

# President's Council on Integrity and Efficiency Homeland Security Roundtable

## Compendium of OIG Hurricane Oversight in the Gulf States



December 12, 2005



**Homeland  
Security**

On August 29, 2005, Hurricane Katrina dealt unprecedented amounts of damage to Louisiana, Mississippi, and Alabama. Congress quickly appropriated more than \$62 billion to the Department of Homeland Security and Department of Defense for an immediate relief effort. Many of these funds were, in turn, tasked to other federal departments and agencies. In addition, some departments have initiated separate programs addressing their particular areas of responsibility.

Congress is concerned that such emergency circumstances provide the opportunity for fraud and mismanagement that would deprive the affected individuals the full benefit of the funds to be spent on the recovery and will rely upon the Inspectors General as a principal line of defense against such fraud and abuse. Congress and the Inspectors General recognize that coordination of efforts is critical to effectiveness when numerous OIGs are responsible for the oversight of related programs, especially when the work is to be performed in a short timeframe under complex conditions.

In early 2005, the President's Council on Integrity and Efficiency (PCIE) had already established a special working group to address homeland security audit and investigative issues chaired by the Inspector General for the Department of Homeland Security. It was natural for this working group to take the lead in coordinating the efforts of the various OIGs as they mobilized to provide support and oversight for billions of dollars of efforts being undertaken by their departments.

The attached Compendium is part of the PCIE homeland security working group's efforts to promote coordination among the participating OIGs and maximize the economy and effectiveness of those efforts. The Compendium presents an overview of the audit and investigation efforts being undertaken by the participating OIGs and also presents a brief description of each OIG's plans as envisioned by their executives.

On behalf of the Inspector General community, DHS-OIG is pleased to have compiled this compendium of collective OIG's activities in the oversight of hurricane disaster response and recovery in the Gulf Coast region and appreciates the efforts of all involved.

*Richard L. Skinner*

Richard L. Skinner  
Inspector General

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## Appendix

Appendix A: Individual OIG Oversight Plans

## Abbreviations

COE	Corps of Engineers
DHS	Department of Homeland Security
DISA	Defense Information Systems Agency
DOC	Department of Commerce
DOD	Department of Defense
DOE	Department of Energy
DOI	Department of Interior
DOJ	Department of Justice
DOL	Department of Labor
DOT	Department of Transportation
DUA	Disaster Unemployment Assistance
DOE	Department of Energy
EPA	Environmental Protection Agency
FEMA	Federal Emergency Management Agency
GAO	Government Accountability Office
GSA	General Services Administration
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
JFO	Joint Field Office
NASA	National Aeronautics and Space Administration
OIG	Office of Inspector General
OMB	Office of Management and Budget
OSHA	Occupational Safety and Health Administration
PCIE	President’s Council on Integrity and Efficiency

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SBA	Small Business Administration
SSA	Social Security Administration
TIGTA	Treasury Inspector General for Tax Administration
USDA	United States Department of Agriculture
USPS	United States Postal Service
VA	Department of Veterans Affairs

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## Introduction and Background

The purpose of this compendium is to summarize the ongoing and planned activities of the Inspectors General community in their oversight of response and recovery efforts related to Hurricane Katrina. The compendium includes the activities of those OIGs whose Departments were part of the initial response phase or have received significant mission assignments from FEMA. Additional OIG offices may be included in the compendium in the recovery phase.

In many cases reviews conducted by OIG staff have subsequently expanded to provide oversight of response and recovery efforts related to Hurricanes Rita and Wilma. In such cases summaries of these broader scoped efforts are also included in this compendium.

In response to the unprecedented damage caused by Hurricane Katrina, FEMA 1) made mission assignments totaling approximately \$7.4 billion, with over \$3.5 billion for the Corps of Engineers and over \$2.2 billion for other elements of DOD; 2) entered into contracts totaling over \$1.6 billion with the private sector to assist in the cleanup effort; and, 3) made public assistance grants to affected states totaling approximately \$1.0 billion.

To answer the call for OIG oversight of these massive and complex activities, the OIGs whose departments and agencies are involved in the various efforts have assigned extensive staff resources to a variety of assignments. To date the OIGs, collectively, have committed over 350 auditors, investigators, and inspectors to this combined effort. DHS-OIG has already assigned 60 auditors, investigators, and inspectors to Hurricane Katrina related work and expects to expand this effort to approximately 150 staff in the coming months. Many of DHS-OIG's personnel are already on the ground at FEMA headquarters and at the Joint Field Offices (JFOs) in Louisiana, Mississippi, and Alabama. DHS-OIG will leverage its efforts with those of the state and local audit organizations in the affected states. Already, Louisiana's Legislative auditor and Inspector General have dedicated 36 auditors to review the transactions of that state's Office of Emergency Preparedness. Within DOD the Army Audit Agency, the Naval Audit Service, the Air Force Audit Agency, the Defense Contract Audit Agency, and the DOD criminal investigative organizations will devote a cadre of over 145 auditors, investigators, and inspectors to providing immediate oversight of DOD contracts, grants, and operations related to Hurricane Katrina relief efforts. Other OIGs and the Government Accountability Office (GAO) also have staff involved in the conduct of oversight and investigative activities related to the response and recovery efforts on-site and in headquarters units.

The oversight activities of the various organizations involved will need to be closely coordinated to maximize the scope and effectiveness of the work performed and minimize disruptions to the response and recovery efforts. The Inspectors General involved in these efforts have coordinated their oversight activities through the PCIE Homeland Security Roundtable and the overall effort is being coordinated with the GAO.

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## **Objective, Scope, and Methodology**

The overriding objective of the OIGs' oversight plan is to ensure accountability and prevent problems from occurring. Our plans focus heavily on prevention, including reviewing internal controls; monitoring and advising department officials on precedent-setting decisions, contracts, grants, and purchase transactions before they are finalized; and meeting with applicants, contractors, and grantees to advise them of their fiduciary responsibilities and assess their capability to account for the funds. The plans also encompass an aggressive and ongoing audit and investigative effort designed to ensure that disaster relief funds are being spent wisely and to identify fraud, waste, and abuse as early as possible.

We will evaluate internal controls over program and grant management, contract and procurement, and property and equipment management to ensure accountability of funds expended and the safeguarding of assets. We will also assess management controls over purchase card transactions and micro-purchase transactions. We will verify the validity of these transactions through selective testing.

We will investigate allegations of fraud, waste, and abuse and monitor Hotline Complaints, prioritize them, and assess their validity.

Our OIG oversight also incorporates conducting special reviews of areas that are unique to certain agencies, such as the reconstruction of NASA space facilities.

## **Summary of OIG Oversight Plans**

The matrix beginning on page 5 summarizes the audit and investigative oversight efforts that are planned by OIG's at multiple agencies as well as significant efforts that are unique to individual agencies. This matrix is linked to Appendix A which briefly describes each individual OIG's efforts as reported to the PCIE roundtable.





Matrix of OIG Plans Areas of Examination	Objectives	D H S	D O C	D O D	D O E	D O I	D O J	D O L	D O T	E P A	G S A	H H S	H U D	N A S A	S B A	S S A	T I G T A	U S D A	U S P S	V A
NASA Recovery and Reconstruction	Assess NASA's recovery and reconstruction efforts for the Michoud Assembly Facility in Louisiana and the Stennis Space Center in Mississippi.													X						
USDA Forest Service Equipment	Evaluate USDA/Forest Service administration of its emergency equipment rental agreement (EERA) program.																	X		
Locating USPS Employees	Assess USPS' progress in locating affected employees.																		X	
USPS Asset Assessment	Assess the overall damage to USPS' assets (facilities, vehicles, and equipment), and determine the impact.																		X	
DHS/FEMA Property Management	Review DHS/FEMA property management to ensure assets were acquired for use at joint field offices and were adequately safeguarded.	X																		
DHS/FEMA's Disaster Management	Evaluate how well FEMA carried out its disaster management responsibilities in response to Hurricane Katrina.	X																		
EPA Health and Environmental Protection	Evaluate the effectiveness of EPA's role in protecting the health of individuals and the environment focusing on drinking water, wastewater, oil spills, Superfund sites, other hazardous materials, and management of hurricane debris.									X										
DOE Response	Reviewed DOE's response to Hurricanes Katrina and Rita, specifically to assess whether the Department's actions fulfilled their obligations as outlined in the DHS National Response Plan.				X															
USPS Mail Handling	Assess USPS interim facilities and mail processing, delivery, and transportation issues.																		X	
DOD Information Systems	Review the contingency operations and associated plans for affected information technology resources, and review the effects the			X																

Compendium of OIG Hurricane Oversight in the Gulf States



<b>Matrix of OIG Plans Areas of Examination</b>	<b>Objectives</b>	<u>D</u>	<u>H</u>	<u>S</u>	<u>D</u>	<u>O</u>	<u>C</u>	<u>D</u>	<u>O</u>	<u>D</u>	<u>E</u>	<u>D</u>	<u>O</u>	<u>I</u>	<u>D</u>	<u>O</u>	<u>J</u>	<u>D</u>	<u>O</u>	<u>L</u>	<u>D</u>	<u>O</u>	<u>T</u>	<u>I</u>	<u>G</u>	<u>T</u>	<u>A</u>	<u>U</u>	<u>S</u>	<u>D</u>	<u>P</u>	<u>S</u>	<u>U</u>	<u>S</u>	<u>A</u>					
DOD Obligations and Expenditures	Determine whether DOD's obligations and expenditures related to the reconstruction effort are efficiently executed.																																							
<b>SINGLE AGENCY REVIEWS</b>																																								
Air Force Funds Control	Review DOD's Air Force procedures for receiving and disbursing funds in support of disaster relief operations.																																							
SBA Disaster Credit Management	Review the implementation of SBA's Disaster Credit Management System.																																							
GSA Properties	Assess GSA's response to the hurricane as the landlord of the affected properties																																							
Tax Relief Issues	Assess relaxation of tax enforcement actions and oversight of tax exempt organizations involved with hurricane relief. Determine how the IRS' Underreporter Program handled tax relief cases and whether relief codes and were input and maintained for impacted taxpayers.																																							
Tax Payer Data	Determine whether sensitive taxpayer data was adequately protected.																																							
Tax Returns	Evaluate whether the IRS has addressed hurricane relief issues in its updates to forms, publications, and computer systems, and in its other preparations for the tax filing season.																																							
<b>MULTI-AGENCY INVESTIGATIONS</b>																																								
Hot Line Complaints	Assess and investigate allegations of fraud, waste, and abuse within agency programs and operations.																																							

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## Acknowledgements

We appreciate all those who contributed to this Compendium. We had the opportunity to work with OIGs from the following departments and agencies:

*Department of Commerce*  
*Department of Defense*  
*Department of Energy*  
*Department of Interior*  
*Department of Health and Human Services*  
*Department of Housing and Urban Development*  
*Department of Justice*  
*Department of Labor*  
*Department of Transportation*  
*Department of Veterans Affairs*  
*Environmental Protection Agency*  
*General Services Administration*  
*National Aeronautics and Space Administration*  
*Small Business Administration*  
*Social Security Administration*  
*Treasury Inspector General for Tax Administration*  
*U.S. Department of Agriculture*  
*United States Postal Service*

We also appreciate the participation of the Executive Council on Integrity and Efficiency and the Government Accountability Office in coordinating communications and other efforts among the various federal OIGs.

## DHS

An Assistant Inspector General (AIG) for Hurricane Oversight will manage the overall effort on a full time basis for the Department. The AIG will be supported by a core group of DHS auditors, investigators, and inspectors with FEMA experience who are well positioned and prepared to provide immediate and continuing oversight of contracts, grants, and operations related to hurricane relief efforts.

Auditors are monitoring operations at the FEMA Emergency Operations Center (EOC) and will stay current on all disaster relief operations and provide on-the-spot advice. Our objective in this effort is to help DHS officials appropriately consider internal controls and the potential ramifications of their precedent setting decisions as emergency response and recovery activities continue. Specific oversight activities will include:

- Providing oversight of Joint Field Offices (JFOs) operations,
- Reviewing major contracts and expanded micro-purchase authority,
- Continuously monitoring financial controls,
- Provision of public assistance projects,
- Reviewing supporting documentation for mission assignments, and
- Conducting a performance review of FEMA's disaster management activities in response to Hurricane Katrina.

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## DOC

The Department of Commerce (DOC) OIG's overall objectives in its audit plan are to:

- Verify that transactions are authorized and valid,
- Verify whether the Department receives goods or services under contract, and
- Ensure problems are prevented (versus problems are uncovered).

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## DOD

The Department of Defense (DOD) OIG's overall objectives are to:

- Review the internal controls, procurement controls, and oversight of the DOD contracts used for the Hurricane Katrina recovery effort;
- Review DOD purchase card transactions authorized by Section 101 of the Second Emergency Supplemental Appropriations Act;

- Evaluate the use of Title 10 and Title 32 military forces, DoD civilian personnel supporting the relief efforts, and the impact on the readiness and logistics support provided by DOD;
- Determine the effects of Hurricane Katrina on DoD information technology resources in the affected areas;
- Determine whether DoD obligations and expenditures related to the Hurricane Katrina reconstruction effort are timely and efficiently executed and in accordance with applicable laws and regulations;
- Review Air Force procedures for receiving and disbursing funds in support of Hurricane Katrina relief operations, and tracking and requesting FEMA reimbursements; and
- Investigate fraud abuse, corruption, and other crimes associated with the expenditure of DOD funds for response and recovery efforts related to Hurricane Katrina.

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## **DOE**

The Department of Energy (DOE) OIG's overall objectives are to:

- Determine whether DOE's response to Hurricanes Katrina and Rita fulfilled its responsibilities under the Department of Homeland Security's National Response Plan;
- Ensure that appropriated funds are used for their intended purposes and comply with applicable procurement standards; and,
- Investigate allegations of fraud involving DOE-funded projects.

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## **DOI**

Department of Interior (DOI) OIG's overall objectives within its audit plans are to:

- Review the award and administration of major DOI funded contracts and DOI's implementation of expanded micro-purchase authority to ensure that appropriate federal acquisition regulations are being adhered to, and expenditures are necessary and reasonable.
- Provide oversight of DOI's control environment, financial and operational processes, and the effectiveness of internal controls to identify financial reporting issues early. Under this effort, we will identify, document, and test internal controls for operating effectiveness

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## DOJ

Department of Justice's (DOJ's) OIG's overall objectives in its audit plan are to:

- Verify that transactions are authorized and valid
- Verify the Department receives the good or services under contract
- Ensure problems are prevented (versus problems are uncovered).

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## DOL

The Department of Labor will receive funding (currently approximately \$21 million) from FEMA to support OSHA's responsibilities for one annex of the National Emergency Response Plan. In addition, the Department has two programs that are significantly impacted as a result of the hurricanes: the State-Federal unemployment insurance program and the WIA program. As of October 13, states in the affected areas have been provided over \$48 million for Disaster Unemployment Assistance (DUA) for those unemployed not covered by regular unemployment insurance. The Department has awarded \$203 million in National Emergency Grants to provide more than 20,000 temporary jobs and other assistance, and awarded \$44 million in grants to expand the capacity for processing unemployment insurance claims.

Generally, the DOL OIG will work with state and local auditors responsible for oversight of Federal funds as well as conduct its own audit work to ensure adequate monitoring and oversight of DOL funded programs as described above. The DOL OIG will also work with other Federal OIGs to ensure coordination with the combined Federal response. Our primary emphasis will be on prevention, but we are prepared to aggressively audit and investigate allegations of waste, fraud, and abuse.

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## DOT

The Department of Transportation (DOT) OIG's overall objective in its oversight plan is to prevent fraud, waste, and abuse and detect and prosecute fraud. In addition, the OIG plans to confirm the effectiveness of increased Departmental and State Departments of Transportation oversight and apprise the Secretary and Congress of its findings. Specifically, the OIG will:

- Verify whether expenditures of Federal funds on transportation services and programs are being appropriately tracked by the Operating Administrations, as required by the Assistant Secretary for Budget and Programs and Chief Financial Officer;

- Proactively ensure that Operating Administrations and State Departments of Transportation exercise adequate oversight of Department expenditures and put systems in place to make certain funds are appropriately spent;
- Audit selected projects, grants, and contracts;
- Conduct fraud awareness and prevention activities to alert Federal, state, and local government agencies; and
- Investigate allegations of fraud involving transportation-funded projects, to include presenting cases to the Department of Justice for prosecution, participating in resulting prosecutions, and ensuring that the Operating Administrations and states take appropriate suspension and debarment actions

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## **EPA**

Environmental Protection Agency (EPA) OIG's overall objectives in this area are to determine whether EPA:

- Adequately designed and effectively implemented controls for authorizing, awarding, documenting, and approving expenditures;
- Paid a reasonable price for goods and services obtained;
- Adequately safeguarded purchased assets; and
- Provided quality and timely information relative to the safety of individuals and the environment; and whether and how the information is being used by affected states and other regulatory agencies in their response efforts. This work will focus in the areas of drinking water, wastewater, oil spills, Superfund sites, other hazardous materials, and management of hurricane debris.

Additionally, EPA-OIG investigators will coordinate with the respective Federal, state, and local law enforcement agencies.

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## **GSA**

The General Services Administration (GSA) OIG's overall objective is to determine how effectively GSA responded to Hurricane Katrina. It will look at how the agency assisted FEMA in providing timely relief to the victims of the hurricane. Additionally, the OIG will assess the agency's performance as the landlord for the Federal agencies in the affected areas. More specifically, the OIG will assess whether:

- Proper management controls were implemented, and how well these management controls are operating to protect against fraud, waste, and abuse;



- Transactions were authorized, valid, reasonably priced, and complied with appropriate regulations; and
- GSA adequately responded to safeguard physical assets and tenant agencies' needs.

Additionally, OIG investigators will coordinate with the respective Federal, state, and local law enforcement agencies.

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## **HHS**

The Department of Health and Human Services (HHS) OIG's overall objectives in its audit plan are to:

- Ensure that funds were used for valid and authorized transactions that comply with appropriate procurement standards,
- Verify if the goods and services procured were delivered, and
- Ensure that problems were prevented rather than identified after the fact.

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## **HUD**

The Department of Housing and Urban Development (HUD) OIG's overall objectives in its audit plans are to:

- Conduct a risk assessment of the overall financial and procurement controls prior to implementation to ensure the necessary controls are built into the process;
- Evaluate the selected organization's control process for distributing funding to the various CDBG grantees, Public Housing Agencies, and housing vouchers;
- Evaluate the proposed plan to reduce regulatory requirements for HUD administered programs that already allocate or expect to allocate funds to the affected areas;
- Perform a risk analysis of the rebuilding and revitalization plan for the affected areas; and
- Assess, evaluate and make recommendations for the proposed development corporation structure.

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## **NASA**

National Aeronautics and Space Administration (NASA's) overall objectives are to:

- Determine whether NASA has established the necessary internal controls to manage Hurricane Katrina recovery and reconstruction efforts, and
- Evaluate NASA's estimating and execution of Hurricane Katrina funds and the processes, i.e., controls, used to ensure that those funds were used for their intended purposes.

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## **SBA**

The Small Business Administration (SBA) OIG's overall objectives in its audit plans are to:

- Determine if SBA's Disaster Credit Management System (DCMS) is performing in accordance with its business process design criteria and other requirements established in SBA policies, applicable laws and regulations;
- Assess DCMS conversion plans and tests to ensure all new disaster loans are properly recorded and accounted for and identify any loan processing bottlenecks hampering the effective and timely delivery of services;
- Evaluate SBA's disaster loan making and servicing processes and assess whether loan proceeds are used for relief to victims who are eligible to receive small business and home loans;
- Review a selected sample of loans to determine the effectiveness of the processes for originating, servicing, and liquidating disaster assistance loans in accordance with applicable laws and regulations; and
- Identify potential operational issues hampering the effective delivery of services, internal controls, and loan processing.

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## **SSA**

The Social Security Administration (SSA) OIG Office of Audit has initiated a review to report on the status of SSA service delivery to individuals affected by Hurricanes Katrina and Rita. As part of this review we will assess SSA's plans to ensure that payments made under emergency procedures were appropriate and properly safeguarded.

SSA's service delivery to recipients and beneficiaries is vital to the region's recovery. As part of its immediate response to the disaster, SSA temporarily changed or eliminated several control procedures to ensure continued benefit payments in the affected area. We will assess SSA's plans to ensure that payments made are proper and that controls are sufficient to safeguard against fraud, waste, and mismanagement.

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### **TIGTA**

The Treasury Inspector General for Tax Administration (TIGTA) has substantial work underway to address the tax relief extended to hurricane victims to include a review to ensure enforcement actions (tax collection return examinations) are not being conducted in zip codes affected by Hurricanes Katrina and Rita and a review of the Exempt Organizations Function's oversight of tax exempt organizations involved with Hurricanes Katrina and Rita relief. Exempt Organizations oversees 1.6 million tax exempt organizations that control approximately \$1.8 trillion in assets.

We are reviewing information systems to determine whether sensitive taxpayer data was adequately protected. With regard to preparation for the tax filing season, we are conducting reviews determine whether the IRS has addressed hurricane relief issues in its updates to tax forms, publications, and computer systems, in its toll-free-telephone system, and in its other preparations for the tax filing season.

We are also conducting reviews to determine how effectively IRS' Underreporter Program handled disaster relief cases, and whether disaster relief codes and associated freezes were input and effectively maintained for impacted taxpayers.

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### **USDA**

The United States Department of Agriculture (USDA) OIG has developed a coordinated plan, utilizing audits, investigations, and special reviews to prevent and address fraud, waste, and abuse in hurricane response and recovery efforts. Short, intermediate, and long term objectives have been established. Areas of emphasis include reviewing controls; monitoring and advising department officials on contract, grants, and purchase transactions; and responding aggressively when fraud or abuse is discovered. Efforts underway include:

- Assessing Forest Service controls over the delivery of hurricane relief assistance (FEMA mission assignments) to ensure that the contracting and delivery of disaster relief assistance is safeguarded from fraud, waste, and abuse;

- Reviewing the effectiveness of controls to prevent improper Disaster Food Stamp program payments in disaster and evacuee States to include (1) identifying and evaluating controls to prevent duplicate payments both within States and across States and (2) reviewing States' controls to prevent possible employee fraud and collusion to obtain improper benefits; and
- Identifying and evaluating controls over the replacement of Electronic Benefit Transfer terminals.

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## USPS

The United States Postal Service (USPS) OIG's overall objectives in its audit plans are to:

- Assess whether transactions were authorized and valid,
- Verify if contracts were appropriate,
- Ascertain if assets were safeguarded and secure, and
- Ascertain if the U.S. Mail was processed, transported and delivered, and issues were identified and corrected.

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## VA

The Department of Veterans Affairs Office of Inspector General will conduct an audit of planning, response, and recovery efforts for the Gulf Coast Hurricanes Katrina and Rita by the Veterans Health Administration, Veterans Benefits Administration, and the National Cemetery Administration. The purpose of the audit is to assess:

- Management controls over contract and procurement activities,
- Controls to reestablish healthcare and benefit delivery to veterans, and
- Quality of care issues resulting from the evacuation.

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