

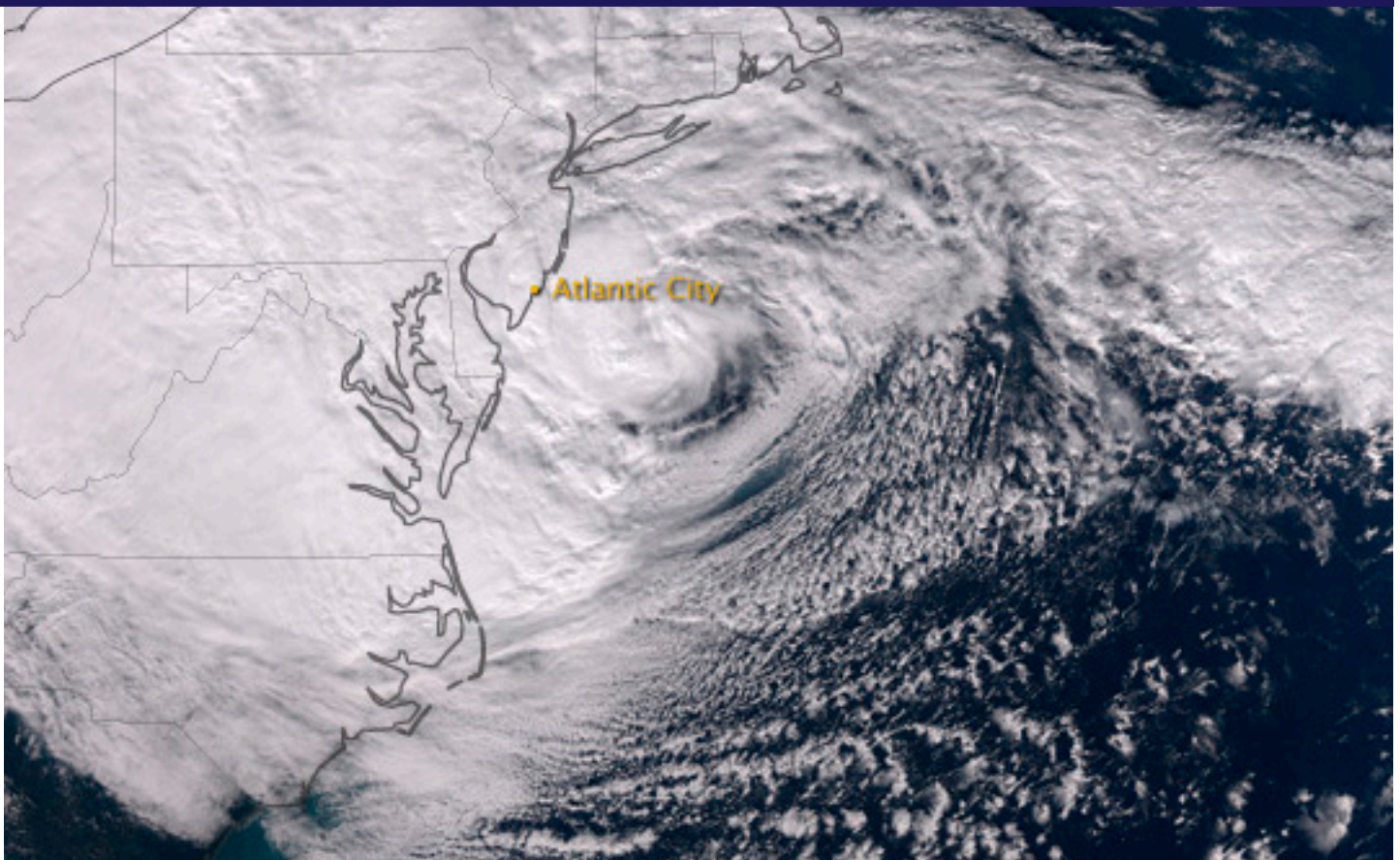


Recovery Accountability and Transparency Board

# Quarterly Report to Congress

*on Activities Related to Hurricane Sandy Funds*

April - June 2013





This is the Recovery Accountability and Transparency Board's (the Board) quarterly report under the Disaster Relief Appropriations Act of 2013 (the Act). The period covered is April - June 2013. The Act extended the work of the Board through September 2015 to:

- Develop and use information technology resources and oversight mechanisms to detect and remediate fraud, waste, and abuse in the obligation and expenditure of funds appropriated for purposes related to the impact of Hurricane Sandy.
- Coordinate oversight efforts with the Director of the Office of Management and Budget (OMB), the head of each federal agency receiving appropriations related to the impact of Hurricane Sandy, and the respective Office of Inspector General (OIG) of each such agency.

The Board has developed expertise in analyzing financial spending and identifying potential fraud and high-risk indicators based on its experience with the \$840 billion stimulus program under the American Recovery and Reinvestment Act of 2009 (ARRA) and with broader government spending through its authority reflected in the Consolidated Appropriations Act of 2012. These techniques and processes developed and implemented by the Board's Recovery Operations Center (ROC) for our current work are now being applied to examine Hurricane Sandy spending to prevent and detect fraud, waste, and abuse.

## April - June 2013 Activities

The Board's efforts to prevent and detect fraud, waste, and abuse related to Hurricane Sandy Relief spending continues to focus on coordinating with federal and state stakeholders and identifying and obtaining data for use by Board analysts to assist OIGs. While money has begun to move out to individuals and communities primarily through the Federal Emergency Management Agency (FEMA), the majority of spending is in the planning phase.

To date, the Board has focused its efforts on:

- Evaluation of entities related to Hurricane Sandy debris removal. This work centers on

Requests for Assistance from the Department of Homeland Security (DHS) OIG. The Board has completed more than 30 DHS OIG Requests for Assistance, including a set that covered 104 contracts for 32 cities. The results of the Board's analyses have been forwarded to the DHS OIG for appropriate investigative or audit follow-up action depending on the determination by the DHS OIG. Specific information is considered law enforcement sensitive at this point, but findings to date include:

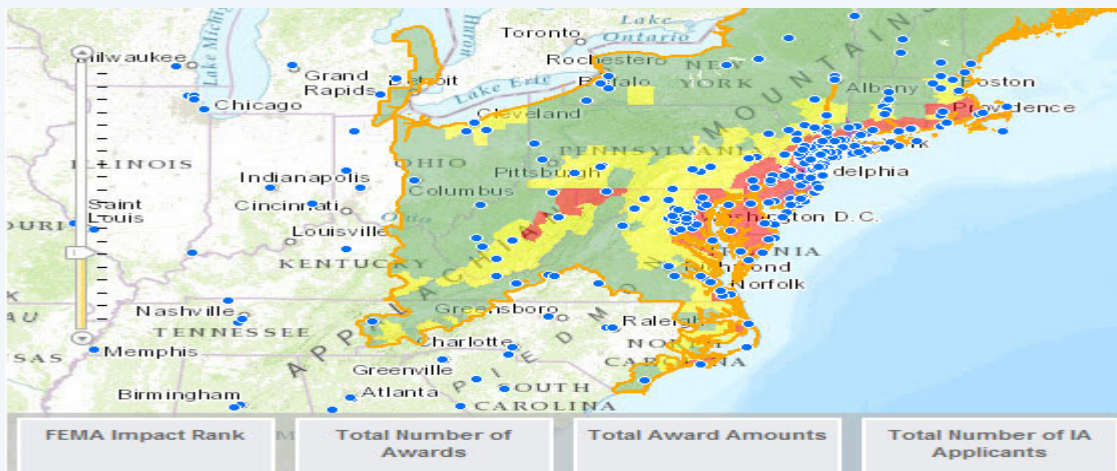
- Debris removal firms whose owners had federal liens and state tax liens;



- Firms previously listed on the Excluded Parties Listing System (EPLS), indicating potential financial problems;
  - Two contracting companies that had filed for Chapter 7 Bankruptcy in December 2010 also had federal tax liens totaling more than \$1 million since 2011;
  - Identification of organizations with previous fraud activities that have received debris removal contracts from cities and where there is an indication that the CEOs have social ties with city officials; and,
  - Information on an analysis of 10,000 potential contractors for the State of Rhode Island, such as entities delinquent on Federal Debt, or some previously on the Federal Excluded Parties List System was forwarded to the state for its use in mitigating problems with Sandy contracts.
- Discussions and planning with state and local officials who are distributing funds and overseeing spending to ensure relief in the disaster zones. Dialogues with the same officials on the availability and collection of sub-recipient data continue. Discussions with the governors and state oversight offices (Investigations, Comptroller, Auditor) for New York, New York City, New Jersey, Connecticut, and Rhode Island, have also included what state and local data might be beneficial to and shared with the Board;
  - Coordination with the oversight community at the federal level:
    - Organized and facilitated a joint Board, OMB, Hurricane Sandy Rebuilding Task Force Program Management Office (PMO), and OIG meeting to discuss data-sharing opportunities, challenges, and the progress of current oversight activities.
    - Coordinated with the Council of the

## Board Website Activities Quarter 2, 2013

The Board has posted basic information on Board activities and Hurricane Sandy relief spending on the Board's publicly available website, [FederalTransparency.gov](http://FederalTransparency.gov), to keep interested parties informed, including a map of all contracts awarded as of July 11, 2013. The data continues to be updated.





Inspectors General for Integrity and Efficiency (CIGIE) Disaster Assistance Working Group to share information and support OIG oversight efforts regarding Hurricane Sandy work plans.

- Collected information on activities conducted to date by the various IG offices where Sandy funds have been distributed, as part of our coordination with CIGIE.
- The OIG for the United States Department of Agriculture reported that two Suffolk County, NY store owners, their corporation, and 24 Supplemental Nutrition Assistance Program (SNAP) recipients were indicted in June 2013 on a variety of charges involving the trafficking of SNAP benefits, including extra emergency benefits provided to SNAP recipients following Hurricane Sandy. The investigation into SNAP fraud at the store began in 2011. Misuse of Hurricane Sandy SNAP assistance

was disclosed during the course of the ongoing investigation.

- On May 22, 2013, DHS OIG arrested a Sea Bright, NJ man and charged him with theft by deception after the OIG investigation determined he defrauded FEMA of more than \$12,000 in Transitional Sheltering Assistance funds. The man's arrest was the first for the Monmouth County Superstorm Sandy Fraud Task Force, which is comprised of law enforcement partners from local, county, state, and federal agencies.
- Identification of data sources to be used by Board staff in conjunction with analytic software to detect and remediate fraud, waste, and abuse in Hurricane Sandy funds. In addition to researching open-source data for information related to past problems of entities that might receive disaster relief funds under the Act, Board staff collected data from daily FEMA Public Assistance award documents, the

### Inspector General Audit and Investigation data by Agency, as of June 30, 2013

Agency IG	Investigations Opened	Investigations Closed	Criminal Indictments	Audits Initiated	Audit Reports	Interim Reports	Recommendations for Better Use	Hotline Complaints	Training/ Outreach
USDA			27	2					3
EPA				1					
GSA				1					
DHS	31		1	11	2	2	\$11,700,000	1,292	16
HHS				3					20
HUD	5			1				2	10
DOI	3	3		1				6	31
DOJ								2	
SBA				2				4	6
SSA								14	
DOT				1					2
Legal Services Corporation				1					
<b>TOTALS</b>	<b>39</b>	<b>3</b>	<b>28</b>	<b>24</b>	<b>2</b>	<b>2</b>	<b>\$11,700,000</b>	<b>1,320</b>	<b>88</b>



Federal Transit Administration (FTA) Transportation Electronic Awards Management system (TEAM), and other sources such as the New York State Comptroller's office. Using the FEMA Public Assistance daily award documents, Board staff identified public housing authorities receiving monies and municipalities receiving high dollar amounts and are conducting preliminary pro-active research;

- The ROC has converted unstructured text (i.e., single audit reports, IG reports, emails) into useful information based on words or phrases, such as "debarment" and "conflict of interest." This provides the capability to rapidly filter through thousands of documents and identify high-risk areas. The ability to analyze unstructured data allows the ROC to uncover trends and conduct predictive analysis across agencies, programs, and potential recipients of Sandy awards to identify high-risk entities;
- Collaboration with the PMO to obtain agencies' financial data (obligations/outlays) and possible sharing of award level data as the PMO proceeds to its next data collection phase. The Board continues to coordinate with the PMO to obtain other data as well, such as data from the Housing and Urban Development (HUD) Disaster Recovery Grant Reporting (DRGR) system. If obtained, this system could provide information pertaining to elements of the prime award level action plans, contracts, and quarterly progress reports;
- Arrangement with OMB to receive agencies' internal Sandy control plans. These are the plans that identify specific Hurricane Sandy programs and agency activities surrounding them. Board staff reviews these internal control plans and then cross-walks each program

to the corresponding Treasury Account Fund Symbol (TAS) and the Catalog for Domestic Assistance (CFDA) codes in order to conduct preliminary pro-active research;

- Collaboration with DHS and HUD OIG Special Agents to identify open-source data repositories to support pro-active and reactive research; to acquire DHS and HUD data to help de-conflict overlapping efforts between OIGs representing agencies receiving Disaster Relief funds; and to obtain necessary data from the FEMA Emergency Management Mission Integrated Environment (EMMIE) system. If obtained, EMMIE will provide the Board with public assistance project work plans and award information, as well as quarterly progress reporting information.

## Planned Activities

The Board will continue its efforts to identify and manage data sources related to Hurricane Sandy spending and will also continue to develop its technology resources to enhance its oversight work. It anticipates conducting work in the following areas:

- Enhancement of the Board's analytics of unstructured text by adding OIG reports to the database of single audits for the purpose of further identifying high-risk recipients; and,
- Development of a scalable data federation framework: an advanced data management system that will house diverse data, while making it usable. This framework will help the ROC managers and OIGs prioritize oversight work and identify trends across awards/entities. This capability will include a dashboard to present risk factors visually just by



clicking a map, selecting dropdowns, or manually entering unique entity information.

The Board has recently received approval from the National Insurance Crime Bureau (NICB) to access the “All Claims Database.” This database will help the Board identify duplicate payments of insurance and disaster funds.

Going forward, as its core Hurricane Sandy relief function, the Board anticipates supplying ongoing intelligence, background information, and support for OIG investigations or audits. Should prosecutions relating to Hurricane Sandy disaster relief funds occur, the Board will support OIGs, DOJ, and U.S. Attorney Offices in any criminal prosecution or civil action.

## Current Challenges

Based on initial work and discussions with a broad spectrum of stakeholders, the Board has identified a series of challenges moving forward:

1. The lack of a unique Hurricane Sandy grants identifier on USASpending.gov
  - Challenge – Without a method of identifying grants related to Hurricane Sandy (such as unique TAS codes used for ARRA), the Board staff is unable to fully determine and extract Hurricane Sandy grant awards for analyzing and assessing risk indicators that are crucial for preventing and detecting fraud at the prime and sub-recipient level. Access to detailed, accurate award information is crucial for preventing and detecting fraud.

### Oversight Reporting Cumulative Data, as of June 30, 2013. These charts will be updated quarterly.

#### Investigations

	Quarter Total	Cumulative Total
Number Opened	9	39
Number Closed	2	3
Completed Criminal Actions	0	0
Civil Actions	0	0
Suspension and Debarments	0	0
Criminal Indictments/ Information	28	28
Investigative Recoveries	\$0	\$0

#### Audits/Inspections/Evaluations

	Quarter Total	Cumulative Total
Number Initiated	16	24
Audit Reports Issued	1	2
Interim Reports Issued	2	2
Inspection/Evaluation Reports Issued	0	0
Recommendations for Better Use of Funds	\$11,700,000	\$11,700,000
Questioned Costs	0	0

#### Additional Activity

	Quarter Total	Cumulative Total
Congressional Testimony	0	1
Number of Hotline (and other externally received) Complaints Processed	371	1,320
Training Sessions	3	19
Outreach Sessions	21	69



- Potential Solution – Agencies have identified existing CFDA numbers used for Sandy programs, including those programs that have received new CFDA numbers, both of which will eventually allow the Board staff to determine and extract some Hurricane Sandy award data from USASpending.gov. Board staff has reviewed other databases, such as the DRGR, the EMMIE system, TEAM, and state databases that might provide the grantee and sub-grantee information, but so far has been unsuccessful in obtaining access to any of these.

## 2. Access to sub-recipient data

- Challenge – Federal award tracking systems rarely contain recipient information beyond the prime recipient, usually a state or municipality. Typically, most fraud occurs below this level, by the entities who receive grants or contracts to do the actual work. Within state award-management systems, the state rarely has sub-recipient data, and not all the existing records are electronic.
- Potential Solution – The Board staff continues to research alternative options that may exist, such as established federal reporting systems, as well as possible access to state data. However, at this time, with the lack of ARRA-like reporting, nothing has been secured.

## 3. Timing for receipt of federal data

- Challenge – Awards are not entered into the Federal Procurement Data System (FPDS) for at least 90 -120 days after being made. Then, FPDS updates are infrequent, occurring at best, every other week. Although

USASpending.gov data is refreshed daily, agencies are only required to input award data on a monthly basis, creating an information lag of almost two months. The result is that Board staff does not have access to the award data in a timely manner, delaying risk assessment analysis in the ROC.

- Potential Solution – The Board staff is receiving weekly financial reports from the PMO that detail high-level agency obligation and outlay information, and is working with FEMA and FTA to access more detailed data electronically. The Board also has access to the agencies' internal control plans that provide information on appropriations. The Board staff continues to explore access to other grant-management databases that may allow more timely access to some award data required for proper oversight.

## Conclusion

The Board appreciates the opportunity to inform Congress of its progress under the Disaster Relief Appropriations Act of 2013. Attaining timely, accurate data on the sub-recipients receiving Federal Sandy funds continues to be the most challenging, unresolved issue faced by the Board. The Board looks forward to working with Congress on issue resolution, and reporting on our efforts and accomplishments, as well as statistics on OIG oversight efforts, in future quarterly reports.

Cover photo: NASA