



Department of Homeland Security Office of Inspector General

U.S. Immigration and Customs Enforcement's Management of 2005 Gulf Coast Hurricanes Mission Assignment Funding





Homeland
Security

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Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

This report addresses the strengths and weaknesses of the United States Immigration and Customs Enforcement's (ICE's) management of mission assignment funding from the Federal Emergency Management Agency (FEMA). It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

We contracted with the independent public accounting firm of Regis & Associates, PC, to perform the review. The contract required that Regis & Associates, PC, perform its review according to guidance from the Office of Management and Budget and the Government Accountability Office. Regis & Associates, PC, identified five areas where ICE's management of the mission assignments and funds could be improved. Specifically, ICE needs to: (1) enhance its procurement and contract monitoring processes; (2) enhance its funds control processes; (3) ensure completeness and availability of documentation supporting expenditures; (4) improve its management of accountable property; and (5) improve its mission assignment reimbursement billing processes. Regis & Associates, PC, is responsible for the attached, independent accountants' report, and the conclusions expressed therein.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. We trust that this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Richard L. Skinner".

Richard L. Skinner
Inspector General

Independent Accountants' Report on Applying Agreed Upon Procedures

Office of Inspector General
U.S. Department of Homeland Security
Washington, D.C.

We have performed certain agreed-upon procedures (the Procedures), as summarized in the Objectives, Scope, and Methodology section of this report, related to mission assignment funding to the U.S. Immigration and Customs Enforcement (ICE). These funds were allocated to ICE by the Federal Emergency Management Agency (FEMA) for the 2005 Gulf Coast Hurricanes. This engagement consisted of reviewing selected management activities for the 76 mission assignments to ICE for Hurricanes Katrina (August 2005), Rita (September 2005), and Wilma (October 2005) issued through March 31, 2006.

The Procedures, which were agreed to by the Department of Homeland Security Office of Inspector General, Office of Emergency Management Oversight, were performed to examine the expenditures made in executing the mission assignments, and to evaluate the management of the mission assignment process from origination to closeout.

This agreed-upon procedures engagement was performed according to standards established by the American Institute of Certified Public Accountants and guidance from the Office of Management and Budget and the Government Accountability Office. The sufficiency of the Procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations regarding the sufficiency of the Procedures, either for the purpose for which this report has been requested, or for any other purpose. Our test procedures revealed internal control weaknesses in five areas. These findings and the associated recommendations are presented in the Results of Review section of this report.

We were not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Department of Homeland Security Office of Inspector General, Office of Emergency Management Oversight, and should not be used by those who have not agreed to the Procedures and taken responsibility for the sufficiency of the Procedures for their purposes.

Regis & Associates, PC

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Abbreviations:

DHS	U.S. Department of Homeland Security
FEMA	Federal Emergency Management Agency
FPS	Office of Federal Protective Service
GAO	Government Accountability Office
ICE	U.S. Immigration and Customs Enforcement
OIG	Office of Inspector General
OMB	Office of Management and Budget

Executive Summary

Regis & Associates, PC, under contract with the U.S. Department of Homeland Security Office of Inspector General, reviewed the U.S. Immigration and Customs Enforcement's management processes and internal controls for implementing Federal Emergency Management Agency (FEMA)-issued mission assignments related to the 2005 Gulf Coast Hurricanes disaster relief efforts. FEMA is authorized to task other federal agencies, including components within U.S. Department of Homeland Security, with needed expertise to carry out specific disaster relief activities. Our objective was to determine whether Immigration and Customs Enforcement had properly designed and implemented management processes and internal controls over the funds it received for the specific mission assignments.

The Office of Federal Protective Service did not always observe the time limits specified in mission assignments in their vendor invoices and guard service billings for periods after the expiration of the mission assignment were approved. We also identified instances in which vendors billed for guard services prior to the mission assignment start date. We found no indication that the Federal Protective Service had notified FEMA of the need to modify the mission assignment's period of performance, which is a critical factor for obtaining reimbursement of incurred costs.

Our tests of 91 expenditures totaling \$52.9 million of the \$82.2 million of incurred costs through March 31, 2006, showed extensive missing documentation in support of vendor payments. Given the extent of the dollars covered by this analysis, Federal Protective Service did not have effective controls in place to assure the accuracy of payments on federal contracts.

Through March 31, 2006, Immigration and Customs Enforcement had billed FEMA \$60.8 million for costs incurred under the mission assignments. As of that date, Immigration and Customs Enforcement had not yet provided the required supporting documentation, but had held discussions with FEMA regarding additional needs. More data had been provided, but it was not formatted in a manner that would allow FEMA to readily view data for the most recent monthly bill. Also, the bill did not include sufficient information for some line-item costs to clearly describe what had been purchased.

Background

The *Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act)*, signed into law on November 23, 1988, is the statutory authority for most federal disaster response activities, especially as they pertain to the Federal Emergency Management Agency (FEMA) and FEMA programs. To make federal assistance under the *Stafford Act* available, states must initiate a request for an emergency or major disaster declaration that is reviewed by FEMA for approval by the President. The *Stafford Act* permits FEMA to anticipate declarations, and prestage federal personnel and resources when a disaster that threatens human health and safety is imminent, but not yet declared. FEMA cannot provide federal assistance until an emergency or major disaster declaration is made.

The *Homeland Security Act of 2002 (Homeland Security Act)* created the United States Department of Homeland Security (DHS) and realigned FEMA, previously an independent agency, as part of DHS within the Emergency Preparedness and Response Directorate. In addition, the *Homeland Security Act* and other Presidential directives established a new, unified, all-hazards framework and plan for future responses to terrorism, natural disasters, special events, and emergencies. This plan, referred to as the *National Response Plan*, which was revised and renamed the National Response Framework in January 2008, establishes a comprehensive all-hazards approach to enhance the ability of the United States to manage domestic incidents. The National Response Plan incorporates best practices and procedures from incident management disciplines such as emergency management, law enforcement, firefighting, public works, public health, responder and recovery worker health and safety, and emergency medical assistance, and integrates them into a unified structure. It forms the basis of how the federal government coordinates with state, local, and tribal governments and the private sector during incidents, and establishes lead agencies for many different aspects of possible disaster response.

U.S. Immigration and Customs Enforcement (ICE) is the largest investigative branch of DHS. ICE was created in March 2003 by combining the law enforcement arms of the former United States Immigration and Naturalization Service and the former United States Customs Service to help enforce immigration and customs laws and to protect against terrorist attacks. ICE operates with a workforce of nearly 15,000 personnel, including four law enforcement divisions and several support divisions.

One of the law enforcement divisions, the Office of Federal Protective Service (FPS), was part of the U.S. General Services Administration prior to being shifted to DHS, under the *Homeland Security Act*. FPS has a continuing role within DHS to protect federal buildings and facilities throughout the country. With authorized personnel of over 1,400 federal police officers, special agents, inspectors, and administrative staff operating in 11 regions throughout the Nation, FPS provides security police service for U.S. federal buildings and other properties administered by the U.S. General Services Administration, DHS, and other properties as authorized. FPS augments its protective services through the use of more than 15,000 contract guards.

Aside from its ongoing roles in providing protective services for government facilities and special events, as authorized, ICE and its component organizations have a supporting role under the National Response Plan. ICE's responsibilities under the National Response Plan are an extension of its ongoing mission. One of the 15 primary response activities under the National Response Plan, Emergency Support Function #13, involves integrating federal public safety and security capabilities and resources to support the full range of incident management activities associated with potential or actual Incidents of National Significance. Emergency Support Function #13 is generally activated in situations requiring extensive assistance to provide public safety and security, and where state and local government resources are overwhelmed or are inadequate, or in preincident or postincident situations that require protective solutions or capabilities.

ICE receives annual appropriations for carrying out its baseline mission. In addition, FPS finances its operations by charging fees for security services provided to other agencies. FPS' charges include:

- Basic security fees approved by Office of Management and Budget (OMB) annually and charged to all building tenants that it protects, based on square footage;
- Building-specific fees, based on specific security requirements for particular buildings; and
- Fees for activities other than the items listed above that are specifically ordered by agencies. One example of the third type of fees is the requirement reflected in mission assignments from FEMA to carry out incident response initiatives under the National Response Plan.

On August 29, 2005, Hurricane Katrina devastated the Gulf Coast states of Florida, Alabama, Mississippi, and Louisiana with Category Three winds and torrential rains. By September 9, 2005, Congress passed legislation that provided over \$63 billion to DHS for disaster relief. As of March 31, 2006, FEMA had assigned ICE 76 mission assignments with authority to incur costs up to \$252.8 million for safety and protection services. Of this amount, FPS was authorized \$216.4 million, through 66 mission assignments for services, including contract guard services to buttress depleted and overworked police departments in the disaster area.

Under the provisions of the *Stafford Act*, ICE is authorized to seek reimbursement from FEMA for eligible costs incurred during the performance of assigned missions. As of March 31, 2006, ICE had requested and received \$60.8 million from FEMA as reimbursement for costs incurred under mission assignments.

Results of Review

This section presents the results of our assessment of ICE's internal control environment used to administer mission-assigned tasks and funding, and our tests to evaluate mission assignment procurements, expenditures, and supporting documentation for reimbursement billings.

Our results are presented sequentially, as ICE would have progressed in its planning and administration of the 76 mission assignments, starting with organizing the effort and ending with steps for obtaining reimbursement for costs incurred on FEMA's behalf. In addition to interviewing cognizant ICE management staff, we conducted extensive testing of transactions to assess initial preparedness to implement the mission assignments; financial management system support available and used; conformity of outlays with the mission assignment; controls over receipt, acceptance, and payments for goods and services procured; asset accountability; and validity and support for reimbursement claims to FEMA.

The basis for our test work was a detailed list of all mission assignment obligation, expenditure, and reimbursement billing transaction activities through our March 31, 2006 engagement cutoff date. For each aspect of our testing, we selected transactions that would allow us to cover a large percentage of the dollars involved. Because our work was based on a combination of high-dollar and judgmental sampling, the results are not statistically representative. However, due to the high dollar coverage obtained and the types of internal control issues discussed throughout this report, we believe that our test results reflect the management challenges faced by ICE. Appendix A includes additional details on our objectives, scope, and methodology.

A. Procurement and Contract Monitoring Process

FPS had inconsistent procurement and contract administration practices. The procurement policies and procedures implemented within each FPS region were not consistent among regions or ICE headquarters. For example, FPS Region 4, one of the two main FPS regional offices overseeing procurement activities related to the 2005 Gulf Coast Hurricanes, prepared either a new or modified delivery order for each request for additional guard services. In contrast, FPS Region 7 used Additional Service Request forms to order vendor services through existing contracts and support the obligation of available funding in ICE's financial management system, rather than executing a new or modified delivery order. The use of separate contracting officers to negotiate and execute the new contracts resulted in significantly inconsistent contract terms for similar services. Due to the large volume of transaction processing and administrative functions associated with a large new contract in Region 7, the procurement and administrative functions associated with other contracts were delegated to another FPS region.

One of the large new contracts, executed for guard services in Region 7 allowed the billing of time for guards who were awaiting assignment to posts (pool hours). We selected nine expenditure transactions incurred in December 2005 that were submitted by this vendor for testing. The supporting Forms 139, used to document a guard's record of arrival and departure, were available

for only two of the nine transactions. Pool hours incurred were 1,600 of the approximately 15,000 hours billed on these two transactions. Guard pool hours were not allowable under the other new contract executed by Region 4.

We selected 68 procurement actions (i.e., new, modifying, or liquidating obligation transactions) for testing during this review. This sample included 15 actions with obligations totaling \$76.0 million, which were procured through the execution of a post Hurricane Katrina contract, and 53 actions with obligations totaling \$15.3 million that were procured as an Additional Service Request.

Our testwork identified an instance where a contractor continued providing services upon the expiration of the original contract term and before the execution of an extension. A contract in the amount of approximately \$33 million was executed in March 2006, with the period of performance from December 2005 to March 2006. In several instances, billable guard services were incurred prior to the execution of the requisition (G-514 form) and delivery order. Three of the 53 Additional Service Request procurement actions, with gross obligations totaling \$49,044, were for additional services and only an email documented the orders. In addition, 30 of the 53 Additional Service Requests for guard services were executed without specifying a performance period or mission assignment.

ICE's Contract and Acquisition Procedures identify the G-514 requisition requirements, which state that once a cost estimate has been completed, ICE program personnel must prepare and fully execute a G-514 requisition. These procedures require that the Office of Acquisition Management receive the fully funded requisition at the onset of the acquisition process. Fully funded G-514 requisitions are also required whenever funds are to be added or obligated by modification to an existing interagency acquisition.

FPS did not adequately monitor contracts to ensure adherence to contract terms. One security contractor's employee, who was assigned and charged time to the contract, did not have a security clearance as required by the contract. Also, guard service expenditures were being incurred prior to the start of the mission assignment's performance period. This included:

- One contract where the mission assignment had a beginning date of October 28, 2005, but the period of performance on the invoice was from October 24, 2005 to November 13, 2005; and
- One mission assignment had a beginning date of September 10, 2005, but the period of performance on the vendor's invoice was from September 1, 2005 to September 30, 2005.

In one region, there were indications that documents supporting invoices were reviewed by the FPS contracting personnel prior to making payments to vendors. Four invoices from one vendor amounting to \$2,671,211 were reduced by an FPS region's Contracting Officer's Technical Representative by \$195,295 because of the absence of supporting documentation (Forms 139). However, the documentation supporting the computation of these invoice reductions was not provided to us. Our review of the invoices of another large contractor in another region did not

provide any indications that these invoices were reviewed prior to making payments to the vendor. As a result of our inquiry of this management practice, we were informed that the invoice documentation supporting hours worked was not consistently reviewed because of limited staffing and an overwhelming amount of such invoices. Furthermore, our recomputation of the December 2005 invoice for one such contractor identified a potential over billing of \$423,700 relating to the accumulation and summarization of man-days. This amount has been questioned in this report.

RECOMMENDATIONS

We recommend that ICE:

- **Recommendation #1:** Develop streamlined disaster procurement approval procedures that will allow for the standardized classification and recording of mission assignment response procurements.
- **Recommendation #2:** Develop and implement monitoring procedures to ensure a) execution of mission assignments within the performance period and (b) adherence to contract requirements.
- **Recommendation #3:** Develop and implement a system of internal controls to ensure that all vendor invoices are properly reviewed prior to payment.

B. Funds Control Process

Funds control policies and procedures for mission assignments at two FPS regions were not consistent with ICE headquarters or DHS requirements. There were lengthy delays in recording obligations associated with some contracts. Also, available records indicate that expenditures for some mission assignments exceeded the amount authorized by FEMA. Overall, FPS did not have accurate information on the status of funds provided, used, and eligible for reimbursement.

DHS requires its component agencies to have an effective funds control system to prevent overspending and to ensure compliance with laws to control and help guide formulation and implementation of federal fiscal policy. Specifically, this system should be designed to ensure that:

- Funds are available prior to obligation;
- Funds are obligated and expended solely for the purposes for which they were appropriated, except as otherwise provided by law;
- Only valid obligations are recorded in the accounting records, and that all obligations incurred are recorded accurately and promptly; and
- Obligations and expenditures are not authorized or incurred in excess of available funds or any legal or administrative limitations.

Approximately \$33 million of obligations and expenditures incurred from January 2006 through March 2006 were not recorded in ICE's financial management system until after March 31, 2006. In this particular case, FPS initiated a 4-month extension of an existing contract to increase the authorized amount for armed guard services in support of Hurricane Katrina efforts in Louisiana. Although the period of performance was from December 1, 2005, through March 31, 2006, the contractor and the FPS contracting officer did not sign an amendment to the contract until March 21, 2006, 10 days prior to the end of the extension period. In the interim, FPS did not record obligations or expenditures incurred throughout this period in ICE's financial management system.

FPS did not establish authorized amounts for each mission assignment in ICE's financial management system for the purpose of obligating amounts against total available funds. It also did not record expenditures as they occurred, which would have avoided spending in excess of amounts obligated or contracted for under multiple guard service agreements. In lieu of these control mechanisms, FPS used separate, automated spreadsheets to track the funding status of mission assignments. Although these spreadsheets did not represent official financial records, they represented the degree of budgetary control in effect during the execution of mission assignments. As a consequence of these ineffective budgetary controls, the following exceptions occurred:

- Expenditures for a Region 4 mission assignment exceeded obligations by approximately \$229,000;
- Expenditures for a Region 7 mission assignment exceeded obligations by approximately \$374,000;
- Expenditures on another Region 4 mission assignment, incurred and reimbursed by FEMA, exceeded the recorded obligations by approximately \$338,000; and
- One mission assignment obligated in the amount of \$88,000 resulted in the incurrence of \$103,980 for expenditures related to surge funds. The excess amount of \$15,980 was billed to FEMA in February 2006.

FPS officials said some of the overages identified above were probably attributable to errors in recording expenditures to the correct mission assignments. For example, there may have been changes to guard work assignments during the billing period that may not have been allocated accurately among mission assignments. FPS said that the primary concern was ensuring that aggregate mission assignment expenditures did not exceed total mission assignment funds provided. Another justification was management's representation that work is organized under security work authorizations to include funding from several mission assignments and nonmission assignment funding sources in order to focus on the overall security challenge. Nevertheless, under budgetary control concepts, charges to each mission assignment are to be accurately allocated with a reasonable basis for cost distributions.

ICE has designed a control environment that generally allows regional offices significant flexibility in meeting mission objectives while tasking the headquarters financial management staff with ensuring compliance with applicable federal financial laws and regulations. However, FPS delayed the recording of obligations on mission assignment activity into ICE's financial management system. This practice negates the essential internal controls that are inherent in a budget system

that ensures the recording of funds as soon as they become available, and obligations and expenditures as soon as they are incurred. The recording of obligations and expenditures only when they are required to facilitate payment of vendor invoices nullifies the value of effective budgetary controls.

RECOMMENDATION

We recommend that ICE:

- **Recommendation #4:** Record all mission assignment funding authority, and related obligations and expenditures in its financial management system on a timely basis.

C. Documentation for Supporting Expenditures

ICE did not have sufficient supporting documentation for approximately \$5.4 million of the \$82.2 million it had expended on the 76 mission assignments as of March 31, 2006. The lack of documentation for transactions is a significant weakness in accountability for federal funds and was a substantial portion of the \$5.9 million that we considered to be questionable costs incurred by ICE in carrying out the mission assignments. We identified the \$5.4 million of unsupported costs by testing 91 expenditure transactions totaling \$52.9 million, approximately 64% of total ICE outlays. Our Objectives, Scope, and Methodology in Appendix A provide the details on our sample selection.

We asked ICE to provide us the underlying purchase orders, invoices, and acceptance and receipt documentation. We then analyzed the supporting documentation that ICE provided for each expenditure transaction to determine whether it was sufficient to confirm that each was a valid outlay. Based on this audit work, we concluded that 37 of the 91 transactions totaling about \$5.4 million were not fully supported. In addition to OMB standards for maintaining documentation in support of incurred expenditures, documentation evidencing all mission assignment expenditures is required by FEMA for reimbursement.

We present the results of our work below, classified according to the related budget object class. For each budget object class, we identify the number of transactions for which ICE did not provide sufficient documentation and the amounts involved, which we consider to be questionable costs:

- **Other Contractual Services** – supporting documentation was not provided for 1 of the 29 other contractual services expenditure selections. Questioned costs totaled \$327,520. ICE provided a general contract for multiple hotel rooms over a certain period of time. However, no documentation was provided to ascertain whether the rooms were ever used, and if so, whether they were used by personnel authorized by ICE.

In addition, sign-in sheets (Form 139) used by FPS region contractors to document billable time incurred (i.e., hours used to calculate billable man-days) did not include a supervisor's certification.

- ***Travel and Transportation*** – supporting documentation was not provided for 7 of the 16 travel and transportation expenditures selections. Questioned costs totaled \$527,565.
- ***Personnel*** – supporting documentation was not provided for 3 of the 25 personnel compensation expenditure selections. Questioned costs totaled \$1,361.
- ***Rent, Supplies, and Miscellaneous*** – supporting documentation was not provided for 7 of the 11 rent, supplies and miscellaneous expenditure selections. Questioned costs totaled \$3,348,015. Of these,
 - One exception in the amount of \$94,400 was processed in ICE's financial management system as a reclassification for which no additional invoice or other support was provided; and
 - The other six items totaling \$3,253,615 were processed in ICE's financial management system as overhead; however, no supporting documentation for the overhead rate charged was provided.
- ***Equipment*** – of the ten equipment expenditures selected for validation,
 - Two appeared to have been miscoded, since the supporting documentation provided showed travel and transportation costs for ICE employees; and
 - Supporting documentation was not provided for five of the remaining eight items, totaling \$1,238,355.

The result is a total of \$5,442,816 of questioned costs resulting from unsupported expenditures.

RECOMMENDATION

We recommend that ICE:

- **Recommendation #5:** Develop and implement a system of internal controls to ensure appropriate receipt, approval, and retention of supporting documentation.

D. Management of Accountable Property

Property acquired by ICE to conduct mission assignments is subject to the requirements of FEMA Manual 6150.1, "FEMA Personal Property Management Program" and DHS Management Directive 1120, "Capitalization and Inventory of Personal Property." Collectively, this guidance requires accounting for accountable property with an original acquisition cost of \$15,000 or more, that by

its nature is not expendable or consumable,¹ and the capitalization of property with acquisition costs equal to or exceeding \$50,000. These guidelines require that all accountable and capitalized property, acquired with mission assignment funding, be tracked from its acquisition and use during an agency's disaster field response through either its transfer to FEMA or its disposition.

Depending on the nature of the item and its cost, property purchases are required to be recorded as capital items, or controlled because of their sensitive nature or risk of loss. ICE's personal property capitalization threshold is consistent with DHS' policy to account for all highly sensitive property and all serialized property, and to capitalize property with a value of \$50,000 or more.

FEMA's "Personal Property Management Program" manual documents the procedures and internal controls needed to successfully ensure accountability for property during disaster responses. As documented, disaster field command location receiving processes should include:

- The receiving location obtaining advance notice of ordered goods and their anticipated arrival date;
- The status and quantity of received goods being verified at the time of receipt by individuals with receiving responsibilities;
- Evidence of the received property's status and quantity forwarded to the office responsible for vendor payment; and
- Ensuring received property is recorded in an asset tracking system that enables the field command location to continually track the property location; to whom, if anyone, the property is currently assigned; and its serviceability.

The implementation of these processes provides an organization with the internal controls that help ensure the recording of the type and quantity of procured goods received by the field command location, that vendor payment is valid, that they maintain accountability over property, and that property meeting DHS' capitalization criteria is completely and accurately presented in the organization's financial management system.

Of the 91 items selected for testing, ICE identified 10 transactions as purchases of property. However, ICE could not provide evidence of the receipt of the property acquired. Our analysis of available documentation determined that eight of the ten transactions identified as equipment purchases amounted to approximately \$1.3 million. This analysis further revealed that the other two transactions appeared to be incorrectly coded, since the supporting documentation provided showed travel and transportation costs for ICE employees. In substantiating the validity of equipment purchases, we requested:

¹ Accountable property also includes sensitive and serialized property items. DHS defines sensitive property as accountable property (regardless of original acquisition cost), that is highly susceptible to misuse, loss, or theft, such as pagers, cellular telephones, electronic test equipment, personal computers, thumb drives, or any other storage device that may contain proprietary government information and will be individually accounted for and controlled through the agency's property management system. Serialized equipment includes equipment with a manufacturer's serial number such as mechanical tools and miscellaneous data processing hardware that is not classified as sensitive property.

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- A detailed list of items supporting expenditures, including journal vouchers;
 - Vendor invoices, with any attachments, detailing the expenditure amounts incurred including a description of the delivered equipment;
 - Evidence of the equipment's inspection and receipt;
 - Evidence of payment approval;
 - Either current or prior evidence of the equipment's inclusion in an ICE's property accounting system;
 - The current status of the equipment; and
 - Evidence of the equipment's disposition, if applicable.

We received limited information on three of the eight property transactions with reported cost of \$25,571. Because these equipment items were determined to be sensitive or serialized, they should have been accounted for in ICE's property management system, regardless of the cost. We were not provided with documentation relating to the other five property items and were unable to determine whether those items met the accountable property criteria. We were not provided with information regarding the serviceability or location of the eight property items, or whether they were returned to FEMA at the conclusion of mission assignments as required by its "Mission Assignment Billing and Reimbursement Checklist."² It is important to maintain information on the current status of property items for several reasons: to know the quantity available, where it is located; whether it has been issued; and if so, who has responsibility for its use and possible loss.

ICE did not adequately account for property acquired with mission assignment funds, including nonperformance of post disaster physical inventory and undocumented accountable property disposition. These conditions have resulted in the identification of questioned costs for expenditures that do not comply with DHS' accountable property criteria. The questioned costs are addressed and quantified in Section C of this report.

RECOMMENDATIONS

We recommend that ICE:

- **Recommendation #6:** Identify and train Accountable Property Officers and other staff who have primary and secondary responsibilities for implementing the field office asset tracking operating procedures.
- **Recommendation #7:** Determine the extent that billings for reimbursement from FEMA included cost of accountable property items that were not turned over to FEMA, and either forward acquired and reimbursed accountable property items to FEMA or refund the associated amount.

² Requirements established by FEMA for supporting documentation and reimbursement transactions on their website (<http://www.fema.gov/government/billinst.shtm>) as referred to in the Financial Management Support Annex of the *National Response Plan* (page FIN-5).

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- **Recommendation #8:** Implement a hand-receipt process for the issuance of accountable property from inventory at disaster sites.
 - **Recommendation #9:** Require all individuals who are unable to locate an issued accountable property item to document the item's disposition (i.e., lost, stolen, damaged, etc.) and obtain approval from the applicable Accountable Property Officer.

E. The Mission Assignment Reimbursement Billing Process

ICE has standard operating procedures for processing interagency billings through the Intra-Governmental Payment and Collection System.³ However, these procedures did not cover FEMA's more extensive requirements for documentation on billings associated with mission assignments. ICE's initial billings for reimbursement under mission assignments did not include adequate supporting documentation. Based on subsequent discussions with FEMA, ICE prepared and submitted additional documentation that FEMA described as still not adequate.

As the steward of the Disaster Relief Fund, FEMA has the authority to specify the supporting documentation requirements for all federal agencies providing support and requesting reimbursement from the Fund.⁴ Under the standard "Intragovernmental Business Rules,"⁵ the ordering and performing agencies agree to the form and content of the performing agency's documented evidence of performance to be provided in support of Intra-Governmental Payment and Collection System⁶ transactions. Generally, the agreed-upon form and content includes the information necessary to identify the transaction, its associated interagency agreement, and the charges by budget subobject class. Due to the debilitating impact of disaster response activities on normal agency internal controls, FEMA augmented its supporting documentation requirements to address the increased risk of internal control weaknesses that often occur during the life-saving and life-sustaining rescue and support operations involved with disaster responses. In addition to information necessary to identify a transaction and the associated mission assignment, FEMA requires the following:

- Description of the goods received or services provided;

³ The Intra-Governmental Payment and Collection System's primary purpose is to provide a standardized interagency fund transfer mechanism for Federal Program Agencies. The Intra-Governmental Payment and Collection System facilitates the intra-governmental transfer of funds, with descriptive data from one agency to another.

⁴ *National Response Plan*, Financial Management Support Annex, page FIN-5

⁵ OMB Memorandum M-03-01, "Business Rules for Intragovernmental Transactions;" *Treasury Financial Manual*, Volume I, Bulletin No. 2007-03, "Intragovernmental Business Rules;" and *Treasury Financial Manual*, Volume 1, Part 6, Chapter 4000, "Intra-Governmental Payment and Collection System"

⁶ The Intra-Governmental Payment and Collection System's primary purpose is to provide a standardized interagency fund transfer mechanism for Federal Program Agencies. It facilitates the intragovernmental transfer of funds, with descriptive data from one agency to another.

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- Breakdown of hours incurred in support of personnel services;
 - For indirect costs, the percentage applied and a description of the costs included in the cost pool;
 - For contract services, the contract number, vendor name, total contract cost, and a description of its purpose;
 - For property acquisitions:
 - A description of item, vendor name, and unit cost for all nonexpendable or sensitive items greater than or equal to \$1,000 and
 - The return of all items described above or an agreement to waive this requirement;
 - For property leased, a description of the item, vendor name, and unit cost;
 - Identification of motor vehicle costs;
 - Identification of costs subtasked to another agency; and
 - All “Other Costs” defined.

ICE financial management personnel said they had not developed plans for producing the additional data. As a result, ICE prepared supporting documentation for FEMA in the same manner it would have prepared for reimbursement under any other interagency agreement. ICE created unique identifying numbers in its financial management system for each mission assignment and segregated its incurred costs accordingly. ICE also used its financial management system’s integrated reimbursement bill generation process to extract all previously unbilled transactions, as recorded in its system, consolidate them by mission assignment agreement number, and summarize them by budget object code on a monthly basis.

We reviewed 24 of the 127 billings, amounting to \$55.1 million of the \$60.8 million that ICE had submitted to FEMA for reimbursement through March 31, 2006. In response to our request for the supporting documentation for reimbursement billing packages submitted to FEMA (for the purpose of assessing its compliance with FEMA’s requirements), we were provided with the report that is generated during the automated reimbursement billing process. This report contained a detailed list of the expenditures included in each mission assignment reimbursement bill by unique accounting elements, including all programs associated with each mission assignment.

For the 24 billing transactions tested, we noted that:

- None included evidence of a Certifying Official’s approval of the reimbursement bill, as required by FEMA;
- Three were submitted 90 days or more after the mission assignment performance end date;
- Nineteen did not state the period of performance; and
- Four of the six that included personnel cost did not identify overtime labor with the breakdown of hours.

Therefore, we were unable to substantiate personnel costs billed to specific transactions with details by hours worked.

In response to FEMA’s concerns that this data did not adequately address its requirements, ICE provided additional information from its financial management system. However, in cases where there was more than one billing for a mission assignment, the data was cumulative. This resulted in an inability to determine which expenses were covered by the current month’s billing. In addition, the data was not provided in sufficient detail to convey to FEMA the nature of the goods and services purchased.

RECOMMENDATION

We recommend that ICE:

- **Recommendation #10:** Develop and implement policies and procedures to ensure that the supporting documentation for invoices required by FEMA for billing are generated, organized, and detailed to clearly support each bill.

Management Comments and OIG Analysis

The U.S. Immigration and Customs Enforcement concurred with all the recommendations we offered to improve its management of mission assignment funding from the Federal Emergency Management Agency. During the audit and after our fieldwork, the U.S. Immigration and Customs Enforcement worked to improve its operations involving mission assignments. All recommendations except recommendation 7 have been resolved and closed because they have been implemented. We consider recommendation 7 resolved because steps have been taken to implement it; however, this recommendation will remain open until it has been fully implemented. The U.S. Immigration and Customs Enforcement will apprise us of its progress in implementing this recommendation within 90 days. We will close this recommendation when the U.S. Immigration and Customs Enforcement provides evidence that it has been fully implemented.

Appendix A

Objectives, Scope, and Methodology

DHS Office of Inspector General (OIG) contracted with Regis and Associates, PC, to assess the U.S. Immigration and Customs Enforcement's (ICE's) mission assignment management and financial management controls, and offer recommendations for any needed improvements. This effort is part of the overall objective of the DHS OIG to ensure accountability in the management and expenditure of funds for relief and recovery efforts relative to disasters.

The scope of this review includes the 76 mission assignments issued to ICE by FEMA for disaster response assistance in the Gulf Coast region, resulting from Hurricanes Katrina, Rita, and Wilma (2005 Gulf Coast Hurricanes); the management processes and financial management controls applicable to these mission assignments; and the related contracts, expenditures, and reimbursement billings for the period August 29, 2005, through March 31, 2006. Our review objectives were to assess whether the management processes and financial management controls were properly designed and implemented, and to determine whether the contracts used, expenditures incurred, and reimbursements requested were authorized, valid, and appropriately supported.

These agreed-upon procedures were performed in accordance with standards established by the American Institute of Certified Public Accountants and guidance from the Office of Management and Budget, and Government Accountability Office (GAO).

We reviewed select reports published by DHS OIG and GAO reports concerning ICE's 2005 Gulf Coast Hurricanes mission assignment management to familiarize ourselves with prior recommendations, regulations, and guidance applicable to ICE's processes and controls. The results of these reviews were incorporated into our risk assessment for this engagement and our reported results.

The management processes and financial management controls assessment included information gathering through interviews with appropriate personnel, as well as evaluating management controls and process designs. These evaluations were done through review of current policies and procedures, and those that existed during the 2005 Gulf Coast Hurricanes.

The determination as to whether the contracts used, expenditures incurred, and reimbursements requested were authorized, valid, and appropriately supported included our review of supporting documentation made available by ICE in each of these areas. We obtained a list from ICE of all procurement, expenditure, and reimbursement billing transactions from its financial management system for the period August 29, 2005, through March 31, 2006. These transactions were stratified among procurements, expenditures, and reimbursement billing categories for the performance of test procedures specific to each transaction category.

For our tests of procurements, we used a high-dollar criterion to select 68 procurements, representing \$91.3 million, or 77.6% of the \$117.7 million total contract actions identified through March 31, 2006.

Appendix A Objectives, Scope, and Methodology

For our tests of expenditures, we stratified expenditure transactions by budget object code into categories with similar processes and controls. These categories are:

- Other contractual services and rent, communications, and utilities;
- Personnel compensation and benefits;
- Equipment;
- Supplies and materials;
- Overhead; and
- Travel and transportation of persons.

We used a high-dollar criterion within each category to select a total of 91 expenditures. The following table provides an overview of expenditures incurred through March 31, 2006 and selections for each of the above categories.

Table 1 ICE 2005 Gulf Coast Hurricane Incurred Expenditures through March 31, 2006, and Selections

Expense Category	Incurred Expenditures	# of Selections	Selection Total	% Coverage
Other Contractual Services and Rent, Communications, and Utilities	\$ 58,829,617	29	\$ 47,542,505	80%
Personnel Compensation and Benefits	14,467,441	25	40,023	1%
Equipment	1,265,615	10	1,265,615	100%
Supplies and Materials	264,635	5	183,054	69%
Overhead	4,177,442	6	3,253,615	77%
Travel and Transportation of Persons	3,157,502	16	594,704	18%
TOTALS	\$ 82,162,252	91	\$ 52,879,516	64%

When summarized transactions were selected, using the high-dollar value criterion, we made additional judgmental selections and performed detailed tests on individual personnel and travel expenditures within the summary transaction total.

For our tests of reimbursement billings, we used a high-dollar criterion to select 24 billings representing \$55.1 million of the total \$60.8 million reimbursements requested through March 31, 2006.

Our fieldwork was conducted from April 26, 2006, through February 9, 2007, and included visits to FPS Region 4 in Atlanta, Georgia; FPS Region 7 in Forth Worth, Texas; the Debt Management Center in Burlington, Vermont; and ICE and FPS headquarters in Washington, DC.

Appendix B Recommendations

Recommendation #1: Develop streamlined disaster procurement approval procedures that will allow for the standardized classification and recording of mission assignment response procurements.

Recommendation #2: Develop and implement monitoring procedures to ensure a) execution of mission assignments within the performance period and (b) adherence to contract requirements.

Recommendation #3: Develop and implement a system of internal controls to ensure that all vendor invoices are properly reviewed prior to payment.

Recommendation #4: Record all mission assignment funding authority, and related obligations and expenditures in its financial management system on a timely basis.

Recommendation #5: Develop and implement a system of internal controls to ensure appropriate receipt, approval, and retention of supporting documentation.

Recommendation #6: Identify and train Accountable Property Officers and other staff who have primary and secondary responsibilities for implementing the field office asset tracking operating procedures.

Recommendation #7: Determine the extent that billings for reimbursement from FEMA included cost of accountable property items that were not turned over to FEMA, and either forward acquired and reimbursed accountable property items to FEMA or refund the associated amount.

Recommendation #8: Implement a hand-receipt process for the issuance of accountable property from inventory at disaster sites.

Recommendation #9: Require all individuals who are unable to locate an issued accountable property item to document the item's disposition (i.e., lost, stolen, damaged, etc.) and obtain approval from the applicable Accountable Property Officer.

Recommendation #10: Develop and implement policies and procedures to ensure that the supporting documentation for invoices required by FEMA for billing are generated, organized, and detailed to clearly support each bill.

Appendix C
Schedule of Questioned Costs

During our review, we observed the conditions listed below, which are discussed in detail in the Results of Review section of this report. The following questioned costs were identified:

Condition *	Description	Amount
A	Unsupported/erroneous contractor billing costs	\$ 423,700
C	Unsupported other contractual services	327,520
C	Unsupported travel and transportation	527,565
C	Unsupported personnel compensation	1,361
C	Unsupported rent, supplies & miscellaneous	3,348,015
C, D **	Unsupported property and/or equipment	1,238,355
TOTAL QUESTIONED COSTS		\$ 5,866,516

* The "condition" refers to the lettered section of the report in which the questioned costs are described.

** These questioned costs result from property acquisitions for which no supporting documentation was provided. The items making up this questioned amount also include the additional condition of accountable property not being properly accounted for in the property management system or returned to FEMA after conclusion of the mission assignments.

Appendix D
Management Comments to the Draft Report

Office of the Assistant Secretary

U.S. Department of Homeland Security
425 I Street, NW
Washington, DC 20536



**U.S. Immigration
and Customs
Enforcement**

December 23, 2008

MEMORANDUM FOR: Matt Jadacki
Deputy Inspector General
Office of Emergency Management Oversight

FROM: John P. Torres
Assistant Secretary (Acting)

SUBJECT: Response to Recommendations: OIG Draft Report "U.S.
Immigration and Customs Enforcement's Management of 2005
Gulf Coast Hurricanes Mission Assignment Funding," dated
September 2008

In general, U.S. Immigration and Customs Enforcement (ICE) concurs with the findings and recommendations presented in the subject report.

As with most Federal agencies, ICE's operational, administrative, and financial resources were employed in its support of the Federal Emergency Management Agency (FEMA) in the wake of Hurricane Katrina's devastation of the Gulf Coast in August 2005. While ICE was praised for its overall response, the unprecedented enormity of this disaster impacting the states of Florida, Alabama, Mississippi, and Louisiana exposed a number of functional areas that needed strengthening. Using After-Actions Reviews (AARs) within ICE and in coordination with FEMA, ICE and FEMA worked collaboratively to address and resolve issues identified in the subject audit.

To correct systemic problems, ICE and FEMA developed and entered into a formal Memorandum of Agreement (MOA) that has as its basis a sound framework and a mutual understanding of roles and responsibilities to prevent the recurrence of the kinds of problems encountered during and following Hurricane Katrina. A copy of the FEMA/ICE MOA, formally executed on April 2, 2008, is attached. Where appropriate, the ICE responses to the individual recommendations will note the section of the MOA that applies.

Appendix D Management Comments to the Draft Report

SUBJECT: Response to Recommendations: OIG Draft Report "U.S. Immigration and Customs Enforcement's Management of 2005 Gulf Coast Hurricanes Mission Assignment Funding," dated September 2008.

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The following specific responses are provided to the subject report:

Recommendation 1: "Develop streamlined disaster procurement approval procedures that will allow for the standardized classification and recording of mission assignment response procurements."

Response: ICE has established a variety of streamlined disaster procurement vehicles and procedures for handling emergency and/or disaster response and recovery requirements. These include:

- 1) Issuance of two, five-year Blanket Purchase Agreements (BPAs) under GSA Federal Supply Schedules for surge security guard services within the geographic locations covered by Federal Protective Service (FPS) Regions 4 and 7. These vehicles allow for the immediate placement of orders and deployment of FPS-certified guards up to a specified maximum. Each fully funded order issued under the BPAs shall constitute a separate contract with a specified period of performance. With the establishment of these vehicles, ICE can now fulfill FEMA requirements on short notice since emergency procurements with immediate service needs provide for the start-up time needed to establish suitability of guard employees, and to ensure they received all FPS required training and weapons qualifications.
- 2) Inclusion of a surge security service contract line item in FPS recurring security service contracts, when appropriate. FPS regions are currently evaluating the historical need for unforeseen/surge guard services that have been ordered under its contracts in the past when re-competing recurring guard service contracts. Regional decisions to include such a line item are based on factors including, but not limited to, historical data and the potential risk associated with certain geographic locations. Including limited provisions for surge requirements in larger FPS recurring service contracts allows for streamlined order placement and readily available guards that fully meet FPS standards. Additionally, the services are priced in a competitive bidding process, keeping costs down.
- 3) FEMA and FPS executed a Memorandum of Agreement (MOA) on April 2, 2008. This MOA sets forth operational procedures and relationships by which the parties shall operate in providing law enforcement and security services. This MOA has facilitated the roles/responsibilities of all parties in the procurement process, and sets out the methods by which the parties will communicate to ensure timely authorization of service.

ICE requests that this recommendation be considered resolved and closed.

Recommendation 2: "Develop and implement monitoring procedures to ensure a) execution of mission assignments within the performance period and (b) adherence to contract requirements."

Appendix D

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SUBJECT: Response to Recommendations: OIG Draft Report “U.S. Immigration and Customs Enforcement’s Management of 2005 Gulf Coast Hurricanes Mission Assignment Funding,” dated September 2008.

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Response: In support of a future FEMA disaster response, FPS has implemented a procedure requiring the receipt of authorized Mission Assignment (MA) prior to the initiation of law enforcement and security services. This procedure includes a specific prohibition against the establishment of obligations beyond the period of performance specified in the MA. Financial oversight has also been improved through the development and employment of an Agency Technical Representative (ATR) Program that, among other things, authorizes the ATR to assist the FPS COTR with onsite contract and operational oversight. (FEMA/FPS MOA Section 5.2)

ICE requests that this recommendation be considered resolved and closed.

Recommendation 3: “Develop and implement a system of internal controls to ensure that all vendor invoices are properly reviewed prior to payment.”

Response: ICE’s Burlington Finance Center (BFC) has developed and implemented an Invoice Consolidation Program that significantly improved internal controls with respect to vendor invoices. To prevent the unauthorized payment of an invoice, the program has a feature which automatically queues all invoices for review/approval prior to payment. In addition, ICE and FPS have increased oversight of contractor performance to ensure that invoices are correct and that all completed documentation has been received to support the charges. (FEMA/FPS MOA Sections 5.2 & 5.5)

ICE requests that this recommendation be considered resolved and closed.

Recommendation 4: “Record all mission assignment funding authority, and related obligations and expenditures in its financial management system on a timely basis.”

Response: ICE/FPS has policy and procedures in place for posting of Reimbursable Agreements, including Mission Assignments, within a set time period to make the related budgetary authority available to support requested services. In addition, all MAs are identified in the ICE financial system, and all related expenses are then processed for billing through use of a unique reimbursable project code (attached). ICE and FEMA continue to work together to review and certify the need to either keep MAs open or close, as well as reconcile MAs between both agencies. (FEMA/FPS MOA Section 7)

ICE continuously strives to improve efficiencies in recording transactions and has taken corrective actions to address the above recommendation. Primarily, BFC centrally monitors the receipt, tracking and recording of all FPS Mission Assignment funding in ICE’s financial management system (FFMS). With these actions, we believe this process will ensure the timely recording of funding authority and related obligations and expenditures in FFMS.

ICE requests that this recommendation be considered resolved and closed.

Appendix D Management Comments to the Draft Report

SUBJECT: Response to Recommendations: OIG Draft Report "U.S. Immigration and Customs Enforcement's Management of 2005 Gulf Coast Hurricanes Mission Assignment Funding," dated September 2008.

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Recommendation 5: "Develop and implement a system of internal controls to ensure appropriate receipt, approval, and retention of supporting documentation."

Response: This recommendation refers to the documentation provided to substantiate charges as part of the billing process. In that regard, ICE has provided supporting documentation to FEMA to comply with its requirements for billing. ICE has also provided supplemental data to address FEMA questions. ICE will continue to communicate and work with FEMA to ensure expenses charged are fully explained and justified. Moreover, all expenses related to an MA are identified within ICE's financial system by a unique reimbursable project code (sample screen shot attached). Finally, other controls implemented by ICE since 2005, including the aforementioned Invoice Consolidation program, have significantly enhanced verification and validation procedures on open obligations, new document management/filing requirements, and other financial/contract management improvements. (FEMA/FPS MOA Section 8 & 10)

ICE requests that this recommendation be considered resolved and closed.

Recommendation 6: "Identify and train Accountable Property Officers and other staff who have primary and secondary responsibilities for implementing the field office asset tracking operating procedures."

Response: ICE instituted a strengthened accountable property program in FY2007 and FPS trained all Accountable Property Officers and support personnel (Intro Sunflower Training list attached) in the proper procedures for recording, receipting, tracking, and disposing of all assets, regardless of their acquisition source. (FEMA/FPS MOA Section 12)

ICE requests that this recommendation be considered resolved and closed.

Recommendation 7: "Determine the extent that billings for reimbursement from FEMA included cost of accountable property items that were not turned over to FEMA, and either forward acquired and reimbursed accountable property items to FEMA or refund the associated amount."

Response: ICE seeks to resolve this issue with FEMA per its authorities. ICE is conferring on this issue and exploring options. OIG will be apprised of any progress made through the required updates every 90 days.

ICE requests that this recommendation be considered resolved and open pending resolution with FEMA.

Recommendation 8: "Implement a hand-receipt process for the issuance of accountable property from inventory at disaster sites."

Appendix D

Management Comments to the Draft Report

SUBJECT: Response to Recommendations: OIG Draft Report “U.S. Immigration and Customs Enforcement’s Management of 2005 Gulf Coast Hurricanes Mission Assignment Funding,” dated September 2008.

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Response: FPS personnel will comply with all FEMA accountable property requirements for items issued from inventory at disaster sites.

ICE requests that this recommendation be considered resolved and closed.

Recommendation 9: “Require all individuals who are unable to locate an issued accountable property item to document the item’s disposition (i.e., lost, stolen, damaged, etc.) and obtain approval from the applicable Accountable Property Officer.”

Response: During and immediately following Katrina, the pressing need for resources equipped to save lives and safeguard property transcended the need for application of foolproof accountability precautions. As a result, some equipment issued to FPS resources during this period may have been lost, transferred, or loaned to resources of other agencies without the proper audit trails. FPS worked closely with FEMA to make sure all accountable equipment was returned or properly disposed of during reconciliation efforts and After Action Reviews.

The FEMA/FPS MOA establishes the requirement for FPS personnel assigned to FEMA MA support to comply with FEMA Accountability Property procedures.

ICE requests that this recommendation be considered resolved and closed.

Recommendation 10: “Develop and implement policies and procedures to ensure that the supporting documentation for invoices required by FEMA for billing are generated, organized, and detailed to clearly support each bill.”

Response: This recommendation refers to supporting documentation that is provided to FEMA to substantiate charges as part of the billing process. ICE has provided supporting documentation to FEMA to comply with its requirements for billing. ICE has also agreed to provide supplemental data and documentation to address FEMA questions that may arise. ICE will continue to communicate and work with FEMA to ensure expenses charged are fully explained and justified. Moreover, all expenses related to an MA are identified within the ICE financial system by a unique reimbursable project code. Other improvements implemented by ICE since 2005, including the invoice consolidation program, have significantly enhanced verification and validation procedures on open obligations, new document management/filing requirements, and other financial/contract management improvements. Finally, the FEMA/FPS MOA, in Sections 8 and 10 specifies the billing and contract documentation requirements that FEMA expects and that ICE/FPS has agreed to provide in support of the billing process. (FEMA/FPS MOA Section 8 & 10)

ICE requests that this recommendation be considered resolved and closed.

Please contact ICE OIG Audit Portfolio Manager Margurite Barnes at (202) 732-4161 if there are any questions or concerns regarding this response.

Appendix D
Management Comments to the Draft Report

SUBJECT: Response to Recommendations: OIG Draft Report "U.S. Immigration and Customs Enforcement's Management of 2005 Gulf Coast Hurricanes Mission Assignment Funding," dated September 2008.

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Attachments

ICE/FEMA Memorandum of Agreement

Intro Sunflower Training List

Detail of FEMA RA Activity Report (Burlington Finance Center)

Appendix E Report Distribution

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