical security systems, due in part to an aging infrastructure. Also, the interoperability and functionality of the IT infrastructure have not been sufficient to support CBP mission activities fully. As a result, CBP employees have created workarounds or employed alternative solutions, which may hinder CBP's ability to accomplish its mission and ensure officer safety. We recommended that the Assistant Commissioner for the Office of Information Technology provide needed resources for enterprise architecture activities, ensure compliance with the IT acquisition review process, develop a funding strategy for the replacement of outdated infrastructure, and reassess the existing requirements and technology insertion processes to address challenges in the field. The Assistant Commissioner concurred with the recommendations.

(OIG-12-95, June 2012, ITA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-95\\_Jun12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-95_Jun12.pdf)

### ***Audit of Customs and Border Protection’s Office of Regulatory Audit***

We conducted this audit to determine whether CBP’s Office of Regulatory Audit (ORA) is conducting audits with reasonable assurance that they meet current government auditing standards and whether ORA has an effective process for audit selection. ORA is not conducting audits that meet all July 2007 government auditing standards, does not have an effective audit selection process, and needs to improve CBP’s ability to recoup unpaid duties identified during audits. These problems are due to outdated audit policies, weak implemented field quality control mechanisms, deficient current importer information for audit selection, and insufficient collaboration with CBP collection officials. We made five recommendations to ORA, which agreed to implement all five recommendations, including to improve the documentation of ORA’s audit selection process, update ORA’s policies to meet current government auditing standards, and improve coordination and documentation to support CBP revenue collection. (OIG-12-117, September, 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-117\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-117_Sep12.pdf)

### ***U.S. Customs and Border Protection’s Penalty Process—Statute of Limitations***

We conducted this audit to determine whether CBP has an effective process to ensure that penalty cases do not expire due to statute of limitations. This is the fourth in a series of audits addressing Senator Grassley’s concerns about alleged deficiencies in CBP’s revenue collection program. We analyzed 42 CBP penalty cases from FY 2009 through the first half of FY 2011 with an assessed penalty value of more than \$415 million. We determined that CBP has established procedures for oversight and monitoring of the penalty process. However, CBP cannot effectively ensure that cases are finalized and necessary actions are taken before the statute of limitations expires. We noted that CBP needs to develop an effective management oversight plan and appropriate procedures to monitor and enforce timely case processing; evaluate staffing at field offices to meet mission requirements; and improve data accuracy and reliability of the Seized Asset and Case Tracking

System information. These improvements would provide CBP with greater assurance that penalty cases are finalized more timely and that penalties are being used as an effective trade enforcement tool. We made two recommendations that upon implementation will strengthen the management and oversight of the penalties process. CBP agreed with both recommendations.

(OIG-12-131, September 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-131\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-131_Sep12.pdf)

### ***CBP’s Strategy To Address Illicit Cross-Border Tunnels***

We conducted this audit to determine whether CBP has developed an operational strategy to detect and remediate cross-border tunnels and acquired tunnel detection technology. CBP detects and remediates cross-border tunnels as part of its overall border security and law enforcement missions. It has modified its field operations to detect more accurately and respond to the threats posed by the tunnels. However, CBP does not have the technological capability to detect illicit cross-border tunnels routinely and accurately, but is establishing a tunnel detection technology acquisition program and a tunnel Program Management Office. These efforts must address the mission needs of both CBP and Immigration and Customs Enforcement (ICE), because both have concurrent mission responsibilities for combating cross-border tunnels. CBP and the Department concurred with three of the four recommendations to enhance the overall effectiveness of counter-tunnel efforts, and did not provide sufficient detail for concurrence or nonconcurrence with one recommendation.

After this report was originally issued, we reissued it to modify the statement of compliance with GAGAS. We took this action because it came to our attention that a family member of a senior DHS OIG official was employed by an entity associated with this audit. To ensure that this impairment to our independence in appearance did not affect our findings and conclusions, we thoroughly re-reviewed our work on this audit, as well as the results. Through this re-review,



we verified that the impairment did not affect our results. Our evidence was sound and fully supported our findings and conclusions. The report remains unchanged, except for the statement of compliance with GAGAS. We remain committed to assisting the Department in improving its effectiveness and efficiency to better carry out its mission.

(OIG-12-132, September 2012, OA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-132\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-132_Sep12.pdf)

## INVESTIGATIONS

### ***CBP Employee Pleads Guilty to Theft and Conspiracy***

We investigated allegations that an employee for the U.S. Border Patrol was receiving kickbacks from towing companies. Our investigation substantiated the allegations and also revealed that the employee was involved in theft of Government property and misuse of Government credit cards. He pleaded guilty to three counts of theft of Government funds and one count of conspiracy. He was sentenced to 5 years probation and has been ordered to pay \$10,000 in restitution.

### ***CBP Employees Await Sentencing for Alien Smuggling Scheme***

We conducted a joint investigation with the ICE Offices of Professional Responsibility and Homeland Security Investigations in response to an allegation that two brothers, both employed by CBP, were engaged in the smuggling of hundreds of illegal aliens into the United States for profit. Our investigation demonstrated that the aliens were led into the United States by an accomplice and were then picked up by the brothers in their patrol vehicles and released in the United States. Approximately 18 months into our investigation, the brothers learned that they were under investigation and fled to Mexico. After they were indicted in the United States, the brothers were arrested by Mexican authorities and extradited to the United States. At trial, they were found

guilty of Conspiracy to Bring in Illegal Aliens for Financial Gain, Bringing in Illegal Aliens for Financial Gain, Receiving a Bribe by Public Official, Bribery of a Public Official, Conspiracy to Launder Money, Aiding and Abetting, and Criminal Forfeiture. They are awaiting sentencing and face a maximum of life in prison and fines of approximately \$1.25 million.

### ***CBP Official Conspired With Transnational Drug Traffickers***

We initiated an investigation after receiving information that a CBP employee was observed meeting with members of a known drug-trafficking organization. After he made arrangements with individuals he believed to be smugglers, the CBP employee later allowed a vehicle driven by an undercover agent to pass through a border patrol checkpoint without being inspected. Later, as we watched, the employee met with a confidential informant and received an \$8,000 cash bribe payment in an envelope. After arrest, he resigned from his position with CBP and pleaded guilty to one count of Public Official Accepting a Bribe. He is awaiting sentencing.

### ***CBP Officer Convicted of Trafficking Narcotics***

We initiated an investigation based on information from a confidential informant, which alleged that a corrupt CBP employee was accepting bribes to allow narcotics to enter the United States through his inspection lane. We had an agent pose as a narcotics smuggler and pay the employee a series of bribes in exchange for allowing what he believed to be loads of illegal narcotics to enter the United States through his assigned border inspection lane. He was arrested as he met with our agent to receive an additional \$30,000 for allowing a second vehicle through his inspection lane. He was found guilty of Conspiracy to Import a Controlled Substance and Bribery and is awaiting sentencing.

## UNITED STATES IMMIGRATION AND CUSTOMS ENFORCEMENT

### MANAGEMENT REPORTS

#### ***The Performance of 287(g) Agreements FY 2012 Follow-Up***

Section 287(g) of the *Immigration and Nationality Act*, as amended, authorizes DHS to delegate Federal immigration enforcement authorities to State and local law enforcement agencies through formal, written agreements. The agreements outline terms and conditions for program activities and establish a process for ICE to supervise and manage program functions. This report is an update to three DHS OIG reports: (1) OIG-10-63, *The Performance of 287(g) Agreements*, issued in March 2010; (2) OIG-10-124, *The Performance of 287(g) Agreements Report Update*, issued September 2010; and (3) OIG-11-119, *The Performance of 287(g) Agreements Report FY 2011 Update*, issued September 2011, with a total of 62 recommendations to improve overall operations of the 287(g) program.

In this review, we determined that ICE needs to continue efforts to implement our prior recommendations. In addition, we identified staffing and budgetary issues that need to be addressed in order to further enhance ICE's ability to achieve program objectives. We recommended that ICE (1) provide the Office of Professional Responsibility with the classification study results by December 31, 2012, and (2) if needed, develop a transition plan to complete any reclassification efforts during FY 2013.

We made two recommendations for ICE to enhance its ability to achieve program objectives of the 287(g) program.

(OIG-12-130, September 2012, ISP)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-130\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-130_Sep12.pdf)

### INVESTIGATIONS

#### ***ICE Employee Pleads Guilty of Theft***

We investigated an allegation that an ICE employee stole \$200 from the property of a detainee. Following our investigation, the employee entered a plea of guilty to a misdemeanor charge of Officer or Employee of the United States Converting Property of Another, and was sentenced to 1 year unsupervised probation, fined \$800, and ordered to pay restitution of \$200.

#### ***ICE Special Agent in Charge Awaits Sentencing for Transporting Child Pornography***

A Child Exploitation task force contacted us to report that it had developed indications that an ICE law enforcement manager was involved in sending and receiving online child pornography. We partnered with the FBI and a local sheriff's office to serve a search warrant at the subject's residence and arrest him. After he pleaded guilty to a count of knowingly transporting child pornography, he was immediately remanded to custody and ordered to register as a sex offender. The charge carries a minimum sentence of 5 years and a maximum of 20 years' incarceration.

#### ***ICE Contract Employee Pleads Guilty to Possession of Child Pornography***

An ICE telecommunications contract employee self-reported that his ICE-issued laptop had been seized by a local police department in connection with an allegation that the contractor was distributing child pornography. We joined with the local police in a search of the contractor's residence and developed further evidence of child pornography. He resigned from his position and was subsequently found guilty at trial in Federal court with three counts of Possession of Child Pornography. He is currently awaiting sentencing.

## MULTIPLE COMPONENTS

### MANAGEMENT REPORTS

#### *DHS' Intelligence Community Members' Continuity of Operations and Intelligence Readiness*

DHS' Office of Intelligence and Analysis (I&A) and intelligence elements of USCG are responsible for ensuring the integration and continuity of intelligence to and from the Intelligence Community (IC) during regular operational periods and national emergencies. We assessed DHS' IC members' Continuity of Operations programs and focused on the programs' history, evolution, activities, and coordination and collaboration efforts. Our objectives were to ensure Continuity of Operations definition alignment with the National Continuity Policy; to ensure that plans adequately address requirements set forth in the National Continuity Policy; to determine whether Continuity of Operations training and exercises test capabilities and identify potential areas of improvement; and to determine whether new planning efforts incorporate lessons learned and corrective action resulting from prior exercises or actual events. Both I&A and USCG plans address the required areas that define a viable Continuity of Operations plan and are consistent with national directives and DHS guidance. Senior leadership for both components has assessed their programs and is confident that Continuity of Operations functions will be performed and sustained during emergency situations. However, both I&A and USCG Continuity of Operations plans can be strengthened by defining roles and responsibilities better, adding more realistic exercise scenarios, and updating plans to reflect current operational capabilities. We made eight recommendations to help DHS IC members strengthen their Continuity of Operations plans and programs and to improve oversight. DHS concurred with seven recommendations and did not concur with one recommendation.

(OIG-12-87, June 2012, ISP)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-87\\_Jun12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-87_Jun12.pdf)

#### *DHS Needs To Address Portable Device Security Risks*

DHS has taken actions to govern, track, categorize, and secure portable devices. Specifically, DHS and its components developed policies and procedures and training regarding the use of portable devices. Additionally, some components include portable devices as part of their accountable personal property inventory.

However, DHS still faces challenges in implementing these devices to carry out its mission as well as increase the productivity of its employees. We recommended that the Chief Information Officer (CIO) coordinate with the components to update their asset management policies to ensure that Universal Serial Bus thumb drives are recorded as sensitive personal property in their asset management systems. Additionally, the CIO should enhance the Department's annual IT security awareness training to remind users of their responsibilities, acceptable behaviors, and associated risks when using Government-issued portable devices. Finally, the CIO should work with the ICE CIO to ensure compliance with DHS guidance on authentication requirements for Android and Apple iPhone Operating System devices. DHS concurred with all three recommendations.

(OIG-12-88, June 2012, ITA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-88\\_Jun12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-88_Jun12.pdf)

#### *Adherence to Acquisition Management Policies Will Help Reduce Risks to the Technology Integration Program*

DHS is planning to consolidate its headquarters in the National Capital Region at the St. Elizabeth's Campus in Washington, DC. In August 2005, DHS approved the IT concept for DHS facilities at the St. Elizabeth's headquarters campus. This concept later became known as the Technology Integration Program (TIP). TIP focuses on developing and implementing an integrated IT infrastructure for the consolidated DHS headquarters at St. Elizabeth's. We assessed

the progress that DHS is making in implementing the TIP and identify areas where DHS needs to improve program management. DHS is making progress toward the implementation of an IT infrastructure at the St. Elizabeth's campus. Specifically, DHS is partnering with the GSA by using its interagency IT contracting vehicles. Further, the GSA awarded a task order on behalf of DHS to acquire information technology resources for TIP. DHS can reduce project risk by adhering to DHS and Office of Management and Budget acquisition policies in implementing TIP. Specifically, DHS needs to designate TIP as a major acquisition program as required by DHS' acquisition guidance. In addition, DHS needs to follow the reporting requirements outlined in the capital planning and investment control guidance and adhere to the DHS acquisition review process. Finally, DHS needs to prepare a risk management plan for TIP. Taking these steps will help reduce the risk that TIP does not meet its cost and performance goals.

After this report was originally issued, we reissued it to modify the statement of compliance with GAGAS. We took this action because it came to our attention that a family member of a senior DHS OIG official was employed by an entity associated with this audit. To ensure that this impairment to our independence in appearance did not affect our findings and conclusions, we thoroughly re-reviewed our work on this audit, as well as the results. Through this re-review, we verified that the impairment did not affect our results. Our evidence was sound and fully supported our findings and conclusions. The report remains unchanged, except for the statement of compliance with GAGAS. We remain committed to assisting the Department in improving its effectiveness and efficiency to better carry out its mission.

(OIG-12-107, September 2012, ITA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-107\\_Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-107_Sep12.pdf)

***Special Report: Summary of Significant Investigations, January 1, 2011, to December 31, 2011***

This special report addresses significant investigative work undertaken by our office from January 1 to December 31, 2011. This work contributes significantly to DHS' overall mission and specifically addresses the Secretary's priorities and goals concerning (1) preventing terrorism and enhancing security and (2) securing and managing the Nation's borders.

(OIG-12-108, August 2012, INV)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_12-108\\_Aug12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_12-108_Aug12.pdf)

***Review of DHS' Information Security Program for Intelligence Systems for Fiscal Year 2012***

We reviewed DHS' enterprise-wide security program and practices for Top Secret/Sensitive Compartmented Information intelligence systems. Pursuant to FISMA, we reviewed DHS' security management, implementation, and evaluation of its intelligence activities, including its policies, procedures, and system security controls for enterprise-wide intelligence systems. Since the FY 2011 evaluation, I&A has improved its oversight of Department-wide systems and established programs to monitor ongoing security practices. I&A has developed and implemented a training program to educate DHS' growing number of personnel assigned security duties on intelligence systems. In addition, progress has been made in collaboration with other DHS components in centralizing plans and priorities for mitigating security weaknesses, streamlining system configuration management, and maintaining a systems inventory. However, we identified deficiencies in the areas of system authorization, supply chain threats, and security capital planning. Our report to the Inspector General of the Intelligence Community did not contain any recommendations.

(OIG-12-115, September 2012, ITA)

[http://www.oig.dhs.gov/assets/Mgmt/2012/OIG\\_SLP\\_12-115Sep12.pdf](http://www.oig.dhs.gov/assets/Mgmt/2012/OIG_SLP_12-115Sep12.pdf)



# OTHER OFFICE OF INSPECTOR GENERAL ACTIVITIES



## OVERSIGHT OF NONDEPARTMENTAL AUDITS

During this period, we did not process any Single Audit reports issued by other independent public accountant organizations. Single Audit reports refer to audits conducted according to the *Single Audit Act of 1996*, as amended by Public Law 104-156.

We will monitor and identify improvements to DHS’ policies and procedures governing its grants management programs. We will use the results of audits and investigations of grantees and sub-grantees as a tool for identifying areas for further analysis, and for helping DHS improve grants management practices and program performance. We will support DHS in its efforts to monitor and follow up on recommendations from independent external audits of DHS’ grantees and subgrantees under the *Single Audit Act*, as amended. In addition, we will perform quality reviews of independent auditors to ensure consistency and adherence to Single Audit guidelines.

## SUMMARY OF SIGNIFICANT REPORTS UNRESOLVED OVER 6 MONTHS

Timely resolution of outstanding audit recommendations continues to be a priority for both our office and the Department. As of this report date, we are responsible for monitoring 124 reports containing 467 recommendations that have been unresolved for more than 6 months. Management decisions have not been made for significant reports, as follows:

|  |            |
|--|------------|
| FEMA-related financial assistance disaster grant reports | 24         |
| Management reports                                       | 100        |
| <b>Total</b>   | <b>124</b> |



# LEGISLATIVE AND REGULATORY REVIEWS



Under the *Inspector General Act*, we review and comment on existing and proposed legislation and regulations affecting DHS programs and operations to foster economy and efficiency, and detect fraud, waste, and abuse. We also participated on the Council of Inspectors General on Integrity and Efficiency (CIGIE), which provides a means to comment on existing and proposed legislation and regulations that have government-wide impact and will participate in DHS' Regulatory Affairs Management System (RAMS) Pilot Program Training.

During this reporting period, we reviewed more than 100 legislative and regulatory proposals, draft DHS policy directives, and other matters. For example, we reviewed and provided comments to the DHS management on two matters summarized below.

***DHS Delegation No. 19003 to the Officer for Civil Rights and Civil Liberties (CRCL) for Matters Involving Civil Rights and Civil Liberties, including Equal Employment Opportunity and Workforce Diversity***

We commented that nothing in this delegation is intended to interfere with the statutory independence of the Inspector General or the Inspector General's authority to investigate allegations of misconduct, including allegations of civil rights or civil liberties abuses, by DHS employees or contractors.

Under the *Inspector General Act* 6 U.S.C. § 345; and 42 U.S.C. § 2000ee-1, CRCL's authority to investigate allegations of civil rights and civil liberties abuses by DHS employees and contractors is subject to OIG's right of first refusal to investigate such allegations. The suggested language makes this point clear in the delegation.

The Department's Executive Office and Delegation Task Force accepted our comments and recommended the Department Secretary's approval and signature.

***DHS Directive No. 041-042: International Affairs***

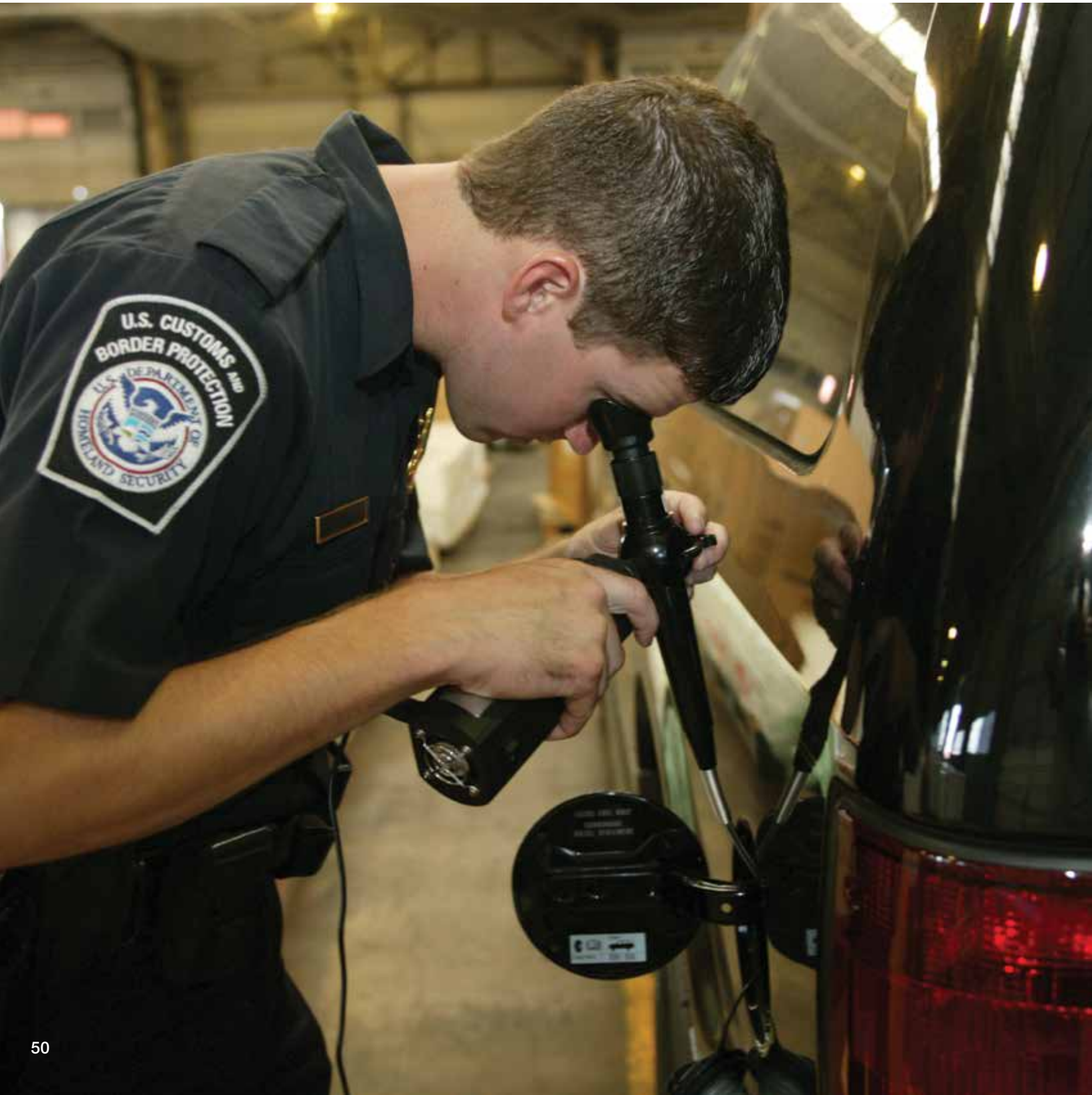
The Directive sets forth the delegated authority, policy, authorities, and responsibilities for planning, coordinating, and managing international affairs for the DHS. It is designed to facilitate the Secretary's leadership and management of the Department's activities involving international affairs and does not interfere with or inhibit the Office of Inspector General's statutory authority. We commented that Page 1, Section II.C.5. should be deleted and replaced with the following language, "Interfere with or inhibit the Office of Inspector General's statutory authority." The Department accepted our comments, and the Department Secretary signed the Directive on August 20, 2012.

***DHS Management Directive No. 110-01 and DHS Instruction No. 110-01-001: Privacy Policy for Operational Use of Social Media***

This Directive and Instruction were newly-issued in 2012. They establish DHS privacy policy involving DHS components' operational use of social media. DHS OIG provided extensive comments on the proposed Directive and the accompanying Instruction on matters involving our equities as well as matters with DHS-wide implications. We emphasized the importance of ensuring that the Directive and Instruction did not conflict with OIG's statutory authority. Our request that language to this effect be added to the Directive was accepted, and this change, among others, was incorporated into the final documents.



# CONGRESSIONAL TESTIMONY AND BRIEFINGS



The Acting Inspector General testified before congressional committees six times during this reporting period. Testimony for these hearings may be accessed on our website at [www.oig.dhs.gov](http://www.oig.dhs.gov).

We testified at the following hearings:

- May 9, 2012 – House Committee on Oversight and Government Reform and the House Committee on Transportation and Infrastructure at a hearing entitled “Procurement, Deployment, and Storage of Airport Security-Related Equipment.”
- May 16, 2012 – House Committee on Homeland Security, Subcommittee on Transportation Security at a hearing entitled “Access Control Breaches at Our Nation’s Airports: Anomalies or Systemic Failures.”
- May 17, 2012 – House Committee on Homeland Security, Subcommittee on Oversight, Investigations, and Management at a hearing entitled “Department of Homeland Security: An Examination of Ethical Standards.”
- May 23, 2012 – Senate Committee on Homeland Security and Governmental Affairs at a hearing entitled “Secret Service on the Line: Restoring Trust and Confidence.”
- August 1, 2012 – House Committee on Oversight and Government Reform, Subcommittee on Government Organization Efficiency and Financial Management Subcommittee at a hearing entitled “Unresolved Internal Investigations at DHS: Oversight of Investigation Management in the Office of the DHS IG.”

- September 11, 2012 – House Committee on Homeland Security, Subcommittee on Border and Maritime Security at a hearing entitled “Eleven Years Later: Preventing Terrorists from Coming to America.”

We briefed congressional members and their staffs at a steady pace throughout the reporting period. Our office conducted more than 55 briefings for congressional staff on the results of our work, including (1) FEMA’s Progress in Implementing Employee Credentials (OIG-12-89); (2) The Federal Emergency Management Agency’s Requirements for Reporting Homeland Security Grant Program Achievements (OIG-12-92); (3) Transportation Security Administration’s Efforts To Identify and Track Breaches at Our Nation’s Airports (OIG-12-80); (4) Direct Administrative Costs Paid for FEMA Public Assistance Grant Funds (DD-12-19); and (5) US-VISIT Faces Challenges in Identifying and Reporting Multiple Biographic Identities (OIG-12-111). We attended meetings to discuss other congressional concerns, including a request to review DHS’s role in the so-called “Fast and Furious” gunwalking operation.

We will continue to meet with congressional members and staff to discuss our evaluations of the Department’s programs and operations and to brief them on completed and planned work.



# APPENDIXES



## Appendix 1<sup>(a)</sup>

### Audit Reports With Questioned Costs

| Report Category  | Number  |                 | Questioned Costs | Unsupported Costs |
|--|---------|-----------------|------------------|-------------------|
|  | Reports | Recommendations |                  |                   |
| <b>A.</b> Reports pending management decision at the start of the reporting period (b)     | 86      | 224             | \$955,486,286    | \$50,044,600      |
| <b>B.</b> Reports issued/processed during the reporting period with questioned costs       | 36      | 68              | \$235,673,878    | \$11,012,947      |
| <b>Total Reports (A+B)</b>   | 122     | 292             | \$1,191,160,164  | \$61,057,547      |
| <b>C.</b> Reports for which a management decision was made during the reporting period (c) | 74      | 192             | \$260,074,950    | \$41,003,312      |
| (1) Disallowed costs   | 53      | 132             | \$101,785,563    | \$14,090,940      |
| (2) Accepted costs   | 32      | 44              | \$89,130,060     | \$17,681,528      |
| <b>D.</b> Reports put into appeal status during period                                     | 0       | 0               | 0                | 0                 |
| <b>E.</b> Reports pending a management decision at the end of the reporting period         | 48      | 100             | \$931,085,214    | \$20,054,235      |
| <b>F.</b> Reports for which no management decision was made within 6 months of issuance    | 22      | 45              | \$704,064,536    | \$9,555,350       |

#### Notes and Explanations:

- (a) See Note (a) on page 54 Appendix 1b.
- (b) Corrections were made to our beginning balances as a result of inconsistencies in our internal reporting methodology.
- (c) The sum of numbers and dollar values in Section C(1) and C(2) will not always equal the total in Section C, because recommendations may be resolved before receiving final disposition on disallowed and accepted costs. In addition, resolution may result in values different from the original recommendations.

**Management Decision** – Occurs when DHS management informs us of its intended action in response to a recommendation, and we determine that the proposed action is acceptable.

**Accepted Costs** – Previously questioned costs accepted in a management decision as allowable costs to a Government program. Before acceptance, we must agree with the basis for the management decision.

**Questioned Costs** – Auditors questioning costs resulting from alleged violations of provisions of

laws, regulations, grants, cooperative agreements, or contracts. A “questioned” cost is a finding which, at the time of the audit, is not supported by adequate documentation or is unreasonable or unallowable. A funding agency is responsible for making management decisions on questioned costs, including an evaluation of the findings and recommendations in an audit report. A management decision against the auditee would transform a questioned cost into a disallowed cost.

**Unsupported Costs** – Costs not supported by adequate documentation.



**Appendix 1b<sup>(a)</sup>****Audit Reports With Funds Put to Better Use**

| Report Category  | Number  |                 | Amount        |
|--|---------|-----------------|---------------|
|  | Reports | Recommendations |               |
| <b>A.</b> Reports pending management decision at the start of the reporting period (b)     | 26      | 28              | \$73,612,941  |
| <b>B.</b> Reports issued during the reporting period                                       | 12      | 17              | \$100,766,220 |
| <b>Total Reports (A+B)</b>   | 38      | 45              | \$174,379,161 |
| <b>C.</b> Reports for which a management decision was made during the reporting period (c) | 22      | 24              | \$53,393,299  |
| (1) Value of recommendations agreed to by management for deobligation                      | 18      | 20              | \$36,353,832  |
| (2) Value of recommendations not agreed to by management                                   | 2       | 2               | \$14,160,139  |
| <b>D.</b> Reports put into the appeal status during the reporting period                   | 0       | 0               | 0             |
| <b>E.</b> Reports pending a management decision at the end of the reporting period         | 16      | 21              | \$120,985,862 |
| <b>F.</b> Reports for which no management decision was made within 6 months of issuance    | 4       | 4               | \$20,219,642  |

**Notes and Explanations:**

- (a) *The Inspector General Act*, as amended, requires Inspectors General and agency heads to report cost data on management decisions and final actions on audit reports. The current method of reporting at the “report” level rather than at the individual audit “recommendation” level results in incomplete reporting of cost data. Under the Act, an audit “report” does not have a management decision or final action until all questioned cost items or other recommendations have a management decision or final action. Under these circumstances, the use of the “report” based rather than the “recommendation” based method of reporting distorts the actual agency efforts to resolve and complete action on audit recommendations. For example, although management may have taken timely action on all but one of many recommendations in an audit report, the current “all or nothing” reporting format does not recognize their efforts. To resolve this issue, we present DHS management decisions on reports and recommendations.
- (b) Corrections were made to our beginning balances as a result of inconsistencies in our internal reporting methodology.
- (c) The sum of numbers and dollar values in Section C(1) and C(2) will not always equal the total in Section C, because recommendations may be resolved before receiving final disposition on deobligation amount. In addition, resolution may result in values different from the original recommendations.

**Funds Put to Better Use** – Auditors can identify ways to improve the efficiency, effectiveness, and economy of programs, resulting in cost savings over the life of the program. Unlike questioned costs, the auditor recommends methods for making the most efficient use of Federal dollars, such as reducing outlays, deobligating funds, or avoiding unnecessary expenditures.

**Appendix 2<sup>1</sup>****Compliance – Resolution of Reports and Recommendations**

| <b>MANAGEMENT DECISION IS PENDING</b>                  |       |
|--|-------|
| <b>3/31/2012</b>                                       |       |
| Reports open and unresolved more than 6 months         | 174   |
| Recommendations open and unresolved more than 6 months | 628   |
| <b>09/30/2012</b>                                      |       |
| Reports open and unresolved more than 6 months         | 124   |
| Recommendations open and unresolved more than 6 months | 467   |
| <b>CURRENT INVENTORY</b>                               |       |
| Open reports at the beginning of the period            | 360   |
| Reports issued this period                             | 94    |
| Reports closed this period                             | 134   |
| Open reports at the end of the period                  | 320   |
| <b>ACTIVE RECOMMENDATIONS</b>                          |       |
| Open recommendations at the beginning of the period    | 1,644 |
| Recommendations issued this period                     | 286   |
| Recommendations closed this period                     | 528   |
| Open recommendations at the end of the period          | 1,402 |

<sup>1</sup> Includes management and financial assistance grant reports.

## Appendix 3

# Management Reports Issued

| Report Number               | Date Issued | Report Title   | Questioned Costs | Unsupported Costs | Funds Put to Better Use |
|-----------------------------|-------------|--|------------------|-------------------|-------------------------|
| 1. OIG-12-70                | 4/12        | Information Technology Management Letter for the Federal Emergency Management Agency Component of the FY 2011 DHS Financial Statement Audit  | \$0              | \$0               | \$0                     |
| 2. OIG-12-71 <sup>(a)</sup> | 4/12        | National Flood Insurance Program's Management Letter for FY 2011 DHS Consolidated Financial Statements Audit (Redacted) (Revised)  | \$0              | \$0               | \$0                     |
| 3. OIG-12-72                | 4/12        | Obligation of <i>American Recovery and Reinvestment Act</i> Funds by the U.S. Customs and Border Protection for Land Ports of Entry  | \$0              | \$0               | \$0                     |
| 4. OIG-12-73 <sup>(b)</sup> | 8/12        | U.S. Coast Guard's Maritime Patrol Aircraft (Revised)  | \$0              | \$0               | \$0                     |
| 5. OIG-12-74                | 4/12        | Capping Report: FY 2011 FEMA Public Assistance and Hazard Mitigation Grant and Subgrant Audits   | \$0              | \$0               | \$0                     |
| 6. OIG-12-75                | 4/12        | Review of Costs Invoiced by the Newport News Fire Department Under Fire Station Construction Grant No. EMW-2009-FC-00629 Awarded by the Federal Emergency Management Agency  | \$0              | \$0               | \$0                     |
| 7. OIG-12-76                | 4/12        | Review of Costs Invoiced by the Spokane Airport Board for Closed Circuit Television Cameras at Spokane International Airport Under Other Transaction Agreement Number HSTS04-09-H-REC304 Awarded by the Transportation Security Administration | \$0              | \$0               | \$0                     |
| 8. OIG-12-77                | 5/12        | Information Technology Management Letter for the FY 2011 U.S. Customs and Border Protection Financial Statement Audit  | \$0              | \$0               | \$0                     |

## Appendix 3

### Management Reports Issued (continued)

| Report Number | Date Issued | Report Title  | Questioned Costs | Unsupported Costs | Funds Put to Better Use |
|---------------|-------------|---|------------------|-------------------|-------------------------|
| 9. OIG-12-78  | 4/12        | U.S. Customs and Border Protection Privacy Stewardship  | \$0              | \$0               | \$0                     |
| 10. OIG-12-79 | 5/12        | Opportunities To Improve FEMA's Public Assistance Preliminary Damage Assessment Process   | \$0              | \$0               | \$0                     |
| 11. OIG-12-80 | 5/12        | Transportation Security Administration's Efforts To Identify and Track Security Breaches at Our Nation's Airports (Redacted)      | \$0              | \$0               | \$0                     |
| 12. OIG-12-81 | 5/12        | Information Technology Management Letter for FY 2011 Department of Homeland Security Financial Statement Audit                    | \$0              | \$0               | \$0                     |
| 13. OIG-12-82 | 5/12        | DHS Information Technology Management Has Improved, but Challenges Remain (Revised)   | \$0              | \$0               | \$0                     |
| 14. OIG-12-83 | 5/12        | U.S. Citizenship and Immigration Services' Laptop Safeguards Need Improvements  | \$0              | \$0               | \$0                     |
| 15. OIG-12-84 | 5/12        | Free and Secure Trade Program – Continued Driver Eligibility  | \$0              | \$0               | \$0                     |
| 16. OIG-12-85 | 5/12        | CBP's Use of Unmanned Aircraft Systems in the Nation's Border Security  | \$0              | \$0               | \$0                     |
| 17. OIG-12-86 | 6/12        | Improvements Needed To Strengthen the Customs-Trade Partnership Against Terrorism Initial Validation Process for Highway Carriers | \$0              | \$0               | \$0                     |
| 18. OIG-12-87 | 6/12        | DHS' Intelligence Community Members' Continuity of Operations and Intelligence Readiness  | \$0              | \$0               | \$0                     |



## Appendix 3

### Management Reports Issued (continued)

| Report Number | Date Issued | Report Title  | Questioned Costs | Unsupported Costs | Funds Put to Better Use |
|---------------|-------------|---|------------------|-------------------|-------------------------|
| 19. OIG-12-88 | 6/12        | DHS Needs To Address Portable Device Security Risks   | \$0              | \$0               | \$0                     |
| 20. OIG-12-89 | 6/12        | FEMA's Progress in Implementing Employee Credentials  | \$0              | \$0               | \$0                     |
| 21. OIG-12-90 | 6/12        | Review of Costs Claimed by Washington Township, MI, Fire Department Under Fire Station Construction Grant Number EMW-2009-FC-01152R | \$78,020         | \$0               | \$0                     |
| 22. OIG-12-91 | 6/12        | FEMA's Efforts To Recoup Improper Payments in Accordance with the <i>Disaster Assistance Recoupment Fairness Act of 2011</i> (2)    | \$0              | \$0               | \$0                     |
| 23. OIG-12-92 | 6/12        | The Federal Emergency Management Agency's Requirements for Reporting Homeland Security Grant Program Achievements                   | \$0              | \$0               | \$0                     |
| 24. OIG-12-93 | 6/12        | Progress Has Been Made in Securing Laptops and Wireless Networks at FEMA  | \$0              | \$0               | \$0                     |
| 25. OIG-12-94 | 6/12        | Implementation and Coordination of TSA's Secure Flight Program (Redacted)   | \$0              | \$0               | \$0                     |
| 26. OIG-12-95 | 6/12        | CBP Information Technology Management: Strengths and Challenges (Redacted) (Revised)  | \$0              | \$0               | \$0                     |
| 27. OIG-12-96 | 7/12        | Review of Allegations of Misconduct and Mismanagement Within TSA's Office of Global Strategies (Redacted)                           | \$0              | \$0               | \$0                     |

## Appendix 3

### Management Reports Issued (continued)

| Report Number                 | Date Issued | Report Title   | Questioned Costs | Unsupported Costs | Funds Put to Better Use |
|-------------------------------|-------------|--|------------------|-------------------|-------------------------|
| 28. OIG-12-97                 | 7/12        | Costs Claimed by Bristol Township Volunteer Fire Department under Fire Station Construction Grant No.EMW-2009-FC-01627R  | \$21,164         | \$0               | \$0                     |
| 29. OIG-12-98                 | 7/12        | Costs Claimed by Grand Traverse Metro Emergency Services Authority under a Fire Station Construction Grant   | \$591,457        | \$122,255         | \$0                     |
| 30. OIG-12-99                 | 7/12        | Circumstances Surrounding the Issuance of a Security Clearance and Suitability Determination to a General Manager at TSA's Legacy Threat Assessment and Credentialing Office | \$0              | \$0               | \$0                     |
| 31. OIG-12-100 <sup>(b)</sup> | 8/12        | Effects of a Security Lapse on FPS' Michigan Guard Services Contract (Redacted) (Revised)  | \$0              | \$0               | \$0                     |
| 32. OIG-12-102                | 7/12        | The State of New Mexico's Management of State Homeland Security Program Grants Awarded During Fiscal Years 2007 through 2009   | \$99,250         | \$0               | \$0                     |
| 33. OIG-12-103                | 8/12        | Efficiency and Effectiveness of TSA's Visible Intermodel Prevention and Response Program Within Rail and Mass Transit Systems (Redacted)                                     | \$0              | \$0               | \$0                     |
| 34. OIG-12-104 <sup>(b)</sup> | 8/12        | CBP Acquisition of Aviation Management Tracking System (Revised)   | \$0              | \$0               | \$0                     |
| 35. OIG-12-105                | 7/12        | Costs Invoiced by the City of Phoenix for Checked Baggage Screening Projects at the Phoenix Sky Harbor International Airport   | \$8,844,377      | \$4,850,259       | \$0                     |

## Appendix 3

### Management Reports Issued (continued)

| Report Number                 | Date Issued | Report Title   | Questioned Costs | Unsupported Costs | Funds Put to Better Use |
|-------------------------------|-------------|--|------------------|-------------------|-------------------------|
| 36. OIG-12-106                | 7/12        | Costs Invoiced by McKing Consulting Corporation Under Order Number HSFEHQ-05-F-0438  | \$154,535        | \$0               | \$0                     |
| 37. OIG-12-107 <sup>(b)</sup> | 9/12        | Adherence to Acquisition Management Policies Will Help Reduce Risks to the Technology Integration Program  | \$0              | \$0               | \$0                     |
| 38. OIG-12-108                | 8/12        | Special Report: Summary of Significant Investigations, January 1, 2011, to December 31, 2011   | \$0              | \$0               | \$0                     |
| 39. OIG-12-109                | 8/12        | Survey of Hazard Mitigation Planning   | \$0              | \$0               | \$0                     |
| 40. OIG-12-110                | 8/12        | The State of Georgia's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008 Through 2010  | \$0              | \$0               | \$0                     |
| 41. OIG-12-111                | 8/12        | US-VISIT Faces Challenges in Identifying and Reporting Multiple Biographic Identities (Redacted)   | \$0              | \$0               | \$0                     |
| 42. OIG-12-112                | 8/12        | DHS Can Strengthen Its International Cybersecurity Programs (Redacted)   | \$0              | \$0               | \$0                     |
| 43. OIG-12-113                | 8/12        | Costs Claimed by Brunswick Volunteer Fire Company under Fire Station Construction Grant Number EMW-2009-FC-00409   | \$0              | \$0               | \$0                     |
| 44. OIG-12-114                | 8/12        | The State of Michigan's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2007 Through 2009 | \$1,085,654      | \$1,085,654       | \$0                     |

## Appendix 3

### Management Reports Issued (continued)

| Report Number  | Date Issued | Report Title  | Questioned Costs | Unsupported Costs | Funds Put to Better Use |
|----------------|-------------|---|------------------|-------------------|-------------------------|
| 45. OIG-12-115 | 9/12        | (U) Review of DHS' Information Security Program for Intelligence Systems for Fiscal Year 2012                             | \$0              | \$0               | \$0                     |
| 46. OIG-12-116 | 9/12        | The State of Arkansas' Management of State Homeland Security Program Grants Awarded During Fiscal Years 2008 Through 2010 | \$0              | \$0               | \$0                     |
| 47. OIG-12 117 | 9/12        | Customs and Border Protection's Office of Regulatory Audit  | \$0              | \$0               | \$0                     |
| 48. OIG-12-118 | 9/12        | FEMA's Management of Corrective Actions and Lessons Learned From National Level Exercises                                 | \$0              | \$0               | \$0                     |
| 49. OIG-12-119 | 9/12        | Annual Review of the United States Coast Guard's Mission Performance (FY 2011)  | \$0              | \$0               | \$0                     |
| 50. OIG-12-120 | 9/12        | Transportation Security Administration Has Taken Steps To Address the Insider Threat But Challenges Remain                | \$0              | \$0               | \$0                     |
| 51. OIG-12-121 | 9/12        | Costs Invoiced by the Omaha Airport Authority for Closed Circuit Television Cameras at Omaha Eppley Airfield Airport      | \$0              | \$0               | \$0                     |
| 52. OIG-12-122 | 9/12        | State of Kansas' Management of State Homeland Security Program Grants Awarded During Fiscal Years 2008 Through 2010       | \$197,532        | \$197,532         | \$0                     |
| 53. OIG-12-123 | 9/12        | Costs Invoiced by Sacramento County for a Checked Baggage Screening Project Under Agreement Number HSTS04-09-H-REC148     | \$246,479        | \$246,479         | \$0                     |



## Appendix 3

### Management Reports Issued (continued)

| Report Number  | Date Issued | Report Title   | Questioned Costs | Unsupported Costs | Funds Put to Better Use |
|----------------|-------------|--|------------------|-------------------|-------------------------|
| 54. OIG-12-124 | 9/12        | The State of Utah's Management of Urban Areas Security Initiative Grants Awarded During Fiscal Years 2008 Through 2010           | \$0              | \$0               | \$0                     |
| 55. OIG-12-125 | 9/12        | U.S. Citizenship and Immigration Services Systematic Alien Verification for Entitlements Program Issues                          | \$0              | \$0               | \$0                     |
| 56. OIG-12-126 | 9/12        | Costs Claimed by Sumter County, FL, Fire Rescue under Fire Station Construction Grant Number EMW-2009-FC-05940R                  | \$0              | \$0               | \$0                     |
| 57. OIG-12-127 | 9/12        | FEMA's Efforts To Recoup Improper Payments in Accordance with the <i>Disaster Assistance Recoupment Fairness Act of 2011</i> (3) | \$0              | \$0               | \$0                     |
| 58. OIG-12-128 | 9/12        | TSA Management and Oversight at Honolulu International Airport   | \$0              | \$0               | \$0                     |
| 59. OIG-12-129 | 9/12        | Costs Invoiced for Checked Baggage Screening Projects and Closed Circuit Television Cameras at Orlando International Airport     | \$0              | \$0               | \$0                     |
| 60. OIG-12-130 | 9/12        | The Performance of 287(g) Agreements FY 2012 Follow-Up   | \$0              | \$0               | \$0                     |
| 61. OIG-12-131 | 9/12        | U.S. Customs and Border Protection's Penalty Process – Statute of Limitations  | \$0              | \$0               | \$0                     |
| 62. OIG-12-132 | 9/12        | CBP's Strategy to Address Illicit Cross Border Tunnels   | \$0              | \$0               | \$0                     |

## Appendix 3 Management Reports Issued (continued)

| Report Number                          | Date Issued | Report Title  | Questioned Costs    | Unsupported Costs  | Funds Put to Better Use |
|--|-------------|---|---------------------|--------------------|-------------------------|
| 63. OIG-12-133                         | 9/12        | Department of Homeland Security Compliance with the Federal Acquisition Regulation Revisions on Proper Use and Management of Cost-Reimbursement Contracts | \$0                 | \$0                | \$0                     |
| <b>Total, Appendix 3<sup>(c)</sup></b> |             |   | <b>\$11,318,468</b> | <b>\$6,502,179</b> | <b>\$0</b>              |

### Notes and Explanations:

#### Report Number Acronyms:

OIG – A report with an OIG number is a Management report.

- (a) OIG-12-71 was reissued from its original issued date of April 4, 2012.
- (b) This report was revised and reissued to disclose an impairment to our independence in appearance that did not affect our findings and recommendations.
- (c) Report OIG-12-64 was revised and reissued in April 2012. This report’s recommendations, questioned costs, unsupported costs, and funds put to better use are reflected in the previous Semiannual Report to the Congress, dated March 2012, and are not included in this report’s totals.

Reports OIG-12-67 and OIG-12-68, dated March 31, 2012, were revised and reissued to the Congress in August 2012, to disclose an impairment to our independence in appearance that did not affect our findings and recommendations. These reports’ recommendations, questioned costs, unsupported costs, and funds put to better use are reflected in the previous Semiannual Report to the Congress dated March 2012, and are not included in this report’s totals.

## Appendix 4

### Financial Assistance Grant Reports Issued

| Report Number | Date Issued | Report Title   | Questioned Costs | Unsupported Costs | Funds Put to Better Use |
|---------------|-------------|--|------------------|-------------------|-------------------------|
| 1. DA-12-15   | 4/12        | FEMA Public Assistance Grant Funds Awarded to City of Coral Springs, Florida—Hurricane Wilma                             | \$5,271,525      | \$1,500,000       | \$0                     |
| 2. DA-12-16   | 5/12        | FEMA Public Assistance Grant Funds Awarded to the City of Pompano Beach, Florida—Hurricane Wilma                         | \$29,683         | \$0               | \$0                     |
| 3. DA-12-17   | 5/12        | FEMA Public Assistance Grant Funds Awarded to City of Pompano Beach, Florida—Hurricane Katrina                           | \$230,980        | \$80,312          | \$0                     |
| 4. DA-12-18   | 5/12        | FEMA Public Assistance Funds Awarded to Henderson Point Water and Sewer District, Pass Christian, Mississippi            | \$4,019,698      | \$443,440         | \$87,907                |
| 5. DA-12-19   | 5/12        | FEMA Public Assistance Grant Funds Awarded to Catholic Charities Housing Association of Biloxi, Inc. Biloxi, Mississippi | \$65,528         | \$0               | \$1,177,564             |
| 6. DA-12-20   | 6/12        | FEMA Public Assistance Grant Funds Awarded to City of Miramar, Florida—Hurricane Wilma                                   | \$6,022,083      | \$0               | \$0                     |
| 7. DA-12-21   | 6/12        | FEMA Public Assistance Grant Funds Awarded to City of Hattiesburg, Mississippi   | \$671,716        | \$235,341         | \$448,509               |
| 8. DA-12-22   | 7/12        | FEMA Public Assistance Grant Funds Awarded to the Long Beach Port Commission, Long Beach, Mississippi                    | \$1,734,397      | \$0               | \$0                     |
| 9. DA-12-23   | 8/12        | FEMA Public Assistance Grant Funds Awarded to South Florida Water Management District Under Hurricane Charley            | \$22,160         | \$0               | \$2,824,263             |

**Appendix 4****Financial Assistance Grant Reports Issued (continued)**

| <b>Report Number</b> | <b>Date Issued</b> | <b>Report Title</b>  | <b>Questioned Costs</b> | <b>Unsupported Costs</b> | <b>Funds Put to Better Use</b> |
|----------------------|--------------------|--|-------------------------|--------------------------|--------------------------------|
| 10. DA-12-24         | 8/12               | FEMA Public Assistance Grant Funds Awarded to South Florida Water Management District Under Hurricane Jeanne   | \$0                     | \$0                      | \$1,633,046                    |
| 11. DA-12-25         | 8/12               | FEMA Public Assistance Grant Funds Awarded to City of Pensacola, Florida—Hurricane Dennis  | \$0                     | \$0                      | \$0                            |
| 12. DA-12-26         | 8/12               | FEMA Public Assistance Grant Funds Awarded to South Florida Water Management District Under Hurricane Frances  | \$167,540               | \$0                      | \$9,002,110                    |
| 13. DD-12-07         | 4/12               | FEMA HMGP Funds Awarded to Wichita Public School District #259, Wichita, Kansas  | \$0                     | \$0                      | \$0                            |
| 14. DD-12-08         | 4/12               | FEMA Public Assistance Grant Funds Awarded to Dawson Public Power District, Lexington, Nebraska  | \$19,516                | \$0                      | \$0                            |
| 15. DD-12-09         | 4/12               | FEMA Region VII Direct Administrative Costs for Harrison County, Missouri  | \$30,600                | \$0                      | \$0                            |
| 16. DD-12-10         | 4/12               | Insurance Allocations to FEMA Public Assistance Grant Funds Awarded to the Administrators of the Tulane Educational Fund, New Orleans, Louisiana         | \$24,500,000            | \$0                      | \$0                            |
| 17. DD-12-11         | 5/12               | FEMA Public Assistance Grant Funds Awarded to City of Bogalusa, Louisiana  | \$583,312               | \$0                      | \$194,509                      |
| 18. DD-12-12         | 5/12               | Legal Responsibility Issues Related to FEMA Public Assistance Grant Funds Awarded to Orleans Parish Criminal Sheriff's Office, Orleans Parish, Louisiana | \$97,868,553            | \$0                      | \$0                            |



## Appendix 4

### Financial Assistance Grant Reports Issued (continued)

| Report Number | Date Issued | Report Title  | Questioned Costs | Unsupported Costs | Funds Put to Better Use |
|---------------|-------------|---|------------------|-------------------|-------------------------|
| 19. DD-12-13  | 6/12        | FEMA Hazard Mitigation Grant Program Funds Awarded to Comal County, Texas   | \$12,226,887     | \$0               | \$0                     |
| 20. DD-12-14  | 6/12        | FEMA Public Assistance Grant Program Funds Awarded to City of Milwaukee, Wisconsin  | \$9,332          | \$0               | \$8,200,000             |
| 21. DD-12-15  | 6/12        | FEMA Public Assistance Grant Funds Awarded to Ochsner Clinic Foundation, New Orleans, Louisiana   | \$18,266,765     | \$0               | \$0                     |
| 22. DD-12-16  | 6/12        | FEMA Public Assistance Grant Funds Awarded to City of Greensburg, Kansas  | \$514,992        | \$457,013         | \$1,674,827             |
| 23. DD-12-17  | 6/12        | FEMA's Decisions To Replace Rather than Repair Buildings at the University of Iowa  | \$0              | \$0               | \$75,371,035            |
| 24. DD-12-18  | 8/12        | FEMA Public Assistance Grant Funds Awarded to St. Tammany Parish Sheriff's Office, Slidell, Louisiana   | \$2,405,149      | \$1,746,581       | \$49,302                |
| 25. DD-12-19  | 8/12        | Direct Administrative Costs Paid for FEMA Public Assistance Grant Funds   | \$45,549,564     | \$0               | \$0                     |
| 26. DD-12-20  | 9/12        | FEMA Public Assistance Grant Funds Awarded to St. Charles Parish, Louisiana   | \$49,194         | \$48,082          | \$0                     |
| 27. DS-12-09  | 4/12        | FEMA PA Grant Funds Awarded to the Alaska Department of Transportation & Public Facilities, Northern Region, Fairbanks, Alaska                | \$93,069         | \$0               | \$0                     |
| 28. DS-12-10  | 5/12        | FEMA Public Assistance Grant Funds Awarded to the Alaska Department of Transportation & Public Facilities, Northern Region, Fairbanks, Alaska | \$228,416        | \$0               | \$0                     |

## Appendix 4

### Financial Assistance Grant Reports Issued (continued)

| Report Number            | Date Issued | Report Title   | Questioned Costs     | Unsupported Costs  | Funds Put to Better Use |
|--------------------------|-------------|--|----------------------|--------------------|-------------------------|
| 29. DS-12-11             | 7/12        | FEMA Public Assistance Grant Funds Awarded to County of El Dorado, California  | \$1,637,710          | \$0                | \$0                     |
| 30. DS-12-12             | 7/12        | FEMA Public Assistance Grant Funds Awarded to the Alaska Department of Transportation and Public Facilities, Central Region, Anchorage, Alaska | \$2,132,541          | \$0                | \$0                     |
| 31. DS-12-13             | 8/12        | FEMA Public Assistance Grant Funds Awarded to City of Vacaville, California  | \$4,500              | \$0                | \$103,148               |
| <b>Total, Appendix 4</b> |             |  | <b>\$224,355,410</b> | <b>\$4,510,769</b> | <b>\$100,766,220</b>    |

#### Report Number Acronyms:

DA Financial Assistance Disaster Audit, Atlanta Office  
 DD Financial Assistance Disaster Audit, Dallas Office  
 DS Financial Assistance Disaster Audit, Oakland Office

## Appendix 5

### Schedule of Amounts Due and Recovered

| Report Number | Date Issued | Auditee   | Amount Due   | Recovered Costs |
|---------------|-------------|---|--------------|-----------------|
| 1. DA-09-13   | 3/09        | Hurricane Wilma Activities for the City of Hollywood, Florida                                     | \$4,098,166  | \$4,098,166     |
| 2. DA-09-16   | 5/09        | Seminole Tribe of Florida - Activities for 2004 and 2005 Florida Hurricanes                       | \$1,434,820  | \$1,434,820     |
| 3. DA-09-17   | 5/09        | Hurricane Wilma Activities for Town of Davie, Florida   | \$1,075,631  | \$1,075,631     |
| 4. DA-09-18   | 5/09        | Review of Hurricane Katrina and Wilma Activities for Broward County, Florida                      | \$7,596,482  | \$7,596,482     |
| 5. DA-09-22   | 8/09        | Orange County Florida   | \$2,046,467  | \$2,046,467     |
| 6. DA-10-01   | 10/09       | Department of Juvenile Justice (DJJ)  | \$1,465,127  | \$1,465,127     |
| 7. DA-10-10   | 5/10        | City of Buffalo, New York   | \$773,491    | \$773,491       |
| 8. DA-10-12   | 6/10        | City of Hialeah, Florida  | \$2,511,948  | \$2,511,948     |
| 9. DA-10-15   | 7/10        | South Mississippi Electric Power Association  | \$54,634     | \$54,634        |
| 10. DA-10-16  | 8/10        | Mississippi Coast Coliseum Commission   | \$305,389    | \$305,389       |
| 11. DA-10-18  | 9/10        | Florida Department of Military Affairs  | \$1,064,604  | \$1,064,604     |
| 12. DA-10-19  | 9/10        | City of Fort Lauderdale, Florida  | \$14,188,975 | \$14,188,975    |
| 13. DA-11-02  | 10/10       | Miami-Dade County Public Schools  | \$1,662,178  | \$1,662,178     |
| 14. DA-11-03  | 10/10       | Broward County School Board District  | \$1,263,112  | \$1,263,112     |
| 15. DA-11-07  | 1/11        | Puerto Rico Department of Transportation and Public Works   | \$696,499    | \$696,499       |
| 16. DA-11-12  | 4/11        | Mississippi State Port Authority  | \$3,085,539  | \$3,085,539     |
| 17. DA-11-13  | 4/11        | City of Deerfield Beach, Florida  | \$1,870,295  | \$1,870,295     |
| 18. DA-11-18  | 5/11        | City of Vero Beach, Florida -Disaster Activities Related to Hurricane Jeanne                      | \$1,266,084  | \$1,266,084     |
| 19. DA-11-19  | 5/11        | City of Vero Beach, Florida -Disaster Activities Related to Hurricane Frances                     | \$2,333,541  | \$2,333,541     |
| 20. DA-12-02  | 12/11       | FEMA Public Assistance Grant Funds Awarded to Long Beach School District, Long Beach, Mississippi | \$439,950    | \$439,950       |
| 21. DA-12-04  | 1/12        | FEMA Public Assistance Grant Funds Awarded to City of Miami Beach, Florida - Hurricane Wilma      | \$154,922    | \$154,922       |
| 22. DA-12-05  | 1/12        | FEMA Public Assistance Grant Funds Awarded to City of Miami Beach, Florida - Hurricane Katrina    | \$39,887     | \$39,887        |

## Appendix 5

### Schedule of Amounts Due and Recovered (continued)

| Report Number | Date Issued | Auditee   | Amount Due   | Recovered Costs |
|---------------|-------------|---|--------------|-----------------|
| 23. DA-12-06  | 2/12        | FEMA Public Assistance Grant Funds Awarded to Puerto Rico Highway and Transportation Authority - Tropical Storm               | \$44,886     | \$44,886        |
| 24. DA-12-07  | 2/12        | FEMA Public Assistance Grant Funds Awarded to Puerto Rico Highway and Transportation Authority - Flood Events of October 2005 | \$47,222     | \$47,222        |
| 25. DA-12-10  | 2/12        | FEMA Public Assistance Grant Funds Awarded to City of Orlando, Florida - Hurricane Charley                                    | \$728,147    | \$728,147       |
| 26. DA-12-11  | 2/12        | FEMA Public Assistance Grant Funds Awarded to City of Orlando, Florida - Hurricane Jeanne                                     | \$46,756     | \$46,756        |
| 27. DA-12-15  | 4/12        | FEMA Public Assistance Grant Funds Awarded to City of Coral Springs, Florida - Hurricane Wilma                                | \$4,082,437  | \$4,082,437     |
| 28. DA-12-16  | 5/12        | FEMA Public Assistance Grant Funds Awarded to the City of Pompano Beach, Florida - Hurricane Wilma                            | \$1,315      | \$1,315         |
| 29. DA-12-17  | 5/12        | FEMA Public Assistance Grant Funds Awarded to City of Pompano Beach, Florida - Hurricane Katrina                              | \$86,053     | \$86,053        |
| 30. DA-12-20  | 6/12        | FEMA Public Assistance Grant Funds Awarded to City of Miramar, Florida - Hurricane Wilma                                      | \$149,293    | \$149,293       |
| 31. DD-07-11  | 8/07        | Review of Katrina Debris Removal Activities, Washington Parish, Louisiana   | \$148,487    | \$148,487       |
| 32. DD-08-05  | 7/05        | Kiamichi Electric Cooperative, Inc. Wilburton, Oklahoma   | \$1,316,000  | \$1,316,000     |
| 33. DD-09-03  | 12/08       | Hurricane Katrina Debris Removal Activities in Plaquemines Parish, Louisiana  | \$440,824    | \$440,824       |
| 34. DD-09-04  | 12/08       | Hurricane Katrina Debris Removal Activities in the City of Kenner, Louisiana  | \$889,616    | \$889,616       |
| 35. DD-10-03  | 1/10        | City of Albuquerque, New Mexico   | \$9,121      | \$9,121         |
| 36. DD-10-04  | 1/10        | City of Springfield, IL   | \$18,469     | \$18,469        |
| 37. DD-10-14  | 7/10        | Recovery School District - Abramson High School   | \$16,892,149 | \$16,892,149    |
| 38. DD-10-18  | 9/10        | Roman Catholic Church of the Archdiocese of New Orleans   | \$171,275    | \$171,275       |
| 38. DD-11-02  | 12/10       | Lafon Nursing Facility of the Holy Name   | \$70,155     | \$70,155        |
| 39. DD-11-04  | 12/10       | Town of Abita Springs, Louisiana  | \$34,600     | \$34,600        |
| 40. DD-11-07  | 1/11        | Chennault International Airport Authority, Lake Charles, Louisiana  | \$1,138,567  | \$1,138,567     |

## Appendix 5

### Schedule of Amounts Due and Recovered (continued)

| Report Number            | Date Issued          | Auditee  | Amount Due           | Recovered Costs      |
|--------------------------|----------------------|--|----------------------|----------------------|
| 41. DD-11-08             | 2/11                 | City of Slidell, Louisiana   | \$58,246             | \$58,246             |
| 42. DD-11-11             | 3/11                 | Roman Catholic Church of the Archdiocese of New Orleans<br>Funding of Permanent Work   | \$350,690            | \$304,727            |
| 43. DD-11-12             | 4/11                 | Xavier University of Louisiana   | \$4,109,349          | \$4,109,349          |
| 44. DD-11-20             | 9/11                 | FEMA Public Assistance Grant Funds Awarded to Calcasieu<br>Parish School Board, Lake Charles, Louisiana                        | \$839,647            | \$839,647            |
| 45. DD-11-21             | 9/11                 | Jesuit High School, New Orleans, Louisiana   | \$244,837            | \$244,837            |
| 46. DD-11-22             | 9/11                 | Henderson County, Illinois   | \$3,230,378          | \$3,230,378          |
| 47. DD-11-24             | 9/11                 | FEMA Public Assistance Grant Funds Awarded to Orleans<br>Parish Criminal Sheriff's Office, Louisiana                           | \$1,899,636          | \$1,899,636          |
| 48. DD-12-01             | 11/11                | FEMA Public Assistance Grant Funds Awarded to Grand<br>River Dam Authority, Vinita, Oklahoma                                   | \$3,409              | \$3,409              |
| 49. DD-12-04             | 11/11                | FEMA Public Assistance Grant Funds Awarded to Cameron<br>Parish School Board, Cameron, Louisiana                               | \$500,000            | \$500,000            |
| 50. DD-12-06             | 02/12                | FEMA Public Assistance Grant Funds Awarded to St. Charles<br>Parish, Louisiana   | \$308,712            | \$308,712            |
| 51. DD-12-08             | 04/12                | FEMA Public Assistance Grant Funds Awarded to Dawson<br>Public Power District, Lexington, Nebraska                             | \$19,516             | \$19,516             |
| 52. DS-11-06             | 3/11                 | California Department of Forestry and Fire Protection  | \$27,159,273         | \$27,159,273         |
| 53. DS-11-12             | 9/11                 | FEMA Public Assistance Grant Funds Awarded to City of<br>Paso Robles, California   | \$95,007             | \$95,007             |
| 54. DS-12-04             | 3/12                 | FEMA Public Assistance Grant Funds Awarded to Napa<br>County, California   | \$11,547             | \$11,547             |
| 55. OIG-12-40            |                      | Cost Invoiced by San Jose for a Checked Baggage Screening<br>Project at the Norman Y. Mineta San Jose International<br>Airport | \$254,092            | \$254,092            |
| 56. INV                  | 4/11 through<br>9/12 | Recoveries as a result of investigations   | \$62,692             | \$62,692             |
| <b>Total, Appendix 5</b> |                      |  | <b>\$114,890,144</b> | <b>\$114,844,181</b> |

#### Report Number Acronyms:

- DA Financial Assistance Disaster Audit, Atlanta Office
- DD Financial Assistance Disaster Audit, Dallas Office
- DS Financial Assistance Disaster Audit, Oakland Office
- INV Recoveries, other than administrative cost savings, which resulted from investigative efforts



## Appendix 6<sup>2</sup>

### Contract Audit Reports

| Report Category  | Questioned Costs | Unsupported Costs | Disallowed Costs |
|--|------------------|-------------------|------------------|
| We processed no contract audit reports meeting the criteria of the <i>National Defense Authorization Act for FY 2008</i> during the reporting period April 1, 2012–September 30, 2012. | N/A              | N/A               | N/A              |

<sup>2</sup> The *National Defense Authorization Act for FY 2008* requires that we list all contract audit reports issued during the reporting period containing significant audit findings; briefly describe the significant audit findings in the report; and specify the amounts of costs identified in the report as unsupported, questioned, or disallowed. This act defines significant audit findings as unsupported, questioned, or disallowed costs in excess of \$10 million or other findings that the Inspector General determines to be significant. It defines contracts as a contract, an order placed under a task or delivery order contract, or a subcontract.

## Appendix 7

# Peer Review Results

Section 989C of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* of 2010, Public Law No. 111-203, (2010) contains additional semiannual reporting requirements pertaining to peer review reports of OIG audit and investigative operations. Federal Inspectors General are required to engage in peer review processes related to both their audit and investigative operations. In compliance with section 989C, our office is reporting the following information related to peer reviews of our operations conducted by other Inspectors General. We are also including information about peer reviews we conducted of other OIGs.

For audits, peer reviews of an audit organization's system of quality controls are conducted on a 3-year cycle. These reviews are conducted according to the Council of Inspectors General on Integrity and Efficiency's *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, and are based on requirements established by GAO in its *Government Auditing Standards* (Yellow Book). Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail.

For investigations, quality assessment peer reviews of investigative operations are conducted on a 3-year cycle as well. Such reviews result in a determination that an organization is "in compliance" or "not in compliance" with relevant standards. These standards are based on *Quality Standards for Investigations* and applicable Attorney General guidelines. The Attorney General guidelines include the *Attorney General Guidelines for Offices of Inspectors General with Statutory Law Enforcement Authority* (2003), *Attorney General Guidelines for Domestic Federal Bureau of Investigation Operations* (2008), and *Attorney General Guidelines Regarding the Use of Confidential Informants* (2002).

### Audits

#### **Peer Review Conducted of Our Audit Operations**

Our audit offices received a peer review rating of "pass" as a result of our latest peer review completed by the United States Postal Service (USPS) OIG in June 2012, for the fiscal year ending September 30, 2011. We implemented and closed all

eight recommended improvements made by USPS OIG and consider the recommendations closed, except audit manual training is being scheduled. In addition, DHS implemented one remaining recommendation from our prior peer review conducted by the Department of Labor OIG.

To close these recommendations, we issued a revised OIG Audit Manual on September 30, 2012. In our new Audit Manual, we enhanced our guidance by addressing recommended peer review improvements and by incorporating additional guidance to ensure that our manual complies with GAO's revised guidance issued in December 2011. In July 2012, all our audit staff was briefed on USPS OIG's peer review results and recommendations for improving our quality control and assurance system.

#### **Peer Review We Conducted of Other OIG Audit Operations**

We conducted a peer review of the Department of Health and Human Services OIG Office of Audit Services for the fiscal year ending September 2011. No recommendations were issued in the System Review Report.

### Investigations

#### **Peer Review Conducted of Our Investigative Operations**

As a result of its most recent peer review, our investigative operations received a peer review rating of "in compliance" from the Social Security Administration OIG for the fiscal year ending September 2009. No recommendations were issued.

Our investigative operations are scheduled to be peer reviewed by the Department of Defense OIG for the fiscal year ending September 2011. The review was to begin in the third quarter of FY 2012. The review is being rescheduled.

#### **Peer Review We Conducted of Other OIG Investigative Operations**

Our investigative office conducted a peer review of the U.S. Department of Agriculture (USDA) OIG for the fiscal year ending 2010. USDA OIG received a peer review rating of "in compliance." No recommendations were issued.

## Appendix 8

# Acronyms

|         |   |
|---------|---|
| ARRA    | <i>American Recovery and Reinvestment Act</i>                     |
| Cal EMA | California Emergency Management Agency                            |
| CBP     | Customs and Border Protection                                     |
| CCTV    | closed-circuit television   |
| CIO     | Chief Information Officer   |
| C-TPAT  | Customs Trade Partnership Against Terrorism                       |
| DARFA   | <i>Disaster Assistance Recoupment Fairness Act</i>                |
| DHS     | Department of Homeland Security                                   |
| EMO     | Office of Emergency Management Oversight                          |
| FAR     | Federal Acquisition Regulation                                    |
| FAST    | Free and Secure Trade   |
| FBI     | Federal Bureau of Investigation                                   |
| FEMA    | Federal Emergency Management Agency                               |
| FISMA   | <i>Federal Information Security Management Act</i>                |
| FPS     | Federal Protective Service  |
| FQS     | FEMA Qualification System   |
| FY      | fiscal year   |
| GAGAS   | Generally Accepted Government Auditing Standards                  |
| GAO     | Government Accountability Office                                  |
| GOHSEP  | Governor's Office of Homeland Security and Emergency Preparedness |
| GSA     | General Services Administration                                   |
| HMGP    | Hazard Mitigation Grant Program                                   |
| HVC     | Hancher Voxman-Clapp  |
| I&A     | Office of Intelligence and Analysis                               |
| IC      | Intelligence Community  |
| ICE     | United States Immigration and Customs Enforcement                 |
| IED     | improvised explosive device                                       |
| INV     | Office of Investigations  |
| ISP     | Office of Inspections   |
| IT      | information technology  |
| ITA     | Office of Information Technology Audits                           |
| KPMG    | KPMG LLP  |

## Appendix 8

### Acronyms (continued)

|       |  |
|-------|--|
| NLE   | National Level Exercise  |
| NPPD  | National Protection and Program Directorate                    |
| OA    | Office of Audits   |
| OGS   | Office of Global Strategies                                    |
| OIG   | Office of Inspector General                                    |
| OLA   | Office of Legislative Affairs                                  |
| OM    | Office of Management   |
| OPA   | Office of Public Affairs                                       |
| OPCSO | Orleans Parish Criminal Sheriff's Office                       |
| ORA   | Office of Regulatory Audit                                     |
| PA    | Public Assistance  |
| PDA   | Public Damage Assessment                                       |
| PII   | personally identifiable information                            |
| QSI   | Quality Standards for Inspections                              |
| SAVE  | Systematic Alien Verification for Entitlements                 |
| SBA   | Small Business Administration                                  |
| SCSS  | Supply Chain Security Specialist                               |
| SHSP  | State Homeland Security Program                                |
| SOP   | Standard Operating Procedure Supply Chain Security Specialists |
| TIP   | Technology Integration Program                                 |
| TSA   | Transportation Security Administration                         |
| TSO   | Transportation Security Officer                                |
| TTAC  | Transportation Threat Assessment and Credentialing             |
| UASI  | Urban Areas Security Initiative                                |
| USBP  | United States Border Patrol                                    |
| USCG  | United States Coast Guard                                      |
| USCIS | United States Citizenship and Immigration Services             |
| USDA  | United States Department of Agriculture                        |
| USPS  | United States Postal Service                                   |
| VIPR  | Visible Intermodal Prevention and Response                     |

## Appendix 9

# OIG Contacts and Locations

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| <b>Charles K. Edwards</b>     | Acting Inspector General                                   |
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| <b>Yvonne Manino</b>          | Acting Chief of Staff                                      |
| <b>Dorothy Balaban</b>        | Special Assistant  |
| <b>Richard N. Reback</b>      | Counsel to the Inspector General                           |
| <b>D. Michael Beard</b>       | Assistant Inspector General/Emergency Management Oversight |
| <b>Anne L. Richards</b>       | Assistant Inspector General/Audits                         |
| <b>John Dupuy</b>             | Acting Assistant Inspector General/Investigations          |
| <b>Deborah Outten-Mills</b>   | Acting Assistant Inspector General/Inspections             |
| <b>Frank Deffer</b>           | Assistant Inspector General/Information Technology Audits  |
| <b>Russell H. Barbee, Jr.</b> | Assistant Inspector General/Management                     |
| <b>Philip D. McDonald</b>     | Acting Director, Office of Legislative Affairs             |
| <b>William Hillburg</b>       | Acting Director, Office of Public Affairs                  |



## Appendix 10

# Index to Reporting Requirements

The specific reporting requirements described in the *Inspector General Act*, including Section 989C of the *Dodd-Frank Wall Street and Consumer Protection Act* of 2010 are listed below with a reference to the pages on which they appear.

| Requirement:  | Pages                  |
|---|------------------------|
| Review of Legislation and Regulations                       | 48-49                  |
| Significant Problems, Abuses, and Deficiencies              | 10-45                  |
| Recommendations With Significant Problems                   | 10-45                  |
| Prior Recommendations Not Yet Implemented                   | 47, 53-55              |
| Matters Referred to Prosecutive Authorities                 | Statistical Highlights |
| Summary of Instances Where Information Was Refused          | N/A                    |
| List of Audit Reports                                       | 56-67                  |
| Summary of Significant Audits                               | 10-45                  |
| Reports With Questioned Costs                               | 56-67                  |
| Reports Recommending That Funds Be Put to Better Use        | 64-67                  |
| Summary of Reports in Which No Management Decision Was Made | 53-55                  |
| Revised Management Decisions                                | N/A                    |
| Management Decision Disagreements                           | N/A                    |
| Peer Review Results   | 72                     |



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