



OVERSIGHT OF GULF COAST HURRICANE RECOVERY

A Semiannual Report to Congress
April 1, 2008 - September 30, 2008

President's Council on Integrity and Efficiency
Executive Council on Integrity and Efficiency



**PRESIDENT'S COUNCIL on INTEGRITY & EFFICIENCY
EXECUTIVE COUNCIL on INTEGRITY & EFFICIENCY**



December 2008

The Honorable Bart Stupak, Chairman
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
US House of Representatives
2125 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Stupak:

This is our sixth and last report in a series of semiannual reports on Gulf Coast hurricane recovery oversight. The report details the oversight efforts of the Inspector General community for the six month period ending September 30, 2008.

Inspector General oversight holds the ultimate goal of identifying fraud, waste, and abuse, and ensuring that assets and resources employed in disaster recovery are used efficiently and effectively. The efforts of the Inspector General community continue to benefit the Federal government's hurricane relief activities. Additionally, the Homeland Security Roundtable, which became the natural forum for the Inspector General community's oversight of hurricane recovery efforts, has initiated similar efforts on issues related to recent natural disasters, such as flooding in the Midwest, fires in California, and hurricanes in Texas.

While oversight efforts are necessary and continue to remain a focus for the Inspector General community this will be the last collective report that will be issued on Gulf Coast hurricane recovery. It has been a privilege to represent the efforts of the many dedicated Inspector General professionals involved in the oversight of the disaster response and recovery. We continue to look forward to serving the American people, especially those who are affected by national disasters. Thank you for your support.

Sincerely,

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Section 1 | Report Overview



Report Overview

◆ Purpose

- To communicate the Federal Inspector General community’s continuing progress in identifying fraud, waste, and abuse with respect to Gulf Coast hurricane recovery efforts.
- The focus of this report is Audits, Inspections, and Other Reviews, as well as Investigations and the impact they have had on improving disaster relief efforts.

◆ Background and context

- This report is the sixth and final in a series of semiannual reports on Gulf Coast hurricane recovery oversight.
- Thirty-seven months have passed since the storms made landfall in August 2005, and oversight activity focuses on “Recovery and Reconstruction”.

PCIE ECIE Hurricane Oversight Audit Model

Today: 3 years

Duration	Landfall to Six Months Out	Landfall to Two Years Out	Landfall to Five Years Out
Phase	Response	Transition & Recovery	Recovery and Reconstruction/Hazard Mitigation
Players	DHS, USCG, FPS, DoD, USACE, USN, DLA, USA, HHS, USDA, HUD, DOJ, DOT, GSA, EPA, State and Local Governments	White House, DHS, USM, OCPO, DoD, USACE, HHS, USDA, HUD, DOJ, ED, SBA, DOL, EPA, State and Local Governments	DHS, DoD, USACE, HHS, USDA, HUD, SBA, GSA, VA, DOT, USPS, DOC, PNPs, State and Local Governments
Major Activities	Preparedness Mass Sheltering Evacuation Emergency Supplies Communications Health, Safety & Medical Debris Removal Contracting Emergency Protective Measures Preliminary Damage Assessments	Preparation Temporary/Transitional Housing Individual and Household Assistance Essential Needs Debris Removal Detailed Damage Assessments Reconstruction Planning Contracting NFIP Coverage	Public Assistance Grants Facility Inspections Design- A&E Construction Repair HMGP – future Long Term Community Recovery and Mitigation

Section 1 Report Overview

- To date, Congress has appropriated more than \$149 billion and the Federal Emergency Management Agency (FEMA) has expended more than \$35 billion on Gulf Coast disaster relief efforts.
- The role of the Inspector General community is to detect and identify fraud, waste, and abuse in disaster assistance funds.
- To coordinate the Inspector General community across Federal agencies, the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) established the Homeland Security Roundtable. In the wake of the Gulf Coast hurricanes, the Roundtable became the natural forum for the Inspector General community to conduct its ongoing discussion of and planning for hurricane recovery oversight.

◆ Report Structure

- Each Federal agency heavily involved in the current stage of Gulf Coast Hurricane Recovery has submitted a report of their actions over the period of April 1, 2008, to September 30, 2008. These reports are compiled and summarized on the following pages.

Participating departments and agencies include the following:

DHS	Department of Homeland Security
DoD	Department of Defense
DOI	Department of Interior
DOL	Department of Labor
ED	Department of Education
EPA	Environmental Protection Agency
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
SBA	Small Business Administration
SSA	Social Security Administration
TREAS	Treasury
USDA	Department of Agriculture

Section 2 | Executive Summary



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The Federal Inspector General Community Has Upheld The Government’s “Zero Tolerance” Policy For Hurricane Related Fraud, Crimes, Mismanagement, and Abuses.

- ◆ **Hurricane relief efforts are at the 37-month mark. The immediate “Transition and Recovery” phase activities have been largely replaced by those characterized as “Recovery and Reconstruction” activities.** Agency participation is evolving in step with this cycle. Moving forward, the expectation will be to see more investigations in process and completed.
- ◆ **The magnitude of audits, inspections, and reviews, as well as investigations, illustrates the government’s continuing commitment to oversight of disaster relief efforts.** These efforts are ensuring that those affected by the hurricanes receive benefits from the programs established to help them. Cumulatively: 3,261 investigations have been opened, resulting in:
 - 1,348 arrests,
 - 1,549 indictments, and
 - 1,075 convictions.
- ◆ **Federal government-wide Inspector General efforts have clearly detected and stopped a variety of crimes.** Hundreds of cases of fraud, theft, and false claims have been detected and stopped so that relief can continue to be directed to those intended to receive benefits. In many cases, restitution was demanded.
- ◆ **As a result of Inspector General efforts, the United States is better poised for future disasters.** The Federal government has improved its ability to react to future disasters by improving processes and procedures such as emergency procurements, expedited payments and disbursements, and individual assistance.
- ◆ **Inspector General efforts have improved communication and collaboration across all agencies and from the Federal to state and local levels of government.** This is a direct result of efforts such as the Disaster Recovery Working Group and the establishment of Gulf Coast field offices.
- ◆ **The Inspector General community remains committed.** Staying the course not only continues to expose crimes, but also communicates the message that the government has a zero-tolerance policy for hurricane-related crimes. Ultimately, this message serves as a deterrent for future crimes.

Section 3 | Audits, Inspections, and Other Reviews



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Overview of Audits, Inspections, and Other Reviews

The purpose of this section is to illustrate the efforts of the Inspector General community in focusing on fraud and waste prevention, improving program operations, and protecting beneficiaries. These efforts are weighted heavily toward prevention, and include:

- ◆ Reviewing controls, program operations, management practices, and beneficiary protections;
- ◆ Monitoring and advising department officials on contracts, grants, and purchase transactions; and
- ◆ Meeting with applicants, contractors, and grantees to advise them of requirements and to assess their ability to account for funds.

Section 3.1 Department of Homeland Security Audits, Inspections, and Other Reviews

3.1 DHS Overview

- ◆ The Department of Homeland Security's (DHS) audit activities continue to focus on improving processes, reducing costs, and ensuring adherence to contracting and performance standards. Eight management reports and six disaster assistance grant audits were completed this reporting period.
- ◆ During this reporting period, DHS Office of Inspector General examined critical areas of hurricane recovery including FEMA's National Flood Insurance Program, temporary housing, management of FEMA mission assignments, disaster contracts, assistance programs, and interagency arrangements.
- ◆ DHS Office of Inspector General continues to have ongoing and planned activity that provides oversight to issues that arose from the 2005 Gulf Coast hurricanes. As attention shifts from the 2005 hurricanes to other natural disasters that have occurred since then, DHS Office of Inspector General remains committed to oversight of preparedness activities and ensuring the efficiency and effectiveness of emergency management programs.

FINAL AUDITS

Costs Incurred for Rejected Temporary Housing Sites

OIG-08-86, August 2008

SUMMARY

- ◆ Objective: To determine the adequacy of contract documents, price reasonableness, the effectiveness of the inspection and payment processes, the effective use of warranties, and FEMA's adherence to effective contracting practices.
- ◆ Williams, Adley & Company, LLC, under a contract with DHS Office of Inspector General, reviewed the costs FEMA incurred as a result of development at locations that were initially identified as possible temporary housing sites in the Gulf Coast area after Hurricane Katrina but were ultimately rejected for various reasons.
- ◆ FEMA should have required stricter compliance with clear processes that imposed a sequence of successive tasks to be undertaken by the contractors for each potential site. These processes were intended to minimize the costs to FEMA if a site proved to be unusable.
- ◆ At least one of the contractors fell short in its obligation to act in the best interest of the government.
- ◆ More than \$5.5 million in excessive costs were incurred.

RESULTS

FEMA concurred with the two recommendations in the report and is actively working to enhance policies, procedures, and controls that will address the findings.



FEMA's Sheltering and Transitional Housing Activities After Hurricane Katrina

OIG-08-93, September 2008

SUMMARY

- ◆ Objectives:
 - To determine to what extent FEMA's transitional housing program met the needs of hurricane victims.
 - To identify areas that need to be addressed for future disasters.
 - To identify the actions FEMA is taking to be better prepared to provide housing to victims of future catastrophic disasters and recommend ways to prevent problems that occurred during the response to Hurricane Katrina.
- ◆ FEMA received widespread criticism for its inability to effectively provide transitional housing assistance, particularly its ability to move evacuees from emergency shelters to more long-term temporary housing.
- ◆ FEMA needed clearly defined roles, responsibilities, and processes to address housing requirements.
- ◆ FEMA needed to:
 - Effectively coordinate housing needs among state and local governments;
 - Provide effective contract management;
 - Provide oversight and monitoring; and
 - Ensure that manufacturers' warranties were enforceable when contractors repaired and maintained housing units.

RESULTS

FEMA generally concurred with 12 of 13 recommendations in this report. FEMA did not concur with one recommendation, but FEMA officials offered an alternative resolution that was considered acceptable.

FEMA's National Flood Insurance Program

OIG-08-97, September 2008

SUMMARY

- ◆ Objective: To determine whether the Write-Your-Own companies (WYO) program was effective in properly attributing the damage from Hurricane Katrina to either flooding or windstorm.
- ◆ FEMA manages the National Flood Insurance Program (NFIP), and has arrangements with individual private-sector property insurance companies through the WYO program. Participating companies offer flood insurance coverage to eligible applicants and arrange for the adjustment, settlement, payment, and defense of claims arising from flood insurance policies issued under this program. The WYO companies act as fiscal agents of the Federal government.
- ◆ When Hurricane Katrina made landfall in August 2005, there was damage from both wind and flooding.
- ◆ No evidence was found that WYO insurance companies acted improperly in adjusting claims, or that a perceived conflict of interest influenced their determination of insurance settlements for wind and flood claims from Louisiana, Mississippi, and Alabama.

Section 3.1 Department of Homeland Security Audits, Inspections, and Other Reviews

(continued)

RESULTS

- ◆ Overall, the NFIP would benefit from including wind damage information in its adjustment process. FEMA should:
 - Require WYOs to document and make available to the NFIP the rationale and methodology for calculating flood and wind damage when there is evidence that both perils contributed to the damage.
 - Expand the scope of the re-inspection process and the operational reviews to ensure that wind damage was not paid under the flood policy.
 - Provide clear and concise guidance for adjusting total loss claims after catastrophic events when structures are completely destroyed by wind and water.
 - Coordinate with WYOs, insurance associations, state insurance regulators, state wind pools, and Congress to explore ways to address the perception of conflict of interest when flood and homeowner adjusters represent the same WYO.
 - Pursue and collect overpayments for flood losses that have been identified and ensure that re-inspection procedures place additional emphasis on the issue of recovery of overpayments made by the NFIP.
- ◆ The report also identified three issues, relating to the flood insurance program, for Congress' consideration.

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

OIG-08-80, July 2008

SUMMARY

- ◆ Objectives: To determine whether:
 - Mission assignment requirements were satisfied,
 - Funds were spent effectively and accurately accounted for,
 - Contracting followed proper procurement procedures,
 - Adequate documentation was maintained, and
 - Purchased property was managed according to governing laws and regulations.
- ◆ Regis & Associates, PC, under contract with the DHS Office of Inspector General, reviewed the U.S. Customs and Border Protection's (CBP) management processes and internal controls for implementing FEMA-issued mission assignments related to the 2005 Gulf Coast Hurricanes.
- ◆ Approximately \$5 million of the \$17.7 million in costs that CBP billed FEMA were questioned. This included \$2.3 million for the cost of property reimbursed by FEMA but not returned; \$2 million for unsupported expenditures; and \$0.6 million for expenditures that did not comply with the scope or duration of mission assignment terms.

RESULTS

CBP agreed with 21 of the 22 recommendations included in the report. Four recommendations were implemented and CBP is taking steps to implement the remaining 17 recommendations. CBP did not concur with one recommendation, which remains open and unresolved.

Hurricane Katrina Temporary Housing Technical Assistance Contracts

OIG-08-88, August 2008

SUMMARY

- ◆ Objectives: To determine whether:
 - FEMA performed effective price reasonableness determinations;
 - FEMA developed definitive statement of work requirements and specifications, and implemented control procedures to ensure contractor compliance with those requirements and specifications to minimize the risk of fraud, waste, and abuse;
 - FEMA effectively inspected, accepted, and paid for services rendered; and
 - The contractors complied with statement of work requirements and specifications.
- ◆ Williams, Adley & Company, LLP, under a contract with DHS Office of Inspector General, reviewed FEMA's management and oversight of four large, national contractors with whom FEMA had Individual Assistance – Technical Assistance Contracts to provide temporary housing solutions for those affected by Hurricanes Katrina and Rita along the Gulf Coast.
- ◆ FEMA could improve the operation and control of its Individual Assistance – Technical Assistance Contracts by having sufficiently trained, permanent staff available for planning, independent cost estimating, and contract monitoring.

RESULTS

FEMA concurred with six of the seven recommendations in the report and offered a solution that effectively accomplished the objective of the remaining recommendation.

Hurricane Katrina Multi-tier Contracts

OIG-08-81, July 2008

SUMMARY

- ◆ Objective: To determine the extent to which multi-tier subcontracting was increasing costs, limiting opportunities for local businesses, and resulting in layers of subcontractors being paid profits and overhead, while adding little value to the work performed.
- ◆ Prime contractors, rather than small businesses, were hired by the government to help repair the massive damage caused by Hurricanes Katrina and Rita. These prime contractors engaged smaller businesses, creating layers of subcontractors between the prime contractors and those actually performing the work.
- ◆ Multi-tier subcontracting alone did not increase costs, national prime contractors hired significant numbers of local businesses, and it was unclear whether subcontractors profited without adding value to the contracts because subcontractor invoices did not contain specific information on lower-tier subcontractors.
- ◆ The *Post-Katrina Emergency Management Reform Act of 2006* (P.L. 109-295, Title VI) requires the Secretary of DHS to promulgate regulations that require, at a minimum, that contractors not use subcontractors for more than 65% of the cost of a contract or any individual task, excluding profit and overhead.

RESULTS

FEMA agreed to work with Congress and the Office of Federal Procurement Policy to promulgate less restrictive regulations over multi-tier subcontracting.

Section 3.1 Department of Homeland Security Audits, Inspections, and Other Reviews

FEMA's Crisis Counseling Assistance and Training Program: State of Florida's Project H.O.P.E.

OIG-08-96, September 2008

SUMMARY

- ◆ Objective: To determine whether Project H.O.P.E. was:
 - Expending funds according to the scope of the grant award;
 - Being properly monitored to ensure that all participants were operating within approved guidelines, as defined by the Department of Health and Human Services' Center for Mental Health Services and FEMA; and
 - Carrying out approved activities to meet the intent of the Crisis Counseling Program (CCP).
- ◆ At the request of a U.S. senator, the Office of Inspector General evaluated the CCP grant made to Florida's Department of Children and Families for the implementation of Project H.O.P.E. in response to Hurricanes Katrina and Wilma.
- ◆ The Crisis Counseling Assistance and Training Program could be strengthened by:
 - Better coordination of outreach and publicity activities among FEMA, other responding agencies, and the state implementing the grant;
 - Improved information sharing among FEMA and state agencies to locate disaster survivors needing counseling;
 - Improved managerial oversight and project monitoring;
 - Improved methodologies to measure project effectiveness; and
 - Better planning for consistent project design implementation.

RESULTS

FEMA generally concurred with the six recommendations in the report. Four recommendations have been implemented and FEMA has taken steps to implement the two recommendations that remain open.

Interagency Agreement with U.S. Department of Housing and Urban Development for Disaster Housing Assistance

OIG-08-55, May 2008

SUMMARY

- ◆ Objective: To determine whether certain elements of the proposed modifications relating to compensation for program services could result in duplicate or improper payments.
- ◆ FEMA entered into an interagency agreement with the U.S. Department of Housing and Urban Development (HUD) to administer the Disaster Housing Assistance Program (DHAP).
- ◆ DHAP provides temporary housing assistance through March 1, 2009, through a monthly rent subsidy to eligible families displaced by Hurricanes Katrina and Rita. HUD acts as a servicing agent to provide temporary long-term housing rental assistance and case management to identified individuals and households. HUD's Public Housing Authorities (PHAs) perform pre transitional activities and case-management services.
- ◆ This review focused on HUD-proposed modifications to the operating requirements for DHAP.
- ◆ FEMA paid HUD for administrative service fees not incurred, and paid some fees twice.

RESULTS

FEMA should obtain cost-estimates for administrative service fees related to the rent-subsidy payments made by the PHAs, and pursue reimbursement from HUD for payments made for administrative service fees not incurred and for fees paid twice.

Disaster Assistance Grants**SUMMARY**

- ◆ Objectives:
 - To determine the eligibility of the grantee or subgrantee and of the work funded by the grant, and
 - To determine whether grantees or subgrantees accounted for and expended FEMA funds according to Federal regulations.
- ◆ The *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, Public Law 93-288, as amended, governs disasters declared by the President. Title 44 of the Code of Federal Regulations provides further guidance and requirements for administering disaster assistance grants awarded by FEMA to individuals, state and local governments.
- ◆ The audits focus on costs as well as the eligibility of the grant applicant and the eligibility of the work funded by the grant.

RESULTS

Reviews completed:

- ◆ Review of Coast Electric Power Association, DA-08-06, June 26, 2008.
- ◆ Audit of Hurricane Katrina Activities for the city of Waveland, Mississippi, DA-08-08, July 17, 2008.
- ◆ Hurricane Katrina Disaster Costs for Hancock County Port and Harbor Commission, DA-08-09, August 6, 2008.
- ◆ Hurricane Katrina Activities for Hancock Medical Center, DA-08-10, August 6, 2008.
- ◆ Hurricane Katrina Activities for Singing River Electric Power Association, DA-08-11, September 18, 2008.
- ◆ Lafayette Parish Sheltering and Emergency Protective Measures, DD-08-02, September 11, 2008.

ONGOING AUDITS**FEMA Mission Assignments****OBJECTIVE**

To determine:

- ◆ Mission assignment requirements were satisfied,
- ◆ Funds were accurately accounted for and spent efficiently,
- ◆ Contracting followed proper procurement procedures,
- ◆ Adequate documentation was maintained, and
- ◆ Purchased property was managed according to governing laws and regulations.

Section 3.1 Department of Homeland Security Audits, Inspections, and Other Reviews

(continued)

BACKGROUND

- ◆ In any declared disaster or emergency, FEMA may direct other Federal agencies, through mission assignments, to perform activities to support state and local governments.
- ◆ The agencies can request reimbursement from FEMA for eligible costs incurred during performance of the mission as the work is completed.
- ◆ FEMA awards to the five DHS components receiving the largest mission assignments are under review. Awards totaling \$775 million were made to: Federal Protective Service, U.S. Coast Guard, Customs and Border Protection, Immigration and Customs Enforcement, and National Communication System.

Formaldehyde Issues Related to FEMA's Emergency Housing Program

OBJECTIVE

To determine:

- ◆ The process used by FEMA to collect and respond to health and safety concerns of trailer occupants;
- ◆ Whether FEMA adequately notified occupants of potential health and safety concerns; and
- ◆ Whether FEMA established proper controls and processes to deal with health and safety concerns of those living in trailers following disasters.

BACKGROUND

As mandated by Congress, an evaluation of FEMA policies and procedures regarding formaldehyde in trailers purchased by the Agency to house disaster victims will be performed.

FEMA Disaster Acquisition Workforce

OBJECTIVE

To determine whether:

- ◆ FEMA's disaster acquisition workforce strategy is adequate to satisfy the needs created by a catastrophic disaster;
- ◆ FEMA has an up-to-date disaster acquisition policy that includes workforce requirements for procurement, contract monitoring, and contract management; and
- ◆ Acquisition staff is properly trained.

BACKGROUND

- ◆ Well-managed acquisitions enable FEMA to respond effectively to disasters. A properly trained and staffed acquisition workforce is key to managing acquisitions effectively.
- ◆ When Hurricane Katrina struck, FEMA did not have sufficient numbers of trained contracting staff and contracting officer technical representatives to meet mission requirements.
- ◆ In addition, an assessment process was not established to monitor planning efforts for disaster-related procurement needs and to monitor and maintain surge capacity for disaster contracting.
- ◆ Funding for acquisition oversight of disaster contracts was inadequate. FEMA has made progress resolving staffing shortfalls, but it may not be enough for the next catastrophic disaster.

FEMA's Public Assistance Project Management Process

OBJECTIVE

- ◆ To determine the effectiveness of FEMA's process for monitoring Public Assistance (PA) projects, including the use of project worksheets, and
- ◆ To identify opportunities for improving the current process, as applicable.

BACKGROUND

- ◆ PA grants are awarded to subgrantees of states to repair infrastructure, such as buildings and highways, damaged by disasters.
- ◆ FEMA's primary tool for authorizing and monitoring PA projects is the project worksheet. It is used to document the scope of work and cost estimates and to authorize payments for individual projects.
- ◆ Incomplete, inaccurate, untimely, or out-of-date project worksheets significantly increase the risk that grantees and subgrantees will not effectively manage projects. Poor project management leads to cost overruns, completion delays, and numerous other problems.
- ◆ FEMA has been criticized, particularly since Hurricane Katrina, for not having an effective method of authorizing and monitoring PA projects and for making project management more difficult for grantees and subgrantees.

FEMA's Temporary Housing Unit Program

OBJECTIVE

To determine the:

- ◆ Efficacy of the program including:
 - Funding,
 - Staffing,
 - Contracting,
 - Acquisition management, and
 - Property accountability;
- ◆ Utility of maintaining FEMA storage facilities; and
- ◆ Effectiveness of established procedures to ensure the proper safeguarding of the housing assets.

BACKGROUND

- ◆ FEMA provides temporary housing such as travel trailers, mobile homes, and other types of modular housing to disaster victims. During Hurricanes Katrina and Rita, more than \$2.5 billion was spent on travel trailers and mobile homes.
- ◆ FEMA's future disaster plan includes maintaining an inventory of housing assets at storage facilities in strategic areas of the country to allow expedited responses to housing needs.
- ◆ This project was previously reported as FEMA's Emergency Housing Unit Program.

Section 3.1 Department of Homeland Security Audits, Inspections, and Other Reviews

FEMA's Debris Removal Program

OBJECTIVE

To determine whether the changes and revisions to the debris removal and monitoring program address the weaknesses, issues, and concerns that have been identified in previous reviews and improve the performance of the program.

BACKGROUND

- ◆ Removing debris created by Hurricanes Katrina and Rita has been an extremely costly and time-consuming endeavor throughout the Gulf Coast. Numerous reviews are being conducted to determine the feasibility of debris removal operations performed by local governments because the costs are reimbursed under FEMA's PA grant program.
- ◆ There have been long-standing issues associated with debris removal and monitoring operations and these concerns are exacerbated by the size of the debris problem in the Gulf Coast.
- ◆ In response to these issues, FEMA is retooling its debris removal program and implementing new policies and procedures.

Data Mining to Identify Duplication of Benefits

OBJECTIVE

To determine whether:

- ◆ Recipients of FEMA's Disaster Housing Home Repair grant assistance have also received benefits from the National Flood Insurance Program (NFIP); and
- ◆ Duplication of assistance to victims has occurred among the various housing programs including rent, trailers, mobile homes, and hotels..

BACKGROUND

- ◆ FEMA has numerous assistance programs available to aid victims in recovering from damages sustained in presidentially declared disasters. FEMA's Disaster Housing Program provides eligible applicants with assistance in the form of cash grants to make repairs to their home, as well as other types of assistance for victims who need to rent. FEMA also provides travel trailers and mobile homes to victims displaced by a disaster. Other housing options include hotels, motels, and apartments.
- ◆ FEMA's Federal Insurance Administration manages the NFIP that provides flood insurance to property owners in participating communities. The maximum coverage is \$250,000.
- ◆ A number of databases house connected information relative to benefits issued. One database maintains active and cancelled flood policies, as well as claims paid. Another database keeps records of FEMA's rental assistance, and several other databases maintain benefits paid for hotels, motels, and apartments. All of these databases need to be compared to determine whether duplicate benefits have been issued.

Survey of the Disaster Relief Fund's Support Account

OBJECTIVE

To determine whether FEMA is using the Disaster Relief Fund (DRF) for eligible expenses.

BACKGROUND

- ◆ FEMA uses the DRF Support Account to fund disaster-related activities that cannot easily be charged to a specific disaster.
- ◆ In the past 11 fiscal years, expenditures from the Support Account have escalated from \$109 million in FY 1997 to more than \$1 billion in FY 2007.
- ◆ Although Congress intended the DRF to be broad and flexible, the continued increase in Support Account spending necessitates the need to establish and maintain a strong control environment and proper accountability over these funds.

FEMA's Property Management

OBJECTIVE

To determine whether personal property is acquired, received, issued, disposed of, controlled, and tracked by the Joint Field Offices, Agency Logistics Centers, Territory Logistics Centers, and Remote Storage Sites in an effective, efficient, and economical manner.

BACKGROUND

- ◆ Disaster assistance operations involve numerous acquisitions of personal property by FEMA as well as other agencies.
- ◆ Internal controls will be assessed to ensure that personal property purchased during disaster operations is properly accounted for and managed.

Compendium of Federal Disaster Assistance Programs

OBJECTIVE

To produce a baseline report that identifies programs and areas within the Federal government that are at risk of providing duplicate benefits to disaster victims.

BACKGROUND

- ◆ An inventory of Federal disaster assistance programs is being prepared to assess their potential for duplication of benefits. This is a high-level review rather than an effort to identify specific incidents of duplication.
- ◆ Case studies will be used to demonstrate the importance of applying safeguards to these programs in an effort to prevent both intentional and inadvertent duplication of benefits. Some instances of overlapping programs have already surfaced, such as individuals receiving cash for both rental assistance and housing provided by different Federal agencies.

Section 3.1 Department of Homeland Security Audits, Inspections, and Other Reviews

FEMA's Exit Strategy for Temporary Housing in the Gulf Coast Region

OBJECTIVE

To determine:

- ◆ How well FEMA is managing its temporary housing program efforts,
- ◆ What role other Federal agencies should have in transitional housing, and
- ◆ Whether FEMA has devised a road map for transferring the transitional housing sites to local governments.

BACKGROUND

- ◆ Tens of thousands of FEMA-purchased manufactured homes and travel trailers are occupied by 100,000 Gulf Coast evacuee families at transitional housing sites throughout Louisiana, Mississippi, and Alabama, where FEMA pays for security.
- ◆ According to FEMA's Office of Gulf Coast Recovery, the transitional housing sites that will be operating for five or more years are plagued with violence, drugs, and gang activity. A July 2006 report by the *Save the Children* organization painted an unattractive picture of dysfunctional communities at 20 of FEMA's transitional housing sites.
- ◆ The lack of alternative housing in the Gulf Coast region suggests that these transitional housing sites may be permanent.
- ◆ This report was issued as report number OIG-09-02 on October 2, 2008.

FEMA's Public Assistance Program Funding for Hazard Mitigation Measurements

OBJECTIVE

To determine how effectively FEMA is managing public assistance mitigation grants across the hurricane-damaged Gulf Coast.

BACKGROUND

- ◆ FEMA provides public assistance grants to state and local governments to repair or restore infrastructure damaged by disasters. A component of that program allows for funding mitigation measures that the state or local government determines to be necessary to meet a need for governmental services and functions in the area affected by the major disaster.
- ◆ This project was previously reported as FEMA's Section 406 Mitigation Program.

FEMA's Hazard Mitigation Grant Program

OBJECTIVE

To determine how effectively FEMA and the states are managing the Hazard Mitigation Grant Program after Hurricanes Katrina and Rita.

BACKGROUND

- ◆ Authorized under Section 404 of the *Stafford Act*, the Hazard Mitigation Grant Program provides grants to states and local governments to implement long-term hazard mitigation measures after a major disaster declaration.
- ◆ The purpose of the program is to reduce the loss of life and property due to natural disasters and to enable mitigation measures to be implemented during the immediate recovery from a disaster.
- ◆ To date, FEMA has committed about \$3 billion in program funds to states along the Gulf Coast for Hurricanes Katrina and Rita. States may apply for up to 7.5% of the total disaster grants awarded by FEMA. In addition, some states may qualify for a higher percentage if they meet higher mitigation planning criteria.

Assessment of FEMA's Disaster Workforce

OBJECTIVE

To determine the progress FEMA has made toward enhancing its disaster workforce since Hurricane Katrina, particularly in light of the inputs from the numerous FEMA studies, the DHS Office of Inspector General inspection reports, and the *Post-Katrina Emergency Management Reform Act of 2006*.

BACKGROUND

- ◆ One of the critical areas that affected FEMA's ability to effectively respond to the enormous challenges presented by Hurricane Katrina was the limited depth and strength of the FEMA Disaster Workforce. Over the past 13 years 12 studies examined FEMA's ability to respond to challenges prior to Hurricane Katrina.
- ◆ Following the 2005 hurricane season, FEMA again initiated a study of this subject. In addition, an inspections review that addressed this same issue, and the *Post-Katrina Emergency Management Reform Act of 2006* called for the rebuilding of FEMA's permanent and reserve workforces through some very specific actions and strategies.
- ◆ With input from these many sources, FEMA has worked to improve its readiness and now claims to be better prepared for the next catastrophic disaster.

Section 3.1 Department of Homeland Security Audits, Inspections, and Other Reviews

FEMA's Housing Strategy for Future Disasters

OBJECTIVE

To determine the efficacy of FEMA's:

- ◆ Interagency housing coordination,
- ◆ Strategic plans for providing emergency housing to future disaster victims, and
- ◆ Strategy for addressing persistent transitional housing issues.

BACKGROUND

- ◆ Despite the availability of housing units in other Federal agencies' inventories, FEMA purchased more than 140,000 emergency housing units, including travel trailers, mobile homes, and modular housing kits, in response to Hurricanes Katrina, Rita, and Wilma.
- ◆ Many of the purchased units were never used. Some were inappropriate and could not be used in the intended areas. Most of the modular kits were never assembled and have since deteriorated in unprotected storage.
- ◆ FEMA extended its disaster housing mission past the 18 months authorized in the *Robert T. Stafford Act*, as amended. The President requested that FEMA and the Department of Housing and Urban Development (HUD) create a process to transition long-term disaster housing to HUD. Legal concerns about the *Stafford Act* restrictions have delayed the process for transition.
- ◆ In response to the National Disaster Housing Strategy that was mandated in the *Department of Homeland Security Appropriations Act of 2007*, FEMA promised a different approach in the future to avoid such problems.

Review of FEMA's Acquisition and Sourcing for Goods and Services Necessary for Disaster Response

OBJECTIVE

To determine the extent FEMA has:

- ◆ Catalogued key disaster response resources;
- ◆ Developed a strategy for the effective mobilization and deployment of critical resources from a variety of sources in response to incidents;
- ◆ Developed and tested a system that key stakeholders can readily use to determine available resources, and which sources they should use to efficiently and effectively send needed goods and supplies;
- ◆ Communicated effectively with key stakeholders so that everyone understands the procedures for mobilizing and deploying critical disaster response resources; and
- ◆ Developed procedures to minimize unnecessary duplication.

BACKGROUND

- ◆ For all incidents, it is essential to prioritize and clearly communicate incident requirements so that resources can be efficiently matched, typed, and mobilized to support operations. Large-scale events, in particular, may require sophisticated coordination and time-phased deployment of resources from the private sector; nongovernmental organizations; foreign governments and international organizations; and local, tribal, state, and federal government entities.

3.1

- ◆ Mobilization and deployment will be most effective when supported by planning that addresses the universe of available resources, including:
 - Prepositioned FEMA resources,
 - Mission assignments and pre-scripted mission assignments,
 - Interagency agreements,
 - Advance readiness contracts, and
 - State-owned or state-controlled resources and a strategy for determining when to use those resources.
- ◆ Where sourcing duplication exists, a case study analysis will be conducted to determine whether there are major differences in prices or agreements and whether there are guidelines for choosing the source to use.

Review of Contracts Awarded by the Mississippi Transitional Recovery Office

OBJECTIVE

To determine whether contracts awarded by FEMA Mississippi Transitional Recovery Office (TRO) were awarded and administered according to Federal Acquisition Regulation and FEMA guidelines.

BACKGROUND

As of June 12, 2007, FEMA contracting officers at the Mississippi TRO had awarded 38 contracts totaling an estimated \$278 million. These contracts covered a broad range of goods and services including items such as paid leases for temporary housing units, armed guard security, base camps, and meals ready-to-eat. It is essential that all acquisitions be handled in an efficient, effective, and accountable manner.

PLANNED AUDITS

FEMA's Management of Mission Assignments

OBJECTIVE

To determine the extent that FEMA is:

- ◆ Establishing mission assignment requirements and identifying appropriate capabilities to fulfill those assignments.
- ◆ Coordinating and monitoring the implementation of mission assignments.

BACKGROUND

- ◆ FEMA uses mission assignments to coordinate the deployment of resources from other Federal agencies and is responsible for administering expenditures from the DRF.
- ◆ Key elements of the successful execution and management of mission assignments involve:
 - Establishing mission assignment requirements;
 - Identifying what entity or entities can best fulfill those requirements;
 - Coordinating and monitoring mission assignment implementation;
 - Verifying expenditures and accounting for procured property; and
 - Administratively closing mission assignments according to established procedures.

Section 3.1 Department of Homeland Security Audits, Inspections, and Other Reviews

FEMA's Use of Interagency Agreements

OBJECTIVE

To determine whether FEMA is:

- ◆ Following established policies and procedures in initiating and administering interagency agreements;
- ◆ Appropriately monitoring implementation;
- ◆ Ensuring that expenditures from the DRF are verified and procured property is accounted for and recorded; and
- ◆ Closing interagency agreements according to established procedures in a timely manner.

BACKGROUND

- ◆ FEMA executes interagency agreements with other Federal agencies to obtain goods and services for disaster work that is expected to last longer than the 60 days as defined in regulations for mission assignments.
- ◆ As with any acquisition, FEMA is responsible for ensuring that:
 - Procurement is appropriate and controls are in place;
 - Sufficient oversight is performed and expenditures are verified; and
 - Work is completed according to the terms of the agreement and administratively closed following established procedures.

State Administration of FEMA's Public Assistance Projects

OBJECTIVE

To determine whether states (grantees) are:

- ◆ Providing adequate guidance to sub-grantees to ensure that they are aware of grant requirements and eligibility of costs;
- ◆ Sufficiently monitoring the activities of subgrantees;
- ◆ Submitting Administrative Plans and quarterly progress reports that include required procedures and elements for proper grant administration; and
- ◆ Using the administrative allowance for authorized purposes.

BACKGROUND

- ◆ States, as grantees, are responsible for ensuring that FEMA subgrantees are aware of requirements imposed on them by Federal statutes and regulations and are required to monitor sub-grantee activities to ensure compliance with applicable Federal requirements.

3.1

- ◆ Under FEMA’s PA program, states are provided an allowance to cover the extraordinary costs incurred by state employees in managing PA projects. Eligible costs include overtime, per diem, and travel expenses, but not regular time. Such management activities include:
 - Preparing project applications,
 - Formulating project worksheets,
 - Validating small projects, and
 - Conducting final inspections.
- ◆ States are required to submit Administrative Plans to FEMA on how they plan to administer grants under the PA program. Each plan must include specific procedures regarding all phases of grant management and must be approved by the appropriate FEMA Regional Office.
- ◆ States are also required to report quarterly to FEMA on the status of all open large PA projects. Progress reports are critical to the states and FEMA in determining the status of projects, including the stage of project completion, incurred costs, and any problems that could result in delays, cost overruns, or noncompliance with Federal grant conditions.
- ◆ Over the past several years, reviews of disaster-related costs claimed by FEMA subgrantees have consistently disclosed poor grant accounting, improper contracting practices, and costs charged to the grants that were not eligible for FEMA reimbursement.

Effectiveness of FEMA’s Remedial Action Management Program

OBJECTIVE

To determine the extent FEMA is using its Remedial Action Management Program to implement lessons learned from Hurricane Katrina and other disasters to improve readiness for the next catastrophic disaster.

BACKGROUND

- ◆ FEMA has used after-action reports, facilitator-led discussions called “hot washes,” and third-party reviews following disasters to identify “lessons learned” and solutions to problems that occurred during disaster response and recovery operations. However, corrective actions were not consistently implemented or tracked.
- ◆ In 2003, FEMA implemented the Remedial Action Management Program designed to consolidate, assign, track, and monitor the remediation of problems that were identified following disasters.

Section 3.2 Department of Defense Audits, Inspections, and Other Reviews

3.2 DoD Overview

The Department of Defense (DoD) has completed the majority of its 2005 Gulf Coast hurricane audit activity. Currently, two follow-up audits remain ongoing within the Army Audit Agency. No further audit work is planned with respect to the 2005 Gulf Coast hurricanes.

FINAL – DoD OFFICE OF INPECTOR GENERAL

Approval Process, Tracking, and Financial Management of DoD Disaster Relief Efforts

D-2008-130, September 17, 2008

SUMMARY

- ◆ DoD provided Hurricane Katrina disaster relief through 121 FEMA mission assignments totaling more than \$2 billion.
- ◆ Despite notable improvements, DoD continues to have issues that could affect readiness and situational awareness during disaster relief efforts.
- ◆ As a result, DoD may be unnecessarily involved in future disaster responses that could be completed by other, more appropriate, responders.
- ◆ Additionally, DoD responses to future disasters may not be as effective and efficient as possible and could be more costly than necessary.

RESULTS

Auditors determined that DoD:

- ◆ Did not have guidance in place during Hurricane Katrina to effectively manage financial operations,
- ◆ FEMA mission assignments risked exceeding dollar thresholds, and
- ◆ Risked losing track of total costs and could have been denied reimbursement for funds spent related to Hurricane Katrina disaster relief efforts.

Hurricane Relief Effort Costs on the Navy Construction Capabilities Contract

D-2008-097, May 23, 2008

SUMMARY

- ◆ Navy contracting officials did not effectively implement cost control procedures on three Construction Capabilities task orders.
- ◆ The Navy did not have a means to measure contractor performance on \$229 million in task orders and was basically only measuring the contractor's spend rate. Navy officials also provided insufficient oversight of subcontracting efforts for the three task orders.
- ◆ The Navy also administered the contract as cost-plus-percentage-of-cost contract, which is prohibited.



RESULTS

Auditors determined that:

- ◆ The government paid for exorbitant labor rates, unnecessary goods and services, and mark-ups on material and equipment,
- ◆ The contractor was being rewarded with increased profit for inefficiently managing costs, and
- ◆ The Navy did not adequately support the award fee determinations.

DoD Accounting to Support DoD Personnel During Times of Civil Emergency

D-2008-080, April 25, 2008

SUMMARY

- ◆ DoD did not have adequate controls to ensure the accuracy of payments to DoD personnel for Hurricane Katrina entitlements. Specifically, DoD did not have adequate controls to prevent or detect duplicate payments from the Services and FEMA for similar entitlements.
- ◆ This occurred because neither DoD nor Federal regulations prohibited DoD personnel from filing claims with multiple Federal agencies, and DoD did not require disclosure of payments from other Federal agencies.
- ◆ In addition, the Services did not coordinate with each other or FEMA to determine the types of assistance provided or amounts paid to DoD personnel. DoD also did not require disclosure of payments from the Services or FEMA, and personnel did not always comply with DoD travel regulations.
- ◆ Therefore, personnel were able to file claims and receive payments from more than one Service and FEMA.

RESULTS

- ◆ DoD made duplicate payments of about 27.1%, or \$10.7 million, for Hurricane Katrina entitlements.
- ◆ Revising pre-payment and post-payment procedures to include requirements for coordinating across Services and with other Federal agencies should decrease the potential for duplicate payments.

FINAL – ARMY AUDIT AGENCY

Demolition Contracts

A-2008-0192-FFD, July 24, 2008

SUMMARY

- ◆ Objective: To evaluate how U.S. Army Corps of Engineers contracted for demolition services in Louisiana in conjunction with Hurricane Katrina recovery efforts.
- ◆ To carry out demolition operations, the Corps awarded nine task orders totaling about \$342 million under three existing debris removal contracts.

Section 3.2 Department of Defense Audits, Inspections, and Other Reviews

(continued)

- ◆ More than a year into the Katrina recovery mission, the Corps continued to rely exclusively on three large debris removal contracts it awarded in September 2005 instead of reviewing competing bids and awarding new contracts. This arrangement placed the Corps in a poor bargaining position with no leverage for price negotiations. In its defense, actions by the Corps to review competitive bids and award new demolition contracts continuously faltered as a result of actions mostly out of its control.
- ◆ On January 30, 2007, the Corps solicited new small business contracts, also known as “8(a) contracts,” to perform the remaining demolition work in Louisiana. However, it did not award any new contracts because the demolition mission concluded September 30, 2007.
- ◆ Additionally, the Corps did not establish a well-defined program for contractor quality control and government quality assurance processes. This was because its quality assurance inspectors did 100% of the monitoring at each demolition site instead of requiring the contractors to implement their own quality control plans to ensure that work was done properly.

RESULTS

- ◆ The Corps established a costly program to perform surveillance of demolition operations.
- ◆ If the Corps had required contractors to implement their own quality control plans, then each Corps quality assurance inspector would have been able to monitor more than one demolition site, thereby saving about \$4.2 million in quality assurance inspections.

FINAL – AIR FORCE AUDIT AGENCY

Hurricane Disaster Planning

F2008-0007-FD1000, June 4, 2008

SUMMARY

Objectives:

- ◆ To assess the effectiveness of preparations for future hurricane seasons.
- ◆ To examine whether Air Force personnel implemented effective hurricane disaster planning measures for future contingencies and assessed the appropriateness of future audit areas.

RESULTS

The audit determined that Air Force officials did not implement effective hurricane disaster planning. Specifically:

- ◆ Officials did not establish adequate controls to address the need for shelter for hurricane ride-out team members.
- ◆ The Air National Guard Readiness Center did not provide adequate numbers of trained personnel to perform security duties during natural disasters.
- ◆ Officials did not adequately resolve conflicting radio frequency assignments in the disaster areas, nor did they adequately plan computer local area network access for deployed personnel.

ONGOING – ARMY AUDIT AGENCY

Follow-up Audit of Program Management to Restore and Enhance the Hurricane Protection System, U.S. Army Corps of Engineers, Mississippi Valley Division

Project A-2008-FFD-0451.000, February 14, 2008

OBJECTIVE

To determine:

- ◆ Whether the recommendations from the original report were implemented, and if so, whether the recommendations corrected the initial deficiencies, and
- ◆ Whether previously reported monetary benefits were realized.

Follow-up Audit of Debris Removal Contracts, U.S. Army Corps of Engineers

Project A-2008-FFD-0308.000, February 7, 2008

OBJECTIVE

To determine:

- ◆ Whether the recommendations from the original report were implemented, and if so, whether the recommendations corrected the initially reported deficiencies, and
- ◆ Whether previously reported monetary benefits were realized.

Section 3.3 Department of Housing and Urban Development Audits, Inspections, and Other Reviews

3.3 HUD Overview

- ◆ Disasters in 2008 continue to be a challenge for the U.S. Department of Housing and Urban Development (HUD). After spring floods in the Midwest and fires in California, the Gulf Coast was hit with two more major hurricanes, Gustav and Ike. Hurricane Ike caused major home destruction along or near the Gulf Coast of Texas, including the cities of Galveston and Houston. Hurricane Gustav caused damage in Louisiana in and around New Orleans, as well as in the city of Baton Rouge.
- ◆ HUD received more than \$6.6 billion in emergency supplemental funding for rental assistance, public housing capital fund, and the community development fund for the 2008 disasters. This funding was in addition to the approximately \$20 billion in disaster funds that HUD already approved and distributed in the form of Community Development Block Grants (CDBG) for housing and other needs.
- ◆ HUD also has responsibility for temporary housing assistance from FEMA funds for approximately 45,000 FEMA households from the declared disaster areas, under a FEMA Inter-Agency Agreement in the new Disaster Housing Assistance Program (DHAP).
- ◆ HUD has provided a variety of public housing program funds for repair and reconstruction of severely damaged public housing properties, most notably in Biloxi, Mississippi, and New Orleans, Louisiana.
- ◆ The HUD Office of Inspector General Office of Audit (OA) continues to be diligent in its efforts to pursue fraud, waste, and abuse in the audits of the \$20 billion in HUD's Emergency Supplemental funding provided to the Gulf Coast states.
- ◆ The HUD Office of Inspector General OA Gulf Coast Region has completed a total of seven audits of the supplemental funding during FY 2008 with two audits completed during the current semiannual period. For FY 2008, questioned costs totaled more than \$20 million, of which \$4 million represents questioned costs for the current semiannual period audit reports.
- ◆ Currently, auditors are evaluating the Housing Authority of New Orleans (HANO) as part of a congressional request. It should be noted that OA is monitoring the funding for Louisiana's "Road Home" program, which exceeds \$9 billion, and the amount obligated for Mississippi's homeowner program, which totals \$2.5 billion.

FINAL AUDITS

The State of Mississippi's Homeowners Assistance Program Contract Included Ineligible Provisions

2008-AO-1003, April 25, 2008

SUMMARY

- ◆ HUD Office of Inspector General audited the state of Mississippi's Development Authority's (Authority) Homeowners Assistance Program (Program), implemented by Reznick Mississippi, LLC (contractor).
- ◆ Objective: To determine whether the Authority ensured that the contingency amounts were eligible and supported.
- ◆ The Authority executed a contract, which included an ineligible provision that allowed its contractor to bill for ineligible and unsupported contingency amounts.
- ◆ The Authority was unaware of Federal prohibitions regarding such payments, and as a result paid the contractor for ineligible and unsupported contingency amounts. In addition, contingency amounts in the contract remain unpaid and could be put to better use.



RESULTS

The Office of Inspector General recommended that HUD:

- ◆ Require the Authority to repay the Program more than \$3.9 million from nonfederal funds, which it disbursed for ineligible and unsupported contingency amounts;
- ◆ Cease making further contract payments for \$243,210 in contingency amounts, which could be put to better use; and
- ◆ Develop and implement a process to ensure that future contracts and amendments involving state of Mississippi's CDBG disaster recovery funds do not include such ineligible provisions and amounts.

State of Louisiana, Baton Rouge Road Home Program Did Not Ensure That All Additional Compensation Grant Applicants Were Eligible

2008-AO-1005, August 7, 2008

SUMMARY

- ◆ Objectives: To determine whether:
 - Program applicants were eligible to receive the grant; and
 - The state ensured that grant income policies and procedures were according to HUD rules and regulations and ensured that its contractor followed them.
- ◆ The state implemented grant income policies and procedures as required by HUD rules and regulations. However, those policies and procedures were not sufficient to ensure that all applicants were eligible to receive their grants.
- ◆ Of 45 grants sampled, the state funded nine grants, totaling \$263,959, that were either ineligible or unsupported.
- ◆ In addition, the state did not ensure that its contractor followed its policies and procedures for another 24 grants, but the errors did not impact the grants' eligibility. These conditions occurred because the state did not ensure that its contractor's controls were sufficient to catch errors and that its policies and procedures were followed when determining eligibility.
- ◆ Further, although the state's contractor performed a review of all 45 grants sampled, issues remained undetected.

RESULTS

- ◆ The Office of Inspector General recommended that HUD:
 - Require the state to repay amounts disbursed for ineligible grants to its Road Home program,
 - Either support or repay amounts disbursed for unsupported grants,
 - Ensure that its contractor follows the established policies and procedures,
 - Ensure that its contractor's post-closing reviews detect and correct errors, and
 - Review the remaining 21,672 grant disbursed between June 12, 2006, and October 13, 2007, to ensure that grants were eligible and supported.
- ◆ After reviewing these grants, the Office of Inspector General estimates the value of questioned costs will total more than \$70 million for grant disbursements to ineligible participants and more than \$57.4 million for grant disbursements to participants whose eligibility was not adequately supported.

Section 3.3 Department of Housing and Urban Development Audits, Inspections, and Other Reviews

3.3

ONGOING AUDITS

Housing Authority of New Orleans Program Administration

AO-08-0010

OBJECTIVE

To determine whether HUD provided adequate management oversight to ensure that HANO complied with HUD requirements when operating its Section 8 and Public Housing operations.

Mississippi's Small Rental Assistance Program

AO-08-0011

OBJECTIVE

To determine whether the state:

- ◆ Appropriately charged applicants an application fee for Community Development Block Grant (CDBG) funds, and
- ◆ Established adequate management planning into the implementation of its Small Rental Assistance Program to provide HUD reasonable assurance that there were no unreasonable delays in the disbursements of funds to eligible applicants.

Louisiana Road Home Employees Eligibility

AO-08-0012

OBJECTIVE

To determine whether the state ensured that Road Home employees were eligible to receive the additional compensation grant portion of the homeowner assistance grant.

Housing Authority of New Orleans Financial Administration and Operation

AO-08-0013

OBJECTIVE

To determine whether:

- ◆ HUD has adequate management oversight to ensure that HANO returns to self-rule within a reasonable period of time by determining whether:
 - HANO had an adequate recovery plan to return the housing authority to self-rule; and
 - HUD adequately monitored the housing authority while under receivership.
- ◆ HANO's performance in its procurement and financial functions are adequate by determining whether:
 - HANO is properly procuring and monitoring contracts; and
 - HANO is properly paying its vendors and contractors and adequately accounting for its fungibility funds.

Section 3.4 Department of the Interior Audits, Inspections, and Other Reviews



3.4 DOI Overview

The Department of the Interior (DOI) completed one audit this reporting period relating to the use of approved funds for rebuilding efforts by the National Park Service (NPS) and the Fish and Wildlife Service (FWS).

FINAL AUDIT

Audit of the National Park Service and the Fish and Wildlife Service

SUMMARY

The hurricanes of 2005 greatly impacted DOI, which received approximately \$283 million in supplemental funding to address hurricane-related damage. Our audit of these funds focused primarily on the major repair and rebuilding efforts by NPS and the FWS.

RESULTS

- ◆ By the end of FY 2007, NPS had made little progress in its rebuilding efforts. It obligated or spent only 24% of its \$74 million in funding. Many projects were not started or completed. Lack of prioritization and coordination could cause NPS to run out of funds before all hurricane damage can be repaired.
- ◆ FWS made significantly more progress in its rebuilding effort than NPS. By the end of FY 2007, FWS had spent \$145 million of its \$162 million (90%) in supplemental funding. Site visits showed extensive work in progress to address hurricane damage, however, FWS lacked adequate documentation to support its decisions to rebuild and expand certain facilities. Furthermore, FWS had not required the collection of hazard insurance proceeds totaling \$153,000 that were available on a concessioner-operated facility damaged by a hurricane.
- ◆ The audit did not disclose any instances where NPS or FWS inappropriately spent hurricane funds on assets not damaged in the 2005 hurricane season.

Section 3.5 Health and Human Services Audits, Inspections, and Other Reviews

3.5 HHS Overview

- ◆ The Health and Human Services (HHS) Office of Inspector General recommended that a state agency refund an estimated \$19.8 million in unallowable costs that were not in accordance with Federal and state laws and regulations or with the approved provisions of the state's uncompensated care pool (UCCP) plan.
- ◆ In response to a congressional request, HHS Office of Inspector General conducted a profitability analysis of five hospital groups in the New Orleans region impacted by Hurricane Katrina, including comparing the hospitals' profitability trends to peer hospitals. The five hospitals' profitability trends:
 - Differed significantly from each other,
 - Differed from those of peer hospitals, and
 - Reflected both the adverse financial impact of Hurricane Katrina and subsequent financial improvements due to insurance payments and additional FEMA funding.

FINAL REVIEWS

Medical Assistance Provided by Maryland to Hurricane Katrina Evacuees

A-03-07-00200, June 16, 2008

SUMMARY

- ◆ Objective: To determine whether the Maryland Department of Health and Mental Hygiene (state agency) claimed reimbursement for services provided to Hurricane Katrina evacuees according to its approved hurricane-related Section 1115 demonstration project.
- ◆ Section 1115 of the *Social Security Act* permits the Secretary to authorize demonstration projects to promote the objectives of the Medicaid program. Under Section 1115, the Centers for Medicare and Medicaid Services (CMS) approved Maryland's request for Medicaid demonstration authority to provide the benefits included in its Medicaid State Plan to eligible Hurricane Katrina evacuees for a maximum of five months ending no later than June 30, 2006.
- ◆ CMS limited coverage under the hurricane-related Section 1115 demonstration project to evacuees from specified counties and parishes in four states affected by the hurricane and required that Maryland verify residency and other eligibility factors to the greatest extent possible.
- ◆ As of March 31, 2007, the state agency claimed a total of \$1,342,932 for medical assistance provided to evacuees from Alabama, Louisiana, and Mississippi.
- ◆ The state agency did not always claim reimbursement for services provided to Hurricane Katrina evacuees according to its approved hurricane-related Section 1115 demonstration project. Of the \$1,342,932 claimed, \$930,924 was allowable. The remaining \$412,008 was unallowable.

RESULTS

It was recommended that the state agency refund the \$412,008 in unallowable reimbursements and revise its Form CMS 64.9 Waiver reports for Louisiana, Mississippi, and Alabama by the audit adjustment amount.



Medical Assistance Provided by Virginia to Hurricane Katrina Evacuees

A-03-07-00211, June 18, 2008

SUMMARY

- ◆ Objective: To determine whether the Virginia Department of Medical Assistance Services (state agency) claimed reimbursement for services provided to Hurricane Katrina evacuees and related administrative costs according to approved hurricane-related Section 1115 demonstration project.
- ◆ Section 1115 of the *Social Security Act* permits the Secretary to authorize demonstration projects to promote the objectives of the Medicaid program. Under Section 1115, CMS approved Virginia's request for Medicaid demonstration authority to provide the benefits included in its Medicaid State Plan to eligible Hurricane Katrina evacuees for a maximum of five months ending no later than June 30, 2006.
- ◆ CMS limited coverage under the hurricane-related Section 1115 demonstration project to evacuees from specified counties and parishes in four states affected by the hurricane and required that Virginia verify residency and other eligibility factors to the greatest extent possible.
- ◆ As of March 31, 2007, the state agency claimed a total of \$522,907, including \$436,908 for medical assistance provided to evacuees from Alabama, Louisiana, and Mississippi, and \$85,999 for administrative costs associated with the hurricane-related Section 1115 demonstration project.
- ◆ The state agency did not always claim reimbursement for services provided to Hurricane Katrina evacuees according to its approved hurricane-related Section 1115 demonstration project. Of the \$522,907 claimed, \$450,010 was allowable. The remaining \$72,897 was unallowable.

RESULTS

It was recommended that the state agency refund a total of \$72,897 in unallowable reimbursements — \$63,308 for administrative costs and \$9,589 in claims for medical assistance services — and revise its Form CMS-64.9 Waiver reports for Alabama, Louisiana, and Mississippi by the audit adjustment amount.

Medical Assistance Provided by Pennsylvania to Hurricane Katrina Evacuees

A-03-07-00210, July 14, 2008

SUMMARY

- ◆ Objective: To determine whether the Pennsylvania Department of Public Welfare (state agency) claimed reimbursement for services provided to Hurricane Katrina evacuees according to its approved hurricane-related Section 1115 demonstration project.
- ◆ Section 1115 of the *Social Security Act* permits the Secretary to authorize demonstration projects to promote the objectives of the Medicaid program. Under Section 1115, CMS approved Pennsylvania's request for Medicaid demonstration authority to provide the benefits included in its Medicaid State Plan to eligible Hurricane Katrina evacuees for a maximum of five months ending no later than June 30, 2006.

Section 3.5 Health and Human Services Audits, Inspections, and Other Reviews

- ◆ CMS limited coverage under the hurricane-related Section 1115 demonstration project to evacuees from specified counties and parishes in four states affected by the hurricane and required that Pennsylvania verify residency and other eligibility factors to the greatest extent possible.
- ◆ As of March 31, 2007, the state agency claimed a total of \$1,398,777 for medical assistance services provided to evacuees from Alabama, Louisiana, and Mississippi.
- ◆ The state agency did not always claim reimbursement for services provided to Hurricane Katrina evacuees according to its approved hurricane-related Section 1115 demonstration project. Of the \$1,398,777 claimed, \$846,922 was allowable. However, the remaining \$551,855 was unallowable.

RESULTS

It was recommended that the state agency refund \$551,855 in unallowable reimbursement and revise its Form CMS-64.9 Waiver reports for Alabama, Louisiana, and Mississippi by the audit adjustment amount.

Review of Disaster-Related Claims – The Mobility Depot

A-06-07-00079, June 26, 2008

SUMMARY

- ◆ Objective: To determine whether beneficiaries were eligible for and received replacement medical equipment provided by The Mobility Depot, durable medical equipment (DME) supplier in Baton Rouge, Louisiana.
- ◆ Pursuant to Section 1861(s)(6) of the Social Security Act (Act), DME is considered a medical or other health service and is covered under the Medicare Part B program. DME is reimbursable if the equipment meets the definition of DME, is necessary and reasonable for the treatment of a patient's illness or injury or to improve the functioning of his or her malformed body, and is used in the beneficiary's home.
- ◆ As authorized by Section 1135(b) of the Act, the Secretary of the Department of Health and Human Services waived certain requirements to ensure that sufficient health care items and services were available to meet the needs of individuals who were enrolled in Medicare and affected by Hurricanes Katrina and Rita.

RESULTS

The beneficiaries identified on the 40 selected disaster-related Medicare claims submitted by the Mobility Depot were eligible for replacement DME and provided with allowable Medicare replacement DME. Therefore, no recommendation for a financial adjustment was made.

Reviews of Expenses and Revenues Presented in Congressional Testimony

A-01-07-00521, April 21, 2008

A-06-08-00009, June 3, 2008

A-06-08-00011, June 13, 2008

A-06-08-00012, May 12, 2008

A-01-08-00507, July 31, 2008

SUMMARY

- ◆ Objective: To determine whether the amounts of selected expenses and revenues that five hospital groups presented in congressional testimony were accurate and supported by their financial records.
- ◆ On August 1, 2007, the House Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, held a hearing on post-Katrina health care in the New Orleans region. In the hearing, officials of five hospital groups in the New Orleans region testified that their hospitals experienced significant post-Katrina operating losses and requested additional Federal financial assistance to use for the recovery of the health care delivery system in the New Orleans area.
- ◆ The Committee requested that we analyze the hospitals' financial information to review the more significant operating loss items cited by the testifying hospitals.
- ◆ It was determined the amounts of selected expenses and revenues that the hospitals presented in the testimony were generally accurate and supported by financial records.
- ◆ However, the \$795.9 million revenue presented in the testimony for January through May 2007, did not include \$35 million in revenue, which was mostly from funds received from Medicare Wage Index Stabilization grants that were intended to compensate the hospitals for Katrina-related increased labor costs, and from additional insurance and FEMA proceeds.

RESULTS

The hospitals agreed with the findings and no recommendations were made.

Profitability Analysis of New Orleans Hospitals and Profitability Analysis of Peer Hospitals

A-07-07-02733 & A-07-07-02734, September 16, 2008

SUMMARY

- ◆ Objectives:
 - To conduct a profitability analysis of five hospitals in the New Orleans region impacted by Hurricane Katrina; and
 - To compare these hospitals' profitability trends with similar data from three sets of peer hospitals during the same timeframes.
- ◆ On August 1, 2007, the House Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, held a hearing on post-Katrina health care in the New Orleans region.
- ◆ In the hearing, officials of five hospital groups (testifying hospitals) in the New Orleans region testified that their hospitals experienced significant post-Katrina operating losses and requested additional Federal financial assistance to use for the recovery of the health care delivery system in the New Orleans area.

Section 3.5 Health and Human Services Audits, Inspections, and Other Reviews

(continued)

- ◆ The Committee on Energy and Commerce requested that we perform a profitability analysis of the testifying hospitals.
- ◆ Two reviews were performed: One on the profitability of the five testifying hospitals, and a second comparing the profitability of the testifying hospitals to other hospitals in the New Orleans area, to hospitals in a demographically similar city, and to hospitals in a geographically similar city.
- ◆ The five testifying hospitals had significantly different profitability trends from each other during the review period.
- ◆ The testifying hospitals experienced profitability trends that:
 - Differed from those of the peer hospitals, and
 - Reflected both the adverse financial impact of Hurricane Katrina and subsequent financial improvements after the testifying hospitals received Business Interruption insurance payments and additional Federal funding because of hurricane damage.

RESULTS

These were informational reports and contained no recommendations.

Reviews of Testifying Hospitals' Reported Medicare Wage Data

A-01-08-00515, June 16, 2008

A-01-08-00513, July 14, 2008

A-01-08-00518, July 14, 2008

A-01-08-00516, July 29, 2008

A-01-08-00519, August 19, 2008

SUMMARY

- ◆ Objective: To determine whether the five hospitals that testified before the Committee on Energy and Commerce on post-Katrina health care in the New Orleans region complied with Medicare requirements for reporting wage data in their FY 2005 Medicare cost reports.
- ◆ The hospitals did not fully comply with Medicare requirements for reporting wage data in their Medicare cost reports.
- ◆ The hospitals reported inaccurate wage data of \$15.6 million, which will affect Medicare payments.
- ◆ These errors occurred because the hospitals did not sufficiently review and reconcile their reported wage data to supporting documentation to ensure that the data were accurate, supportable, and in compliance with Medicare requirements. If the cost reports are not revised, the hospitals' FY 2009 wage index will be inflated.

RESULTS

- ◆ It was recommended that each hospital submit a revised FY 2005 Medicare cost report to the fiscal intermediary to correct the wage data overstatements and implement review and reconciliation procedures to ensure that the wage data reported in future Medicare cost reports are accurate, supportable, and in compliance with Medicare requirements.
- ◆ The hospitals agreed with findings and recommendations.

ONGOING REVIEWS

Review of East Louisiana State Hospital's Hurricane-Related Uncompensated Care Claims

OBJECTIVE

To determine whether the Louisiana Department of Health and Hospitals (state agency) claimed reimbursement for services provided by East Louisiana State Hospital in accordance with Federal and state laws and regulations and with the approved provisions of the UCCP plan.

BACKGROUND

- ◆ In response to Hurricane Katrina, Section 6201 of the *Deficit Reduction Act of 2005* authorized Federal funding for the total costs of medically necessary uncompensated care furnished to evacuees and affected individuals without other coverage in eligible states, in other words, states that provided care to such individuals in accordance with Section 1115 projects.
- ◆ Pursuant to Section 1115 of the *Social Security Act*, CMS approved Louisiana's request for demonstration authority related to Hurricanes Katrina and Rita. For Hurricane Katrina evacuees and affected individuals, CMS approved an uncompensated care pool to reimburse providers for medically necessary services provided to individuals without other coverage. The pool was 100% Federally funded.
- ◆ As of December 31, 2006, the state agency reported \$123.2 million in uncompensated care reimbursement to 834 health care providers. East Louisiana State Hospital received \$21.3 million of this reimbursement.
- ◆ The state agency did not always claim reimbursement for services provided by the Hospital in accordance with Federal and state laws and regulations or with the approved provisions of the UCCP plan.
- ◆ It is estimated that the state agency claimed unallowable costs totaling at least \$19.8 million.
- ◆ This report was issued as report number A-06-07-00024, on October 20, 2008 with a recommendation to recover \$19.8 million in unallowable costs claimed.

Review of Louisiana's Hurricane Katrina Healthcare Related Provider Stabilization Grant

OBJECTIVE

To determine whether the Louisiana Department of Health and Hospitals (state agency) computed the grant payments in accordance with the terms of the grant award and Federal and state requirements.

BACKGROUND

- ◆ Section 6201(a)(4) of the *Deficit Reduction Act of 2005* gave the Secretary the authority to make payments to eligible states for restoring access to health care in communities impacted by Hurricane Katrina.

Section 3.5 Health and Human Services Audits, Inspections, and Other Reviews

(continued)

- ◆ The Secretary made this funding available to Katrina-affected states through an initial and a supplemental Hurricane Katrina Healthcare Related Provider Stabilization grant so the states could make payments to hospitals and other providers facing higher wage rates that are not yet reflected in the Medicare prospective payments system methodologies.
- ◆ Louisiana was awarded about \$98 million. The state agency administered the grant.
- ◆ This report was issued as report number A-06-08-00025 on October 15, 2008 with the conclusion that, while the grant payment computational methodology was followed, errors existed in the input data for 5 of the 60 hospitals that resulted in most of the hospitals receiving under or overpayments.

Review of the Workforce Supply Grant for the Greater New Orleans Area

A-06-08-00026

OBJECTIVE

To determine if the funds from the Professional Workforce Supply Grant were awarded according to the grant terms.

BACKGROUND

- ◆ As authorized by section 6201(a)(4) of the *Deficit Reduction Act of 2005*, CMS awarded a Professional Workforce Supply Grant to the Louisiana Department of Health and Hospitals, Bureau of Primary Care and Rural Health.
- ◆ The grant was to restore access to health care in communities affected by Hurricane Katrina by paying licensed health care professionals for retention and recruitment. The \$50 million grant covered the period March 1, 2007, through September 30, 2009.
- ◆ As of December 31, 2007, the Bureau awarded \$32.5 million in grant funds to 907 awardees.

Review of Southeast Louisiana State Hospital's Hurricane-Related Uncompensated Care Claims

A-06-08-00023

OBJECTIVE

To determine whether the Louisiana Department of Health and Hospitals (state agency) claimed reimbursement for services provided by Southeast Louisiana State Hospital according to Federal and state laws and regulations and with the approved provisions of its UCCP plan.

BACKGROUND

- ◆ In response to Hurricane Katrina, Section 6201 of the *Deficit Reduction Act of 2005* authorized Federal funding for the total costs of medically necessary uncompensated care furnished to evacuees and affected individuals without other coverage in eligible states, in other words, states that provided care to such individuals according to Section 1115 projects.
- ◆ Pursuant to Section 1115 of the *Social Security Act*, CMS approved Louisiana's request for demonstration authority related to Hurricanes Katrina and Rita. For Hurricane Katrina evacuees and affected individuals, CMS approved a UCCP plan to reimburse providers for medically necessary services provided to individuals without other coverage. The UCCP plan was 100% Federally funded. CMS subsequently authorized the state to operate an UCCP plan for Hurricane Rita evacuees.

3.5

- ◆ According to the state's UCCP plan, CMS authorized reimbursement for uncompensated care provided from August 24, 2005, through January 31, 2006, to Katrina evacuees and affected individuals and from September 23, 2005, through January 31, 2006, to Rita evacuees who did not have other coverage.
- ◆ As of December 31, 2006, the state agency reported \$123.2 million in uncompensated care reimbursement to 834 health care providers. The Southeast Louisiana State Hospital received \$8.2 million of this reimbursement.

Review of Alabama's Uncompensated Care Pool Costs Under Section 1115 Katrina Demonstration Waivers

A-04-08-03040

OBJECTIVE

To determine whether the Alabama Medicaid Agency (state agency) claimed reimbursement for services according to Federal and state laws and regulations and with the approved provisions of its UCCP plan.

BACKGROUND

- ◆ On September 22, 2005, CMS approved Alabama's Hurricane Katrina multistate Section 1115 demonstration. This approved demonstration allowed Alabama to provide coverage to Hurricane Katrina evacuees and affected individuals and authorized the state to use a UCCP plan. CMS approved Federal funding for Alabama's UCCP plan to cover medical services furnished to low-income individuals who do not meet eligibility requirements for Medicaid or the State Children's Health Insurance Program.
- ◆ As of December 31, 2006, the state agency reported \$1.7 million in uncompensated care reimbursement to 574 health care providers. Three hospitals received about 43% of the \$1.7 million reimbursement. The University of South Alabama Children and Women's Hospital received \$326,658, the University of South Alabama Medical Center received \$181,500, and Mobile Infirmity Association received \$215,573.

Section 3.6 Small Business Administration Audits, Inspections, and Other Reviews

3.6 SBA Overview

Audits continue to focus on origination, disbursement, repayment, servicing, and liquidation activities related to Gulf Coast hurricane disaster loans, including whether:

- ◆ Loan applications were processed in accordance with Small Business Administration (SBA) procedures.
- ◆ Uses of loan proceeds were verified before loans were fully disbursed.
- ◆ Duplicate benefits were appropriately identified and recovered.
- ◆ Loan servicing and liquidation activities were appropriately staffed and effectively managed.

FINAL AUDITS AND REVIEWS

Disaster Loss Verification Process

08-15, June 20, 2008

SUMMARY

- ◆ The audit determined that loss verification reports did not always accurately estimate the replacement value of damaged property.
- ◆ Of 315,000 Gulf Coast loss verification reports completed by July 2006, the Office of Inspector General estimated that there were 16,272 overstated damages by at least \$367 million, and 6,709 understated damages by at least \$4 million.
- ◆ These errors occurred because loss verifiers incorrectly calculated the square footage of the damaged property, were not properly trained, did not always meet with borrowers on site, and did not enter all required data into SBA's Disaster Credit Management System (DCMS), which estimates losses.
- ◆ SBA's Office of Disaster Assistance (ODA) also did not effectively monitor the quality of the loss verifications completed between October 2005 and March 2006, or implement required loss verification Quality Assurance Surveillance Plan.
- ◆ Finally, between October 2005 and March 2006, ODA spent \$10.3 million on 88,692 loss verifications for loan applications that were declined during pre-processing due to applicants' lack of creditworthiness or repayment ability.

RESULTS

- ◆ The Office of Inspector General recommended that SBA reinforce the requirement for loss verifiers to make all possible attempts to contact and/or meet with applicants at their damaged properties and document meeting dates in DCMS, and ensure that future Quality Assurance Reviews follow up on this recommendation.
- ◆ The Office of Inspector General also recommended that SBA improve training, DCMS, and the Loss Verifier Training Manual; finalize the Quality Assurance Surveillance Plan; monitor the quality of loss verifications; and instruct its managers that loan applications disapproved during pre-processing are not to be assigned to loss verifiers.
- ◆ The agency has made most of the recommended changes.



Disaster Loan File Transfer and Servicing Delays

08-17, July 18, 2008

SUMMARY

- ◆ This audit was initiated in response to an increasing number of defaulted Gulf Coast disaster loans to determine whether the loans were serviced according to loan provisions and regulations.
- ◆ Due to inadequate and untimely collection and filing of loan documentation, collateral files for 25,352 fully disbursed loans were not transferred by the loan Processing and Disbursement Center to the Loan Servicing Centers. Many of these loans had been fully disbursed for at least a year. In addition, 5,325 loans that were transferred to a Loan Servicing Center without physical collateral files were not serviced, but instead were held in suspense awaiting receipt of the physical collateral files.
- ◆ Because these loans were not properly serviced and no collection activities were initiated, the agency could ultimately experience an increase in loan defaults and losses.

RESULTS

The Office of Inspector General recommended a number of actions to improve loan servicing and collections activities that the Agency has or is currently implementing.

Early-Defaulted Gulf Coast Hurricane Disaster Loans

08-19, September 12, 2008

SUMMARY

- ◆ This audit was initiated in response to the increasing number of defaulted Gulf Coast disaster loans to determine whether loans that failed within 18 months of the due date of the first payment received adequate screening and credit evaluation during the application process and were serviced according to loan provisions and regulations.
- ◆ A statistical sample of 117 loan files was reviewed from a universe of 4,985 loans that were at least 90 days delinquent or charged off as of September 30, 2007. All but 4 of the 117 loans were either improperly originated and/or inadequately serviced. Approximately 63% of the loans were approved even though the applicants lacked repayment ability or were not creditworthy, and 79% were inadequately serviced after becoming delinquent.
- ◆ Projecting the sample results to the universe of early-defaulted loans, the Office of Inspector General estimated that approximately 4,815 loans, totaling \$98.4 million, defaulted early because of loan origination or servicing issues. The Office of Inspector General further estimated that approximately 3,182 loans, totaling \$69 million, were made to applicants who did not meet SBA's repayment and credit requirements.
- ◆ These deficiencies occurred because SBA overstated income or understated debt when computing borrowers' repayment ability. In cases where borrowers' credit was found to be unsatisfactory, SBA did not provide adequate justification for applicants' existing unpaid debt, bankruptcies, or unpaid collections.

Section 3.6 Small Business Administration Audits, Inspections, and Other Reviews

(continued)

RESULTS

- ◆ The Office of Inspector General recommended that SBA's training program re-emphasize to supervisory loan officers that they must thoroughly review applicant repayment ability to ensure accuracy and address all derogatory credit issues before approving loans.
- ◆ The agency has taken actions to enhance its training program for loan processing staff, has revised its procedures to review loan applications for both creditworthiness and repayment ability, and is conducting additional quality assurance reviews, as needed.

ONGOING AUDITS AND REVIEWS

Improper Payments in the Disaster Assistance Program

#8308

OBJECTIVE

The audit will determine whether the agency has accurately estimated and reported improper payments in the Disaster Assistance program.

BACKGROUND

- ◆ Agencies are required to evaluate the rate of improper payments in programs that are most susceptible to erroneous payments.
- ◆ There is a significant potential for improper payments in the administration of disaster assistance loans.
- ◆ SBA exceeded its improper payment rate for the Disaster Loan program in FY 2007 due to the high volume of Hurricane Katrina transactions.

Borrower Eligibility for Gulf Coast Disaster Loans

#8407

OBJECTIVE

To determine whether SBA has controls in place to prevent ineligible applicants from receiving disaster loans.

BACKGROUND

- ◆ As of September 30, 2008, SBA had approved more than 119,620 disaster assistance loans, totaling more than \$6.6 million, to individuals and businesses that suffered losses because of the Gulf Coast hurricanes. The majority of these loans were approved in the first nine months following Hurricane Katrina.
- ◆ The unprecedented volume of loans, coupled with expedited processes implemented by SBA to handle the loan activity, makes the Disaster Loan program particularly susceptible to fraud and abuse.

The Use of Proceeds from Gulf Coast Disaster Loans

#8301

OBJECTIVE

To determine whether SBA had adequate controls in place to reasonably assure that proper documents were secured from borrowers and adequately reviewed prior to making subsequent loan disbursements to borrowers.

BACKGROUND

- ◆ Once SBA receives signed closing documents from borrowers, it can make initial disbursements without collateral of up to \$10,000 for physical disaster loans and \$5,000 for economic injury loans. The initial disbursement of collateralized loans cannot exceed \$25,000.
- ◆ To receive subsequent disbursements, borrowers generally must provide receipts for work done, which are reviewed by SBA to ensure that loan proceeds were used appropriately.
- ◆ SBA may also request that loss verifiers conduct progress inspections to assist in verifying that loan proceeds were properly used.

PLANNED AUDITS AND REVIEWS

Application of Insurance Offsets on Gulf Coast Disaster Loans

#8303

OBJECTIVE

To determine whether SBA: (1) properly reduced disaster loan balances to reflect insurance proceeds; (2) verified whether borrowers accurately reported insurance proceeds; and (3) took adequate steps to protect its claims to borrower insurance settlements or recover funds inappropriately disbursed.

BACKGROUND

- ◆ Disaster loans are limited to underinsured or uncompensated losses. SBA requires that pending and future insurance settlements be used to reduce outstanding loan balances. When actual settlements differ from estimates, SBA makes the necessary adjustments to the outstanding loan balances.
- ◆ Between FYs 2005 and 2007, SBA disbursed a large number of loans to borrowers who had not yet received their insurance settlements or who may not have reported funds received from their insurance companies.
- ◆ Additionally, pending lawsuits by some borrowers against large insurers are not expected to be settled for several years after loan disbursements.

Section 3.6 Small Business Administration Audits, Inspections, and Other Reviews

Planned Improvements to the Disaster Credit Management System

OBJECTIVE

To determine whether enhancements to the DCMS are being properly managed and will provide the capacity and flexibility needed by the Agency to handle future large-scale disasters.

BACKGROUND

- ◆ DCMS is a Web-based system that supports all disaster loan processing activities, including disaster management, loss verification, legal review, document management, and portfolio maintenance tasks. The system was originally designed for an average of 600 and a maximum of 1,500 concurrent users.
- ◆ Due to the overwhelming demand for disaster assistance after the 2005 Gulf Coast hurricanes, nearly 95% of DCMS capacity was used for loan processing activities, and one office frequently reached 100% of system capacity.
- ◆ Recognizing that the capacity of DCMS needed to be expanded to support 10,000 concurrent users, SBA planned a series of enhancements to increase user access, allow for acceptance of online applications, and help ODA better manage its data resources.

Monitoring of Insurance Coverage for Gulf Coast Disaster Loans

OBJECTIVE

To determine whether SBA is adequately monitoring the maintenance of hazard and flood insurance by borrowers.

BACKGROUND

- ◆ Borrowers are required to maintain hazard and flood insurance for the properties securing their loans to protect SBA's interest in the loan collateral.
- ◆ Borrowers who are subject to a Federal requirement to maintain flood insurance and fail to do so are ineligible for future SBA assistance.

SBA's Oversight of Mortgage Recordings on Relocation Properties

OBJECTIVE

To determine the adequacy of controls in place to ensure that collateral required during borrower relocations has been secured to protect SBA's interest in the property.

BACKGROUND

- ◆ A prior audit, *Securing Collateral for Disaster Loan Disbursements*, determined that borrower relocations placed an additional processing burden on the agency, because, in most cases, collateral was required on both the damaged and relocation properties.
- ◆ SBA relies on the title companies that perform closings to secure collateral. Title companies have experienced difficulty collateralizing damaged properties that are out of state, which requires the recording of mortgages in counties or parishes that they are not familiar with or with whom they do not do business with regularly.
- ◆ In many cases, it is also cost prohibitive for the title company to record and search for mortgages on the damaged property when the property is in a different state.

Charge-Off Procedures for Unsecured Disaster Loans and Secured Loans Under \$25,000

OBJECTIVE

To determine whether unsecured disaster loans and secured loans under \$25,000 were properly and timely charged off according to agency policies and procedures.

BACKGROUND

- ◆ As of March 31, 2008, 5,201 delinquent Gulf Coast disaster loans totaling \$86.3 million had been charged off. By authorizing charge-offs of unsecured and secured loans below \$25,000, the agency reduced the number loans in liquidation. The Office of Inspector General will determine whether ODA exhausted all collection efforts before charging off these loans.
- ◆ The charged-off loans are transferred to the U.S. Department of Treasury for offset against any potential receipt of Federal funds by borrowers. The audit will also determine whether these additional outside collection efforts are actually occurring.

Section 3.7 United States Department of Agriculture Audits, Inspections, and Other Reviews

3.7 USDA Overview

The United States Department of Agriculture (USDA) completed two audits this reporting period.

FINAL AUDITS

Forest Service Controls Over Documenting and Reporting Hurricane Relief Expenditures to FEMA

08601-0051-SF, August 5, 2008

SUMMARY

- ◆ Objective: To evaluate the adequacy of the Forest Service's (FS) controls over documenting and reporting hurricane relief expenditures to FEMA.
- ◆ In a national disaster, the FS can be directed by FEMA to help respond to the emergency. Expenses are recouped from Federal disaster relief funds, subject to FEMA's approval.
- ◆ The National Response Plan (NRP) directs FEMA to rely on agencies' internal controls to ensure that expenses are accurate and allowed, while FEMA required FS to provide expensive and unnecessary documentation to justify every expense.
- ◆ FEMA denied reimbursements for 63% (\$117 million) of the \$186 million FS spent. This reduced critical firefighting funds and left FS responsible for expenses incurred supporting FEMA's disaster relief.

RESULTS

- ◆ The audit found that FEMA did not follow directions contained in the NRP on reimbursements to Federal agencies.
- ◆ The audit also found that FS had accepted mission assignments from FEMA that were poorly defined and ill-suited to FS' training and expertise, which wasted resources and endangered personnel.
- ◆ A subsequent audit by DHS Office of Inspector General, coordinated with USDA Office of Inspector General, demonstrated that FS had an error rate of only 0.003%, or \$490.63 out of \$15 million in sampled transactions.
- ◆ FS agreed to:
 - Elevate the reimbursement issues to the Undersecretary of DHS;
 - Continue its efforts in meeting with FEMA to establish the appropriate "reverse" chargeback amount upon receipt of the DHS Office of Inspector General audit results;
 - Create a formal Memorandum of Understanding between FS and FEMA to establish agreed-upon procedures for reimbursement, property, and missions; and
 - Use the dispute resolution process to resolve any future conflicts with FEMA.



Hurricane Relief Initiatives: Emergency Forestry Conservation Reserve Program

03601-24-KC, September 17, 2008

SUMMARY

- ◆ Objective: To evaluate the effectiveness of the Farm Service Agency's (FSA) program delivery of Emergency Forestry Conservation Reserve Program (EFCRP) and the adequacy of its management controls to ensure program delivery.
- ◆ Following hurricanes Dennis, Katrina, Ophelia, Rita, and Wilma in 2005, FSA carried out an emergency pilot program to restore and enhance private nonindustrial forestland damaged as a result of the hurricanes.
- ◆ EFCRP allocated \$504.1 million to help producers in Alabama, Florida, Louisiana, Mississippi, North Carolina, and Texas.
- ◆ In exchange for cost-share assistance as well as either a lump sum payment or annual rental payments, EFCRP participants agree to place their land under contract for 10 years.
- ◆ The Office of Inspector General initiated this audit to assess FSA's implementation and administration of EFCRP.

RESULTS

- ◆ For future EFCRP signups, FSA should:
 - Clarify guidelines and terminology currently subject to interpretation by the agency's state and county employees and state forestry agency personnel.
 - Additionally, FSA should require second-party reviews or supervisory reviews to ensure that offers are eligible before accepting EFCRP contracts.
 - Finally, FSA should review all questionable EFCRP offers not corrected as a result of our review, and determine and take appropriate corrective action.
- ◆ FSA agreed with the recommendations in the report.

ONGOING AUDITS

Risk Management Agency's 2005 Emergency Hurricane Relief Efforts in Florida

05099-0028-At

OBJECTIVE

To evaluate the adequacy of the Risk Management Agency's (RMA) management controls to ensure the timeliness and accuracy of indemnity payments resulting from Hurricane Katrina and Wilma in Florida. Assessment includes:

- ◆ Timeliness and adequacy of RMA's emergency loss adjustment procedures issued for these two hurricanes;
- ◆ Oversight of indemnity claims processed by the RMA for hurricane-damaged crops; and
- ◆ RMA management controls over loss adjustment determinations made for crops affected by these two hurricanes.

Section 3.7 United States Department of Agriculture Audits, Inspections, and Other Reviews

Hurricane Indemnity Program – Integrity of Data Provided by Risk Management Agency

50601-0015-At

OBJECTIVE

- ◆ To evaluate the effectiveness of FSA’s delivery of Hurricane Indemnity Program (HIP).
- ◆ To determine if FSA’s management controls for the program were effective to minimize/preclude improper payments and fraud.
- ◆ To evaluate the adequacy of RMA’s control over the changes, specifically changes in the causes of loss or the dates of damage, to data submitted by approved insurance providers (AIP) and provided to FSA in relation to HIP.
- ◆ To determine whether changes made to RMA data by AIPs were valid and supportable. If not, then the audit will determine the impact on FSA HIP payments by these unsupported changes.

Hurricane Relief Initiatives: Livestock and Feed Indemnity Programs

03601-0023-KC

OBJECTIVE

To evaluate the effectiveness of FSA’s program delivery of the Livestock Indemnity Program and Feed Indemnity Program, and the adequacy of its management controls to ensure program integrity.

Citrus Indemnity Payments Resulting From 2005 Florida Hurricanes

OBJECTIVE

- ◆ To evaluate the adequacy of RMA management controls when responding to hurricanes,
- ◆ To evaluate RMA’s managers bulletins to help AIPs timely and accurately determine indemnity payments,
- ◆ To determine whether the AIPs wrote policies in compliance with RMA procedures and the accuracy of the AIPs adjusting the losses, and
- ◆ To determine if producers are keeping good farming records required by RMA regulations.

BACKGROUND

Citrus producers in the state of Florida received indemnity payments for calendar year 2005 totaling \$60 million because of Hurricanes Katrina and Wilma. AIP generally waited for the citrus harvest to determine the hurricane’s impact on citrus production necessary to compute claims.

PLANNED AUDITS

Rural Rental Housing Project Insurance, Maintenance, and Reserve Account Funding – Florida

OBJECTIVE

- ◆ To evaluate whether the insurance coverage was sufficient to rebuild and repair affected Rural Rental Housing projects,
- ◆ To assess the rising cost of insurance on project operations,
- ◆ To assess whether repairs were properly completed according to the state’s enhanced building codes,
- ◆ To assess the overall project maintenance, and
- ◆ To assess the reserve funding to identify the existence of equity skimming of funds through improper or inflated project expenditures.

BACKGROUND

In 2004 and 2005, major hurricanes impacted the state of Florida, causing catastrophic damage throughout the state. Property insurance rates have increased significantly, in some cases tripling annual premiums. After Hurricane Andrew caused major damages in 1992, the state enhanced its building codes to reduce hurricane damage. Rural Development in Florida received \$90 million of disaster aid for Rural Housing Service programs.

Section 4 | Investigations



4

Overview of Investigations

Purpose: To detail the investigations that are conducted when concerns arise regarding whether a law has been violated. Results as of September 30, 2008 are as follows:

Agency	Hotline Complaints	Cases Opened	Arrests	Indictments	Convictions
CNCS	3	4	-	-	-
DHS	18,846	2,070	987	1,017	684
DOC	2	1	-	-	-
DOD	9,701	17	1	2	4
DOE	2	-	-	-	-
DOI	1	1	-	-	-
DOJ	-	8	1	1	1
DOL	16	322	80	143	106
DOT	1	18	3	4	3
ED	1	1	-	-	-
EPA	12	9	-	1	-
GSA	-	3	-	-	-
HHS	9	24	10	8	10
HUD	417	523	150	150	110
NASA	-	13	5	2	-
SBA	21	85	45	57	51
SSA	31	71	61	58	52
TIGTA	-	6	1	1	1
TREAS	-	3	2	2	3
USDA	6	75	2	103	50
USPS	67	7	-	-	-
VA	-	-	-	-	-
TOTAL	29,136	3,261	1,348	1,549	1,075

Section 4.1 Department of Homeland Security Investigations

4.1 DHS Overview

- ◆ DHS continues to participate in Hurricane Katrina Fraud Task Force activities to uncover fraudulent hurricane-related activities.
- ◆ Investigators actively participate with the Department of Justice Fraud Task Force established by the U.S. Attorney General in September 2005.
- ◆ As a result of Hurricanes Katrina and Rita, offices have been established in Baton Rouge, Louisiana; Biloxi, Mississippi; Mobile, Alabama; and Hattiesburg, Mississippi. These offices are staffed primarily with temporary investigators who are “Cadre On-Call Response Employees” or Disaster Assistance Employees.
- ◆ DHS continues to work with other departments and agencies to sustain these investigative efforts.

Benefit Recipient Sentenced for FEMA Fraud

- ◆ An investigation of a disaster benefit recipient for filing fraudulent disaster claims with FEMA was conducted on an individual who claimed to have losses in connection with Hurricanes Katrina and Rita.
- ◆ Between September 2005 and January 2006, she filed seven applications with FEMA for relief money for property damage to residences in Louisiana. She submitted the applications online in the names of other people, none of whom sustained any hurricane property damage.
- ◆ She was sentenced in U.S. District Court to five years of probation and was ordered to pay \$14,744 in restitution.

Benefit Recipient Indicted for FEMA Fraud

- ◆ An investigation revealed that a person falsified multiple Social Security numbers to obtain approximately \$8,000 in fraudulent individual assistance claims after Hurricane Katrina.
- ◆ Evidence also indicated that she defrauded FEMA of approximately \$8,500 in previous disasters.
- ◆ She was indicted in the Southern District of Texas for false claims and mail fraud, was subsequently convicted, and is awaiting sentencing.



FEMA Fraud Ring Busted

- ◆ An investigation was conducted on a person who fraudulently filed 77 disaster assistance applications on behalf of 73 people, resulting in wrongful payment of \$92,958.
- ◆ She and several conspirators recruited members of the community, who knowingly provided their names and Social Security numbers for her fraudulent filings. The recruiters then accompanied the people to cash their \$2,000 assistance checks.
- ◆ Each person received between \$300 and \$600, with the remaining money split between the recruiter and the principal subject.
- ◆ The Assistant U.S. Attorney decided to prosecute ten of 73 claimants based on their level of involvement in the conspiracy, their previous criminal histories, and whether they were receiving HUD Section 8 housing assistance.
- ◆ Eight of the defendants have been sentenced, with the principal subject receiving the largest sentence: 33 months of incarceration, three years of probation, and an order to pay \$92,958 in restitution.
- ◆ Additionally, her Lincoln Navigator was ordered seized and forfeited. Others have received lesser terms of confinement, home detention, probation, and restitution. Two subjects are awaiting sentencing.
- ◆ The investigation was a result of a joint investigation with the HUD Office of Inspector General.

California Resident Guilty of Filing False Katrina Claim

- ◆ An investigation was conducted regarding an allegation that a fraudulent FEMA claim was filed by a person reporting to be a resident of Louisiana at the time Hurricane Katrina struck the Gulf Coast.
- ◆ The person was in fact a California resident, pled guilty to false claims, was placed on two years of probation, and was ordered to pay \$20,714 in restitution.

FEMA Fraud Suspect Pleads Guilty

- ◆ An investigation was conducted on a person who was listed as an applicant in a FEMA disaster assistance application and claimed to be displaced by Hurricane Katrina.
- ◆ FEMA found him to be eligible and provided him with \$2,000 in disaster assistance.
- ◆ During an interview the person stated that he fraudulently conspired to defraud FEMA and endorsed a U.S. government check even though he knew that he was not eligible for assistance.
- ◆ He was sentenced to 36 months of probation and \$2,000 restitution as a result of his guilty plea on one count each of false claims and felony theft regarding FEMA fraud.

Section 4.1 Department of Homeland Security Investigations

Fraud Suspects Plead Guilty to False FEMA Claims

- ◆ An investigation was conducted on two people who applied by telephone three times for FEMA disaster assistance regarding Hurricanes Katrina and Rita.
- ◆ The Social Security numbers used by the subjects during their FEMA claims did not belong to either of them.
- ◆ They were arrested after they were indicted for making the false applications to FEMA. One subject was sentenced to time served, three years of probation, a \$200 special assessment fine, and \$2,000 in restitution.
- ◆ The second subject was sentenced to time served, five years of probation, a \$200 special assessment fine, and \$2,000 in restitution.

FEMA Fraud Suspect Pleads Guilty to Felony Theft

- ◆ An investigation was conducted on a FEMA disaster assistance applicant who claimed to be displaced by Hurricane Katrina.
- ◆ FEMA found the applicant eligible and gave her \$2,000 in disaster assistance.
- ◆ During an interview the applicant stated that she fraudulently conspired to defraud FEMA and endorsed a U.S. government check even though she knew that she was not eligible for assistance.
- ◆ The applicant was arrested for false claims and felony theft regarding the fraudulent disaster assistance application.
- ◆ She pled guilty to one count of felony theft and was subsequently sentenced to 36 months of probation, and ordered to pay \$2,000 in restitution to FEMA.

Alabama Resident Sentenced to Six Years for FEMA Fraud

- ◆ An investigation resulted in a subject being indicted on four counts related to theft of disaster funds received as a result of fraudulent claims filed in the aftermath of Hurricane Katrina. The subject received \$8,716 in Federal funds.
- ◆ The subject was involved in other criminal activity and was also being investigated by other Federal agencies.
- ◆ The subject entered a guilty plea to the disaster fraud and was sentenced to a total of 140 months of imprisonment (80 months for the FEMA fraud) and 60 months on supervised release. The court also ordered the subject to pay restitution of \$8,716 and an assessment of \$400.

4.1

Four Alabama Residents Charged with FEMA Hurricane Katrina Fraud

- ◆ The investigation resulted in four subjects being indicted for filing false Disaster Assistance claims with FEMA after Hurricane Katrina.
- ◆ Three of the subjects were family members and the fourth was a close associate. One of the subjects was incarcerated at the time Hurricane Katrina occurred. The other subjects provided FEMA with false documentation regarding damage to their homes as well as fraudulent rental agreements and receipts to obtain funding for emergency rental assistance.
- ◆ Total dollar loss to FEMA was \$27,833. Three of the four subjects pled guilty.
- ◆ One subject has been sentenced to three years in Federal prison and five years of supervised probation on release from prison, and ordered to pay restitution. The others are awaiting sentencing and have indicated that they want to provide information about others who defrauded FEMA.

Alabama Resident Sentenced to Two Years for Stealing Deceased Individual's Identity to File False FEMA Claim

- ◆ An investigation resulted in one person being indicted for theft of funds, aggravated identity theft, and false statements related to a false FEMA claim after Hurricane Katrina.
- ◆ The subject filed the false claim in the name of an individual, who had died in 1993.
- ◆ The subject received FEMA individual assistance, hotel assistance, and a FEMA travel trailer, totaling more than \$33,000.
- ◆ The subject entered a guilty plea to the charges and was subsequently sentenced to 24 months' imprisonment and 12 months of supervised release, was ordered to pay restitution in the amount of \$33,179, and was given a \$100 special assessment.

Section 4.1 Department of Homeland Security Investigations

4.1

FEMA Fraud Suspect Pleads Guilty to Felony Theft

- ◆ Four people who allegedly submitted false FEMA claims were investigated. As part of the recent hurricane relief effort, FEMA initiated and funded the Disaster Unemployment Insurance Assistance (DUA), which provided unemployment insurance (UI) funds in addition to regular UI benefits for people who became unemployed because of the hurricane.
- ◆ It was alleged that the four people submitted false claims for DUA benefits.
- ◆ They were subsequently convicted of wire fraud, mail fraud, conspiracy, and identity theft.
- ◆ The main conspirator was sentenced to 54 months of confinement followed by three years of supervised release, and was ordered to pay restitution in the amount of \$150,223.
- ◆ The remaining three were sentenced to lesser amounts of incarceration and restitution.

FEMA Fraud Suspect Pleads Guilty to Felony Theft

- ◆ An investigation was conducted from a complaint received by the local police department, alleging that a person was a renter at an address in Bogalusa, Louisiana, after Hurricane Katrina.
- ◆ During the course of the investigation, it was proved that she fraudulently applied for and received FEMA funds by using the Bogalusa address and forging a rental receipt indicating that she was living at the address before the hurricane.
- ◆ She pled guilty to filing false FEMA claims, and was sentenced in the Middle District of Louisiana to a 60-month confinement followed by a 36-month supervised release.

Section 4.2 Department of Defense Investigations



4.2 DoD Overview

- ◆ As of September 30, 2008, the Defense Criminal Investigative Service (DCIS), the criminal investigative arm of the Inspector General of the Department of Defense, received 37 criminal allegations related to Hurricanes Katrina and Rita.
- ◆ In support of this effort, DCIS agents initiated 17 investigations concerning bribery, kickbacks, false claims, and possible product substitution. During the reporting period, two individuals were indicted on charges of conspiracy (Title 18 USC 271) and bribery (Title 18 USC 201) regarding a New Orleans levee reconstruction project.
- ◆ To date, four convictions have been adjudicated, not including two new indictments.
- ◆ With regard to the Hurricane Katrina Fraud Task Force, DCIS attends monthly meetings at the Task Force Command Center to brief other task force members on investigative efforts. DCIS also serves as the liaison between law enforcement and the U.S. Army Corps of Engineers. DCIS continues to assist the Task Force by reviewing incoming complaints at the command center.

Section 4.3 Department of Housing and Urban Development Investigations

4.3 HUD Overview

- ◆ The HUD Office of Investigation (OI) has focused on fraud in all major disasters during this reporting period. Hurricane Katrina disaster fraud has been the primary investigative focus since August 2005. OI is responsible for monitoring more than \$20 billion in HUD funding of Katrina and other major disasters in the Gulf Coast region.
- ◆ OI has been a dedicated partner in the Hurricane Katrina Fraud Task Force Command Center in Baton Rouge, Louisiana, renamed the National Center for Disaster Fraud (NCDF). OI worked closely with law enforcement agencies on complaints, intelligence, and joint investigations of disaster fraud. During this reporting period, NCDF received 4,900 complaints and referred 2,122 complaints for investigation, including 137 referred to HUD OI.
- ◆ A majority of Gulf Coast OI cases have been with the Mississippi and Louisiana States' Homeowner Assistance Programs and HUD's new DHAP. The Homeowners Assistance Programs have provided grants to Hurricane Katrina homeowners in both states for primary residences valued at \$150,000 or less with hurricane flood damage. One example of the program is the Louisiana Homeowners Assistance Program, named "Road Home," which received more than 185,000 applications and disbursed \$7 billion of HUD CDBG funds since its inception. OI has hundreds of joint agency investigations of false grant applications by state homeowners. Criminal information was referred by both Mississippi Development Authority and Louisiana Redevelopment Authority state agencies.
- ◆ DHAP is administered by HUD and the Public Housing Agencies, which provide temporary disaster housing assistance and case management services for about 45,000 families. The HUD Office of Public and Indian Housing's (PIH) Inter-Agency Agreement with FEMA has been operating DHAP with \$565 million in FEMA grant funds. OI has been working jointly with HUD PIH, the NCDF Task Force, and the DHS Office of Inspector General to investigate criminal cases of duplicate benefits by HUD or FEMA landlords, and other fraud by HUD tenants. OI is also working closely with HUD PIH on anti-fraud measures and investigations associated with the new DHAP-Ike program. This program is in response to Hurricane Ike, which struck the Texas coast in September 2008.
- ◆ During the reporting period, OI opened 120 and closed 77 investigations in the Gulf Region disaster relief program areas. Recoveries in these cases included \$510,221 in investigative recoveries, \$10.3 billion in administrative recoveries, and \$10.2 billion in funds put to better use. In addition, OI work resulted in 25 arrests, 25 indictments, 23 convictions, and 26 administrative actions. OI also handled 142 hotline contacts during the period.

HUD Community Development Block Grant Fraud by Homeowners

- ◆ Two individuals were indicted in U.S. District Court, Jackson, Mississippi, for theft of government funds and making false claims and statements.
- ◆ Both allegedly applied for and obtained \$150,000 in CDBG Disaster Recovery funds through the Mississippi Development Authority and \$8,706 in FEMA disaster assistance for hurricane-damaged residential property, but the property damaged was not their primary residence during the storm.



FEMA Fraud by HUD Tenants

- ◆ A former Houston Housing Authority Section 8 tenant and eight conspirators were sentenced in U.S. District Court, Houston, Texas, for earlier guilty pleas to conspiracy to file false, fictitious, or fraudulent claims.
- ◆ Collectively, the above defendants were sentenced to 68 months incarceration and 28 years probation and ordered to pay FEMA \$104,958 in restitution.
- ◆ There were 77 fraudulent claims filed and \$92,958 in FEMA disaster assistance was received where entitlement was not allowed.

HUD and FEMA Disaster Housing Assistance Program Fraud by HUD Tenant

- ◆ A former New Orleans Housing Authority public housing tenant and current Hurricane Katrina Disaster Housing Assistance Program participant was indicted in U.S. District Court, Houston, Texas, for committing disaster assistance fraud, aggravated identity theft, and mail fraud.
- ◆ The former tenant allegedly used numerous false Social Security numbers and Louisiana addresses when she submitted 12 fraudulent claims for FEMA disaster assistance.
- ◆ In addition, the former tenant allegedly applied for FEMA disaster assistance after she claimed hurricane-damaged residential property in Galveston, Texas, but resided in Houston, Texas, during Hurricane Ike.

Section 4.4 Department of Labor Investigations

4.4 DOL Overview

- ◆ The Department of Labor (DOL) Office of Inspector General continues to investigate fraud in the departmental program areas of Unemployment Insurance, Disaster Unemployment Assistance, National Emergency Grants (NEG), and Foreign Labor Certifications, as well as labor racketeering schemes in reconstruction. To date, DOL Office of Inspector General has opened 322 cases resulting in:
 - 80 arrests,
 - 143 indictments, and
 - 106 convictions
- ◆ The following cases are examples of investigations handled by the Office of Inspector General in relation to disaster fraud.

Individual Sentenced for Defrauding Disaster Unemployment Assistance Program

- ◆ A male individual was sentenced on July 11, 2008, to 18 months incarceration, two years of supervised release, and ordered to pay \$50,717.18 in restitution for fraudulently filing for and receiving DUA benefits relating to Hurricane Katrina.
- ◆ His girlfriend, a co-conspirator, was sentenced in January 2008. She used identities acquired from a previous scheme in which she acted as an identity broker to file DUA claims.
- ◆ The two were linked to approximately 20 separate claims that went to two Texas addresses. The male individual's Federal sentence will begin at the completion of his state sentence of five years of hard labor on an unrelated weapons and drug conviction.

Louisiana Woman Sentenced for Defrauding the Department of Labor of Disaster-Related Funds

- ◆ A Louisiana woman was sentenced on June 6, 2008, after being previously found guilty of charges related to her involvement in a conspiracy scheme to defraud FEMA and DOL of approximately \$30,000 in disaster-related benefits.
- ◆ She and two co-conspirators claimed they were victims of Hurricanes Katrina and Rita. She was sentenced to 46 months in prison and three years of supervised release, and was ordered to pay \$25,175.01 in restitution and a \$1,200 special assessment fee. Her co-conspirators were sentenced for their roles in the scheme in December 2007 and January 2008, respectively.
- ◆ The three devised a scheme to defraud DOL through the Concho Valley Workforce Solutions, a Texas-based organization that received and disbursed NEG funds for hurricane evacuees through a grant.
- ◆ The trio fraudulently applied for and received NEG funds of approximately \$7,000, and approximately \$23,000 from FEMA after the Louisiana woman fraudulently claimed her primary residence was in New Orleans. Both the woman and one co-conspirator made false claims that their residence in Lafayette, Louisiana, was damaged by Hurricane Rita.
- ◆ This was a joint investigation with the Federal Bureau of Investigation, the DHS Office of Inspector General, the United States Postal Inspection Service, and the San Angelo Police Department.



Individual Sentenced for Aggravated Identity Theft and Defrauding the Disaster Unemployment Assistance Program

- ◆ On May 2, 2008, a man was sentenced to 24 months imprisonment, consecutive with term imposed in the state of West Virginia, 1 year supervised release, \$8,190 in restitution, and a \$100 special assessment for aggravated identity theft (18 USC 1028A) in the U.S. District Court for the Southern District of Mississippi.
- ◆ He pled guilty in February 2008 to his involvement in the theft of DUA funds related to Hurricane Katrina from the Mississippi Department of Employment Security and the diversion of those funds to a bank account in West Virginia.
- ◆ He used his brother's identity to receive the DUA benefits and diverted payments to West Virginia.

Section 4.5 Environmental Protection Agency Investigations



4.5 EPA Overview

- ◆ One investigation is currently open by the Environmental Protection Agency (EPA) Office of Inspector General Office of Investigations.
- ◆ To date, the EPA Office of Inspector General has received 12 hotline complaints, opened nine investigative cases, and had one indictment.

Fraudulent Scheme of an Individual Purporting to be an EPA Employee

- ◆ An individual purporting to be an EPA employee was directing property owners in New Orleans, Louisiana, to purchase large, \$1,500 trash dumpsters under the guise that EPA would reimburse them for the purchase.
- ◆ One of the subjects in this case received a cease-and-desist order from the Office of Counsel to the Inspector General.
- ◆ Criminal information was filed against the subject on March 10, 2008, charging him with one count of false impersonation of an employee of the United States (18 USC 912). The subject entered into a plea agreement.

Section 4.6 Health and Human Services Investigations



4.6 HHS Overview

- ◆ Since September 2005, HHS Office of Inspector General has opened 24 investigations that address issues such as:
 - Allegations of health care fraud including allegations of individuals fraudulently obtaining benefits based upon false information, and
 - Poor quality of care and patient abandonment.
- ◆ In addition to conducting investigations, HHS Office of Inspector General:
 - Continues to participate in the monthly Hurricane Katrina Fraud Task Force meetings, and
 - Monitors the Centers for Disease Control and Prevention's contracts for services and HHS' patient movement support task orders for potential criminal activity.

Medicaid Program Billed for Duplicate Maternity Deliveries

- ◆ Eight Texas physicians and one Mississippi physician billed the Louisiana Medicaid program for duplicate maternity delivery services after Hurricanes Katrina and Rita.
- ◆ Demand letters were issued and \$6,455 was recovered from the providers.
- ◆ The Louisiana Department of Health and Hospitals' Program Integrity staff assisted HHS Office of Inspector General with this work. Due to the timing of the recovery, the amount will be reported outside the current report time frame.

Section 4.7 National Aeronautics and Space Administration Investigations



4.7 NASA Overview

- ◆ Since September 2005, the National Aeronautics and Space Administration's (NASA) Office of Inspector General, Office of Investigations has conducted or assisted in many criminal investigations involving illegal drugs, illegal solicitation, alleged assaults, breaking and entering, theft, diversion of FEMA supplies, an unattended death case related to an elderly evacuee, and use of illegal aliens on critical infrastructure projects.
- ◆ To date, the NASA Office of Inspector General, Office of Investigations has opened 13 investigations; one investigation is currently open.

Collusive Bidding Practices for Hurricane Katrina Subcontract

- ◆ The NASA Office of Inspector General Office of Investigations is currently conducting an investigation into a report that a company seeking a Hurricane Katrina recovery subcontract for work on a NASA facility is suspected of using proprietary and sensitive bid information from a competitor company.
- ◆ The subject company is alleged to have used the competitor's bid information to prepare a proposal for the same subcontract. The complainant reported that the prime contractor was the source of the competitor's bid information.

Section 4.8 Small Business Administration Investigations



4.8 SBA Overview

- ◆ As of September 30, 2008, working with other law enforcement agencies, the SBA Office of Inspector General has made 45 arrests, assisted in obtaining 57 indictments and 51 convictions, and has 51 open investigations in various stages of development.
- ◆ The SBA Office of Inspector General is working collaboratively with the Hurricane Katrina Fraud Task Force to investigate allegations of:
 - Unauthorized use of loan proceeds,
 - Overstatement of financial losses,
 - Material false statements in the application process,
 - False/counterfeit supporting documentation, and
 - False assertions regarding primary residency in affected areas at the time of the disaster.
- ◆ The SBA Office of Inspector General is working on several proactive projects to identify criminal misconduct by disaster borrowers. These projects include:
 - Analyzing agency financial data to identify and predict possible fraud,
 - Coordinating with HUD Office of the Inspector General and state police insurance fraud units to detect potential duplicate payments, and
 - Working with HUD Office of the Inspector General and DHS Office of the Inspector General to determine whether SBA applicants actually resided in the areas affected by the 2005 Gulf Coast hurricanes.

Impersonation of an SBA Employee

- ◆ A certified public accountant (CPA) employed by an unethical businessman knowingly made false statements relating to loan and credit applications to influence lenders to approve four loans totaling approximately \$2.9 million.
- ◆ The CPA impersonated an SBA employee and falsely represented that SBA disaster loans had been approved and committed.
- ◆ Due to investigative efforts, only \$5,000 of the \$2.9 million was disbursed.
- ◆ The CPA was sentenced to ten years in prison, five years of supervised release, and restitution of more than \$505,000. The businessman pled guilty to making false statements and is awaiting sentencing.

Section 4.8 Small Business Administration Investigations

4.8

Misuse of Proceeds

- ◆ A Louisiana church congregation applied for a \$252,000 SBA physical disaster loan and a \$35,000 Bush-Clinton Katrina Fund grant to rebuild their church.
- ◆ The pastor of the church created a scheme to use the disaster assistance funds for his own benefit. SBA wire-transferred the initial \$10,000 disbursement to a bank account that he controlled.
- ◆ The \$35,000 grant was sent to his home address and deposited it into the account he controlled.
- ◆ The pastor pled guilty to mail fraud.

Misrepresentation of Hurricane Damage

- ◆ The operator of a Texas seafood company is alleged to have falsely claimed that the business had a Louisiana location that sustained an estimated \$2.8 million in damage from Hurricane Rita.
- ◆ The man allegedly submitted a false commercial lease agreement to show that the seafood company occupied real property in Louisiana during the hurricane. The man also allegedly submitted an invoice to SBA that falsely showed more than \$1.9 million in hurricane-related repair expenses.
- ◆ The man was indicted for making false statements in connection with his SBA disaster loan application.

Misrepresentation of Residence

- ◆ A Mississippi man allegedly made false statements on his claims for Hurricane Katrina disaster benefits by indicating that his primary residence was in an area affected by the storm when it was not.
- ◆ He received more than \$179,000 from SBA and more than \$14,000 from FEMA. He also applied for a Mississippi Development Authority Homeowner Assistance Program Grant, which was suspended pending the investigation's results.
- ◆ The man has been indicted for making false claims and false statements, theft of government funds, fraud involving an SBA loan, wire fraud, and mail fraud.

Section 4.9 Social Security Administration Investigations



4.9 SSA Overview

- ◆ Since September 2005, the Social Security Administration (SSA) Office of the Inspector General's participation in the Hurricane Katrina Fraud Task Force has resulted in a significant number of indictments and criminal prosecutions. The SSA Office of the Inspector General has opened 71 cases, made 61 arrests, obtained 58 indictments, and secured 52 convictions related to SSA program fraud, identity theft, and Social Security number misuse.
- ◆ Examples of successful SSA Office of the Inspector General investigations follow.

California Woman Fraudulently Applied for Hurricane Katrina Disaster Assistance

- ◆ Acting on information from the DHS Office of Inspector General, the SSA Office of the Inspector General investigated a woman for using another person's Social Security number to apply for and receive Hurricane Katrina disaster assistance from FEMA. She was living in California and receiving public assistance at the time of the disaster.
- ◆ The woman pled guilty to filing false claims to an agency of the United States and credit application fraud, and was sentenced in July 2008 to 25 months in prison and 60 months of probation.
- ◆ She was also ordered to pay FEMA restitution of \$4,358.

Louisiana Woman Files False Disaster Unemployment Assistance Claims

- ◆ As part of the Hurricane Katrina Fraud Task Force, the SSA Office of the Inspector General participated in a joint investigation with the DOL Office of Inspector General, U.S. Postal Inspection Service, and local authorities.
- ◆ The investigation revealed that a 27-year-old woman devised a scheme to defraud the Louisiana Department of Labor (LDOL) during FEMA relief efforts. She filed fraudulent DUA claims for herself and others using false names and Social Security numbers. She conspired with a LDOL employee to process the fraudulent applications, and three additional co-conspirators participated and benefited from the scheme.
- ◆ The ringleader pled guilty to mail fraud and aggravated identity theft, and was sentenced in April 2008 to four years and six months in prison and three years of probation, and was ordered to pay LDOL restitution of \$150,233.
- ◆ One of the co-conspirators pled guilty to Social Security number misuse and wire fraud and was sentenced in April 2008 to four months in prison, four months of home detention, and three years of probation, and ordered to pay restitution of \$61,347.
- ◆ The second co-conspirator pled guilty to Social Security number misuse and wire fraud and was sentenced in April 2008 to four months of home detention and five years of probation, and was ordered to pay LDOL restitution of \$32,772.
- ◆ Finally, the third co-conspirator pled guilty to access device fraud and was sentenced in April 2008 to five years of probation and was ordered to pay LDOL restitution of \$7,742. The LDOL employee is scheduled to be sentenced at a later date.

Section 4.9 Social Security Administration Investigations

4.9

Man Cashes Original and Replacement Disaster Checks

- ◆ Acting on a referral from the DHS Office of Inspector General, the SSA Office of the Inspector General investigated a 68-year-old Title II retirement and Title XVI-aged beneficiary. The investigation revealed that the man received and cashed FEMA disaster assistance checks and then claimed that the checks were never received. He then negotiated the replacement checks.
- ◆ SSA Office of the Inspector General also determined that the man worked in 2007 for an automotive company and failed to report his work activity. Due to this work activity, SSA determined that the individual was overpaid \$1,866 in Title XVI benefits.
- ◆ The man pled guilty to making a false claim and was sentenced in June 2008 to five years of probation, including a 60-day stay at a residential re-entry center. He was also ordered to pay restitution of \$9,739 to FEMA. The Title XVI overpayment will be administratively recovered by SSA.

Section 4.10 Department of the Treasury Investigations



4.10 TREAS Overview

The Department of Treasury Office of Inspector General continues to collaboratively investigate fraudulent claims when necessary. The case below is an example of investigations conducted by the Treasury Office of Inspector General in relation to hurricane disaster fraud.

West Palm Beach Resident Used False Information to Obtain Benefits

- ◆ On September 11, 2008, a resident of West Palm Beach, Florida, pled guilty to one count of conversion of government property (18 USC § 641) and one count of aggravated identity theft (18 USC § 1028A (a)(1)).
- ◆ Previously, a joint Treasury Office of Inspector General, DHS Office of Inspector General, and SSA Office of Inspector General investigation resulted in the March 6, 2008, indictment of the resident by a Federal grand jury in the Southern District of Florida. According to the 34-count indictment, 13 fraudulent applications for aid in the wake of several hurricane disasters were allegedly submitted.
- ◆ The subject allegedly used several aliases and multiple stolen Social Security numbers, and gave false information about her children in the fraudulent applications to FEMA.
- ◆ Based on the information fraudulently reported to FEMA, the resident received multiple U.S. Treasury checks totaling \$31,154. The subject was arrested June 11, 2008, by agents from the Treasury Office of Inspector General, DHS Office of Inspector General, and SSA Office of Inspector General on a Federal arrest warrant issued March 6, 2008, pursuant to the Federal indictment.

Section 5 | Gulf Coast Recovery Funding



Gulf Coast Recovery Funding Overview

In support of the response and recovery efforts following the 2005 Gulf Coast hurricanes, Congress passed the following emergency supplemental appropriation bills:

- ◆ **Emergency Supplemental Appropriations Act Public Law (PL) 109-61, September 2, 2005.** One of the first two supplemental acts passed by Congress appropriating \$62.3 billion to meet immediate needs arising from the consequences of Hurricane Katrina, 2005. In September 2005, Congress passed the first two supplemental acts (PL 109-61 and PL 109-62), appropriating \$60.0 billion to the Disaster Relief Fund (DRF), which is managed by FEMA and provides funding to other Federal agencies using mission assignments (MAs).
- ◆ **Second Emergency Supplemental Appropriations Act PL 109-62, September 8, 2005.** The second supplemental act passed by Congress to Meet Immediate Needs Arising from the Consequences of Hurricane Katrina, 2005.
- ◆ **Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act, 2006, PL 109-148, December 30, 2005.** This emergency supplemental act redirected \$29 billion of the previously approved \$62 billion. The funds were initially contained in the first two emergency supplemental acts. The reallocation was intended for economic development, restoration of Federal facilities, and tax relief. Although the third act initially appropriated \$28.6 billion, it also rescinded \$23.4 billion of the amount appropriated for the DRF in PL 109-62. The net increase in funding was \$5.2 billion and the net cumulative total over the first three supplemental acts was \$67.5 billion.
- ◆ **Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006, PL 109-234, June 15, 2006.** In June 2006, the fourth Emergency Supplemental Act directed \$20 billion across a large number of Federal agencies including the Inspectors General for DHS, DOD, HUD, and USDA.
- ◆ **Emergency Supplemental Appropriations and Additional Supplemental Appropriations for Agricultural and Other Emergency Assistance for the fiscal year ending September 30, 2007, PL 110-28, May 25, 2007.** The initiative directed \$6.5 billion in additional appropriations to over ten agencies for disaster relief.
- ◆ **Department of Defense, 2nd Continuing Resolution, Appropriations for the Department of Defense for the fiscal year ending September 30, 2008, and for other purposes, PL 110-116, November 13, 2007.** This continuing resolution provided \$3 billion for the DRF for emergency requirements and necessary emergency needs.
- ◆ **Supplemental Appropriations Act, 2008 Public Law (PL) 110-252, June 30, 2008.** This supplemental funding provided more than \$6.7 billion for the U.S. Army Corps of Engineers, the DRF, and HUD for construction and recovery purposes as a result of the 2005 hurricanes that struck the Gulf Coast.
- ◆ **Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 Public Law (PL) 110-329, September 30, 2008.** Disaster Relief and Recovery Supplemental Appropriations Act, 2008, provided \$10.2 billion in supplemental funding to meet the emergency housing, construction, and recovery needs following the 2005 hurricane season.

Section 5 Gulf Coast Recovery Funding

Senate Budget Committee: Hurricane-Related Recovery Funding Summary

Enacted Supplemental Appropriations (\$ in billions)

<u>Legislation</u>	<u>Public Law</u>	<u>Amount</u>
Emergency Supplemental #1, H.R. 3645	109-61	\$10.500
Emergency Supplemental #2, H.R. 3673	109-62	51.800
Emergency Supplemental #3, H.R. 2863	109-148	5.237
Emergency Supplemental #4, H.R. 4939	109-234	19.336
Emergency Supplemental #5, H.R. 2206	110-28	6.527
Emergency Supplemental #6, H.R. 3222	110-116	3.000
Emergency Supplemental #7, H.R. 2642	110-252	6.733
Emergency Supplemental #8, H.R. 2638	110-329	10.202
TOTAL		\$113.335

Mandatory Spending/Tax Bills Enacted (\$ in billions)

<u>Legislation</u>	<u>Public Law</u>	<u>Amount</u>
Flood Insurance Borrowing Authority, H.R. 4133	109-106	\$15.000
Provisions of Tax Relief Act, S. 2020	109-148	7.768
Katrina Short-Term Tax Relief Bill, H.R. 3768	109-73	6.114
Flood Insurance Borrowing Authority, S. 2275	109-208	2.275
Provisions of Deficit Reduction Act, S. 1932	109-171	2.000
Flood Insurance Borrowing Authority, H.R. 3669	109-65	2.000
TANF Disaster Relief, H.R. 3672	109-68	0.294
UI Provisions of H.R. 3971	109-91	0.167
Redistribution of Campus Student Aid, H.R. 3863	109-86	0.036
Byrd Unemployment/HHS IG Amend. to H.R. 2863	109-148	0.019
Pell Grant Relief, H.R. 3169	109-66	0.002
Louisiana Highway Provisions of H.R. 3058	109-115	0.002
National Hurricane Center Provisions of H.R. 2862	109-108	0.001
Community Disaster Loan Act, S. 1858	109-88	0.000
SBA Disaster Loan Program H.R. 4745	109-174	0.000
Katrina Emergency Assistance Act, S. 1777	109-176	0.000
TOTAL		\$35.678
GRAND TOTAL		<u>\$149.013</u>

Source: U.S. Senate Budget Committee, November 30, 2007.

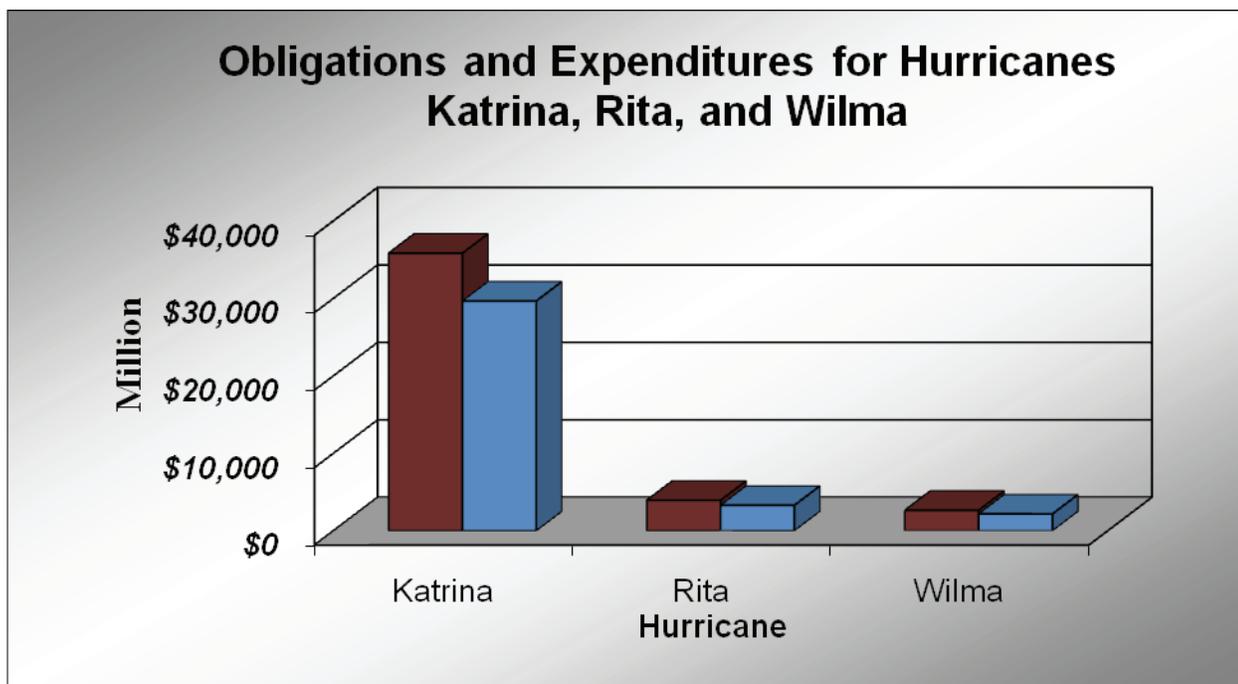
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Current Status: Billions Obligated and Expended in Order to Continue Disaster Relief; Significant Amount Flows via Mission Assignments

- ◆ **Disaster Relief Fund (DRF):** FEMA'S DRF is the major source of Federal disaster recovery assistance. In total, FEMA has obligated \$43.4 billion and \$35.1 billion has been expended.

Disaster Relief Fund Hurricanes Katrina, Rita, and Wilma Obligations and Expenditures (\$ in Millions)

	Katrina	Rita	Wilma	Total
Obligated	\$36,831	\$3,934	\$2,643	\$43,408
Expended	\$29,657	\$3,287	\$2,173	\$35,117



Source: FEMA's Congressional Monthly Report titled Disaster Relief Fund (DRF) Report through September 30, 2008.

Section 5 Gulf Coast Recovery Funding

Obligations and Expenditures by Program Area for Hurricanes Katrina, Rita, and Wilma (\$ in Millions)

Program Area	Program Name	Obligations	Expenditures
1- Human Services	2503- Unemployment	\$438	\$438
	2504- Crisis Counseling	117	96
	2592- IA Contracts	748	619
	4149- Other Needs Assistance	2,260	2,256
	414X- Housing Assistance	5,357	5,352
	4152- Crisis Counseling-SCC	37	35
	4154- Other Needs Assistance	97	97
	Immediate Needs Assistance	1	1
	Manufactured Housing Assistance	7,512	6,866
	1-Human Services Total		\$16,567
2- Infrastructure	2594- PA Contracts	1,839	1,339
	416X- Public Assistance	13,201	7,992
2-Infrastructure Total		\$15,040	\$9,331
3- Mitigation	2593-HM Contracts	52	33
	4173-Hazard Mitigation	663	95
3-Mitigation Total		\$715	\$128
4-Operations	2507-Missions – TA	14	11
	2508-Missions – DFA	4,794	4,217
4-Operations Total		\$4,808	\$4,228
5-Administration	11XX -Salaries & Benefits	1,004	1,004
	21XX -Travel	356	350
	22XX - Transportation	51	49
	23XX- Rent, Comm Utilities	397	343
	24XX Print & Repro	6	4
	2501- Missions -FOS	1,437	1,262
	25XX- Other Services	2,100	1,811
	26XX- Supplies & Materials	593	568
	31XX – Equipment	212	208
	32XX- Land & Structures	13	12
	4101- Urban Search & Rescue	109	59
5- Administration Total		\$6,278	\$5,670
Grand Total		\$43,408	\$35,117

Source: FEMA's Congressional Monthly Report titled Disaster Relief Fund (DRF) Report through September 30, 2008.

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Mission Assignments

Through Mission Assignments (MAs), FEMA tasks and reimburses other Federal agencies for providing services under the *Stafford Act*. There are three categories of mission assignments.

1. Technical Assistance (TA) where other Federal agencies provide expertise to states; 100% of this assistance is Federally funded and there is no state cost share.
2. Direct Federal Assistance (DFA) where the state requests the assistance; the assistance is subject to state cost share (unless waived in response time frame) and goods and services are provided to the state to save lives and protect property.
3. Federal Operations Support (FOS) where 100% of the assistance is Federally funded; there is no state cost share; and there is “Fed-to-Fed” field operations support. This category reflects agreements with Federal agencies to perform services such as providing search and rescue operations; providing health and medical support; assisting with disease prevention and control; transporting disaster victims; and delivering food, water and other essential commodities to disaster victims.

The following is a breakdown of MAs executed for the top ten departments and agencies receiving funding for 2005 Hurricane Recovery:

Mission Assignment Obligations for 2005 Hurricane Declarations (\$ in Millions)

Department or Agency	Obligation
USACE	\$4,179
DOD	403
DOT	458
USFS	191
EPA	273
HHS	137
FPS	185
USCG	195
HUD	44
GSA	57
Other Agencies	123
Total	\$6,245

Source: FEMA’s Congressional Monthly Report titled Disaster Relief Fund (DRF) Report through September 30, 2008.

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Report Contributors

Agency	Inspector General Name and Address	Telephone	Hotline	Website
DHS	Richard L. Skinner 245 Murray Drive, SW Washington, DC 20528	202.254.4100	800.323.8603	www.dhs.gov/zoig/
DOC	Todd J. Zinser 1401 Constitution Avenue, NW HCHB 7898-C Washington, DC 20230	202.482.4661	202.482.2495 800.424.5197 800.854.8407 (hearing impaired)	www.oig.doc.gov/oig
DOD	Gordon S. Heddell (Acting) 400 Army Navy Drive Arlington, VA 22202	703.604.8300	703.604.8569 800.424.9098 www.dodig.mil/HOTLINE/fwacompl.htm	www.dodig.mil
DOE	Gregory H. Friedman 1000 Independence Avenue, SW Washington, DC 20585	202.586.4128	202.586.4073 800.541.1625 www.ig.energy.gov/hotline.htm	www.ig.energy.gov
DOI	Earl E. Devaney 1849 C Street, NW Washington, DC 20240	202.208.5745	800.424.5081	www.doioig.gov
DOJ	Glenn A. Fine 950 Pennsylvania Avenue, NW Room 4706 Washington, DC 20530	202.514.3435	800.869.4499 oig.hotline@usdoj.gov	www.usdoj.gov/oig
DOL	Gordon S. Heddell 200 Constitution Avenue, NW Room S-5502 Washington, DC 20210	202.693.5100	202.693.6999 800.347.3756	www.oig.dol.gov
DOT	Calvin L. Scovel III 1200 New Jersey Ave., S.E. 7th Floor Washington, DC 20590	202.366.1959	800.424.9071	www.oig.dot.gov

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EPA	Bill A. Roderick (Deputy) 1200 Pennsylvania Avenue, NW Mail code 2410T Washington, DC 20460	202.566.2391	202.566.2476 888.546.8740 OIG_hotline@epa.gov	www.epa.gov/oig
GSA	Brian D. Miller 18th and F Streets, NW Washington, DC 20405	202.501.0450	202.501.1780 800.424.5210	www.gsa.gov/ inspectorgeneral
HHS	Daniel R. Levinson 330 Independence Avenue, SW Room 5250 Washington, DC 20201	202.619.3148	800.447.8477 HHSTips@oig.hhs.gov	www.oig.hhs.gov
HUD	Kenneth M. Donohue 451 Seventh Street, SW Washington, DC 20410	202.708.0430	800.347.3735	www.hud.gov/offices/oig
NASA	Robert W. Cobb 300 E Street, NW Washington, DC 20546	202.358.1220	800.424.9183	www.nasa.gov http://oig.nasa.gov/ cyberhotline.html
SBA	Peter L. McClintock (Acting) 409 Third Street, SW Washington, DC 20416	202.205.6586	800.767.0385	www.sba.gov/IG



Report Contributors (Continued)

Agency	Inspector General Name and Address	Telephone	Hotline	Website
SSA	Patrick P. O'Carroll, Jr Room 300 Altmeyer Building 6401 Security Boulevard Baltimore, MD 21235	410.966.8385	800.269.0271	www.ssa.gov/oig
TIGTA	J. Russell George 1125 15th Street, NW Washington, DC 20005	202.622.6500	800.366.4484	www.treas.gov/tigta
TREAS	Eric Thorson 1500 Pennsylvania Avenue, NW Washington, DC 20220	202.622.1090	800.359.3898	www.treas.gov/oig
USDA	Phyllis K. Fong 1400 Independence Avenue, SW Room 117-W Jamie L. Whitten Building Washington, DC 20250	202.720.8001	202.690.1622 800.424.9121 202.690.1202 (hearing impaired)	www.usda.gov/oig
USPS	David C. Williams 1735 North Lynn Street Arlington, VA 22209-2020	703.248.2100	888.877.7644	www.uspsig.gov

Appendix

B

Other Useful Websites

Alabama Department of Economic and Community Affairs

<http://www.adeca.alabama.gov>

Department of Education – Hurricane Help for Schools

<http://Hurricanehelpforschools.gov/index.html>

Department of Housing and Urban Development Office of Inspector General

<http://www.hud.gov/offices/oig/hotline/index.cfm>

Department of Justice Hurricane Katrina Fraud Task Force

http://www.usdoj.gov/katrina/Katrina_Fraud

Department of Transportation Roadway Information Related to Hurricanes Rita and Katrina

<http://www.fhwa.dot.gov/trafficinfo/katrina.htm>

Department of Transportation: Status of Transportation-Related Recovery Efforts

<http://www.nhtsa.dot.gov/USDOTReliefSite>

Environmental Protection Agency Disaster Response

<http://www.epa.gov/katrina/index.html>

Federal Bureau of Investigations Hurricanes Katrina and Rita Information Page

<http://www.fbi.gov/katrina.htm#vgn-hurricane-katrina-fraud-task-force-vgn>

Florida: Department of Community Affairs

<http://www.floridacommunitydevelopment.org>

Hurricane Contracting Information Center – Department of Commerce

<http://www.rebuildingthegulfcoast.gov>

Louisiana Rebuilds: Non-Partisan, Public-Private Partnership for LA Residents Affected by Hurricanes Katrina and Rita

<http://www.louisianarebuilds.info/>

Louisiana Recovery Authority

<http://www.lra.louisiana.gov>

Louisiana Recovery Authority: Louisiana Long Term Recovery Planning

<http://www.louisianaspeaks.org>

Mississippi Development Authority

<http://www.mshomehelp.gov>

Mississippi: Hurricane Katrina Homeowner’s Grant Program

<http://www.mshomehelp.gov>

President’s Council on Integrity and Efficiency/Executive Council on Integrity and Efficiency: Hurricane Relief Oversight

<http://www.ignet.gov/pande/hsr1.html#relief>

President’s Council on Integrity and Efficiency/Executive Council on Integrity and Efficiency

<http://www.ignet.gov/pande/hsr/oigplanoverview.pdf>

Small Business Administration Office of Inspector General

<http://www.sba.gov/ig>

Small Business Administration: Disaster Recovery

http://www.sba.gov/disaster_recov/index.html

State of Louisiana: Hurricane Information

<http://katrina.louisiana.gov/>

Texas: Department of Housing and Community Affairs

<http://www.tdhca.state.tx.us>

White House Hurricanes Recovery, Rebuilding the Gulf Coast Region

<http://www.whitehouse.gov/infocus/hurricane>

Acronyms and Definitions

A & E	Architecture and Engineering
AIP	Approved Insurance Providers
CBP	Customs and Border Protection
CCP	Crisis Counseling Program
CDBG	Community Development Block Grant
CMS	Centers for Medicare and Medicaid Services
CNCS	Corporation for National and Community Service
CPA	Certified Public Accountant
DCIS	Defense Criminal Investigative Service
DCMS	Disaster Credit Management System
DHAP	Disaster Housing Assistance Program
DHS	Department of Homeland Security
DLA	Defense Logistics Agency
DME	Durable Medical Equipment
DOC	Department of Commerce
DoD	Department of Defense
DOE	Department of Energy
DOI	Department of the Interior
DOJ	Department of Justice
DOL	Department of Labor
DOT	Department of Transportation
DRF	Disaster Relief Fund
DUA	Disaster Unemployment Assistance
ECIE	Executive Council on Integrity and Efficiency
ED	Department of Education
EFCRP	Emergency Forestry Conservation Reserve Program
EPA	Environmental Protection Agency
FEMA	Federal Emergency Management Agency
FPS	Federal Protective Service
FS	Forest Service
FSA	Farm Service Agency
FWS	Fish and Wildlife Service
FY	Fiscal Year
GSA	General Services Administration
HANO	Housing Authority of New Orleans
HHS	Department of Health and Human Services
HIP	Hurricane Indemnity Program
HMPG	Hazard Mitigation Grant Program
HUD	Department of Housing and Urban Development
LDOL	Louisiana Department of Labor
LLP	Limited Liability Partnership

Appendix



Acronyms and Definitions (continued)

NASA	National Aeronautics and Space Administration
NCDF	National Center for Disaster Fraud
NEG	National Emergency Grants
NFIP	National Flood Insurance Program
NPS	National Park Service
NRP	National Response Plan
OA	Office of Audit
OCPO	Office of the Chief Procurement Officer
ODA	Office of Disaster Assistance
OES	Office of Emergency Services
OI	Office of Investigations
PA	Public Assistance
PCIE	President's Council on Integrity and Efficiency
PIH	Office of Public and Indian Housing
PNP	Private Non-Profit
RMA	Risk Management Agency
SBA	Small Business Administration
SSA	Social Security Administration
SSN	Social Security number
TIGTA	Treasury Inspector General for Tax Administration
TREAS	Department of the Treasury
TRO	Transitional Recovery Office
UCCP	uncompensated care pool
UI	unemployment insurance
USA	United States of America
USACE	United States Army Corp of Engineers
USCG	United States Coast Guard
USDA	United States Department of Agriculture
USFS	United States Forest Service
USM	United States Military
USN	United States Navy
USPS	United States Postal Service
VA	Veterans Affairs
WYO	Write-Your-Own (insurance companies)

Photo Credits

Cover - Biloxi Bay Bridge in Mississippi - FEMA/ Jennifer Smits

Biloxi, Mississippi, August 14, 2008 -- Joggers and motorists travel the Highway 90 Bridge between Biloxi and Ocean Springs. The bridge opened last November after the previous one was destroyed by Hurricane Katrina.

Report Overview - New Orleans 17th Street Levee - FEMA/Barry Bahler

New Orleans, Louisiana, July 7, 2008 -- The light colored concrete is all that marks the spot of the breach three years ago in the 17th St Levee that caused serious flooding in Jefferson Parrish by Hurricanes Katrina and Rita. Today it is back to normal and homeowners are returning.

Executive Summary - The New Bay Bridge in Louisiana, Repaired Since Katrina - FEMA/Jacinta Quesada

New Orleans, Louisiana, August 30, 2008 -- The New Bay Bridge in St. Louis Mississippi, was severely damaged during Hurricane Katrina.

Audits, Inspections, and Other Reviews - Hurricane Katrina Flood In New Orleans

New Orleans, Louisiana -- This photo shows the flooding incurred in New Orleans after Hurricane Katrina. The flood water in this Metairie neighborhood was just over five feet.

Investigations - Empty site of the Colomb Trailer Group in Louisiana - FEMA/ Jacinta Quesada

Chalmette, Louisiana, July 29, 2008 -- The Colomb Trailer Group site in St. Bernard Parish housed 230 families after Hurricane Katrina. This image shows the site after the last family moved in April, 2008, to more permanent housing and the land was restored to its original condition.

Gulf Coast Recovery Funding - Restored Jefferson Davis home “Beauvoir” - FEMA/Jennifer Smits

Beauvoir, Mississippi, August 14, 2008 -- Beauvoir, the last home of Jefferson Davis, held its rededication ceremony in June 2008 and is now open to the public again after extensive restoration. Beauvoir was severely damaged by Hurricane Katrina and FEMA helped fund the restoration.

Appendix - Debris Collection Center in Louisiana- FEMA/Andrea Booher

New Orleans, Louisiana, July 29, 2008 -- This boulevard in the Lakeview area served as a staging area for debris collection following Hurricane Katrina. In the nearly three years since the hurricane, approximately 58.8 million cubic yards of debris have been collected in Louisiana.

Additional Information and Copies

To obtain additional copies of this report, call the Department of Homeland Security Office of Inspector General (OIG) at (202) 254-4199, fax your request to (202) 254-4305, or visit the Department of Homeland Security OIG website at www.dhs.gov/oig or the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency Homeland Security Roundtable website at <http://ignet.gov/pande/hsr1.html#relief>.

Hurricane Fraud Hotline

If you have knowledge of fraud, waste, abuse, or allegations of mismanagement involving hurricane operations, you can:

- CALL the Hurricane Fraud Hotline at (866)720-5721
- FAX the Hurricane Fraud Hotline at (225)334-4707
- EMAIL: disaster@leo.gov
- OR WRITE: Hurricane Katrina Fraud Task Force, Baton Rouge, LA 70821-4909

Calls can be made anonymously and confidentially.