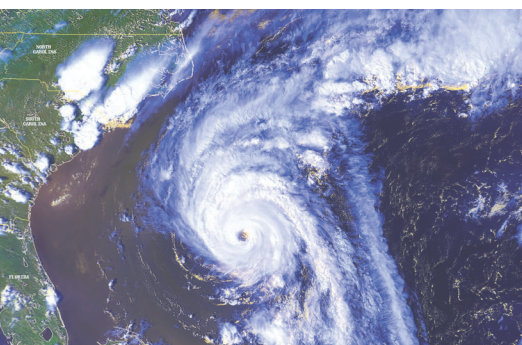


FEDERAL EMERGENCY MANAGEMENT AGENCY

# Semiannual Report



**OFFICE OF INSPECTOR GENERAL**

**October 1, 2002 – February 28, 2003**

# Statistical Highlights of OIG Activities

---

## **DOLLAR IMPACT** (in thousands)

Questioned Costs .....	\$ 7,253
Funds Put to Better Use .....	\$19,193

### Management Agreement That Funds Be:

Recovered .....	\$ 6,973
Deobligated .....	\$ 1,689

Funds Recovered .....	\$15,350
Funds Deobligated .....	\$ 381

Fines and Restitutions .....	\$ 428
Administrative Cost Savings and Recoveries .....	\$ 71

---

## **ACTIVITIES**

OIG Reports Issued .....	43
Contract Reports Processed .....	9
Single Audit Reports Processed .....	25
Investigative Cases Opened .....	638
Investigative Cases Closed .....	387

Arrests .....	100
Indictments .....	95
Convictions .....	51
Personnel Actions .....	11

Complaints Received .....	395
Hotline Complaints Received .....	1,343
Hotline Referrals (to programs or other agencies) .....	42
Hotline Closed .....	1,552





# Federal Emergency Management Agency

Office of Inspector General

Washington, D.C. 20472

February 28, 2003

The Honorable Michael D. Brown  
Deputy Director  
Federal Emergency Management Agency  
Washington, DC 20472

Dear Mr. Brown:

The Inspector General Act of 1978 (Public Law 95-452), as amended, requires the preparation of a Semiannual Report to Congress summarizing the activities of our office. We are pleased to enclose the report for the period from October 1, 2002, through February 28, 2003. The Act also mandates that you transmit this report to the appropriate committees of Congress by May 30, 2003, together with any comments you may wish to make.

This is the 28th semiannual report issued by Office of Inspector General (OIG), Federal Emergency Management Agency (FEMA), since FEMA became a statutory Inspector General office in April 1989. This is also our last report as the FEMA OIG, as we become part of the Department of Homeland Security. It has been an honor to work with the dedicated professionals at FEMA. We are looking forward to working with them in the future at the Department of Homeland Security.

During this reporting period, we reviewed issues that we considered to be serious management challenges facing FEMA. Specifically, we audited the FY 2002 FEMA financial statements; FEMA's, delivery of individual assistance programs to victims of the World Trade Center disaster; FEMA's redesigned Public Assistance Program; the Grant Acceleration Program used for the Northridge earthquake disaster; the effectiveness of the Community Rating System; the \$71 million spent by FEMA to create and maintain flood hazard maps; and National Fire Incident Reporting System. We also devoted significant resources to reviewing disaster costs and grant recipients' compliance with applicable laws and regulations, and to investigating numerous allegations of fraud and abuse by disaster recipients.

Our efforts yielded \$15.7 million in recoveries and deobligations, and the agreement of management officials to recover or deobligate an additional \$8.7 million. Our efforts also resulted in 195 arrests and or indictments and 51 convictions.

We look forward to working closely with you toward the goal of promoting the economy, effectiveness, and efficiency in the Department of Homeland Security's programs and operations.

Sincerely,

Richard L. Skinner  
Acting Inspector General

Enclosure



# Table of Contents

<b>Section</b>	<b>Page</b>
1. EXECUTIVE SUMMARY .....	1
2. FEDERAL EMERGENCY MANAGEMENT AGENCY .....	3
3. OFFICE OF INSPECTOR GENERAL .....	5
4. SUMMARY OF SIGNIFICANT OIG ACTIVITY .....	7
Terrorism Response and Recovery .....	8
Disaster Response and Recovery .....	9
Federal Insurance and mitigations .....	13
Administration and Resource Planning .....	14
Information Technology Services .....	16
5. PREVENTION ACTIVITIES .....	19
Hotline Complaints .....	19
Disaster Fraud Management Training .....	19
OIG Law Enforcement Task Force Activities .....	19
Integrity Awareness .....	20
6. OTHER OIG ACTIVITIES .....	21
Oversight of Non-FEMA Audits .....	21
Audit Reports Unresolved Over Six Months .....	21
7. LEGISLATIVE AND REGULATORY REVIEWS .....	23
8. APPENDICES .....	25
9. INDEX OF REPORTING REQUIREMENTS .....	35
10. OIG POINTS OF CONTACT .....	37
11. CUSTOMER SURVEY FORM .....	39



# Executive Summary

This is the 28th semiannual report issued by the Federal Emergency Management Agency (FEMA), Office of Inspector General (OIG), since FEMA became a statutory Inspector General office in April 1989. It is issued pursuant to the provisions of the Inspector General Act of 1978 (Public Law 95-452), as amended, and covers the period from October 1, 2002, through February 28, 2003. All activities and results reported fall within the reporting period unless otherwise noted. This is the last semiannual report for FEMA OIG, as we become part of the Department of Homeland Security on March 1, 2003.

During this reporting period, we reviewed a wide variety of FEMA programs and activities, including:

- FY 2002 FEMA financial statements
- FEMA's delivery of individual assistance programs to victims of the World Trade Center disaster on September 11, 2001
- FEMA's redesigned Public Assistance Program
- Grant Acceleration Program used for the Northridge earthquake disaster
- Effectiveness of the Community Rating System as a tool for improving local floodplain management policies and practices
- \$71 million spent by FEMA to create and maintain flood-hazard maps for the nation
- FEMA's actions in acquiring, developing, and maintaining its National Fire Incident Reporting System
- Grants management processes in five states and related financial reporting to FEMA

We also devoted significant resources to reviewing disaster costs and grant recipients' compliance with applicable laws and regulations, and to investigating numerous allegations of fraud and abuse by disaster recipients. Audits, inspections, and investigations were instrumental in FEMA's deobligating and recovering \$15.7 million, and agreeing to recover and deobligate an additional \$8.7 million. We issued 43 audits and inspections reports and processed 34 reports issued by non-FEMA auditors. We closed 387 investigations, arrested or indicted 195 people, convicted 51 persons, and closed 1,552 hotline complaints.



**What does the OIG consider as the most serious management and performance challenges facing FEMA? What progress is FEMA making in addressing those challenges?**

Under the Reports Consolidation Act of 2000, the OIG is required to address those Management Challenges to ensure public accountability and improve program effectiveness.

This Semiannual Report highlights five challenges facing FEMA.





# Federal Emergency Management Agency

**FEMA** is the federal agency charged with building and supporting the nation's emergency management system. FEMA works in partnership with groups such as state and local emergency management agencies, fire departments, other federal agencies, the American Red Cross, and other volunteer organizations. FEMA is authorized 2,760 full-time employees, who assist people, families, communities, and states throughout the disaster cycle. These employees help to prepare emergency plans to deal with the consequences of disasters, develop mitigation programs, and meet human and infrastructure needs when major disasters occur. They work at FEMA headquarters in Washington, D.C.; ten regional offices and satellite facilities around the country as well as in the Caribbean and Pacific; the National Emergency Training Center in Emmitsburg, Maryland; the National Teleregistration and Processing Centers in Hyattsville, Maryland, and Denton, Texas; and the Mount Weather Emergency Assistance Center in Berryville, Virginia. FEMA also maintains a cadre of temporary disaster employees who are trained and ready to help whenever and wherever disasters occur.

The U.S. Fire Administration and the Federal Insurance and Mitigation Administration (FIMA) are also under FEMA's jurisdiction. The U.S. Fire Administration supports the nation's fire and emergency medical services communities by training their employees, educating the public, and conducting research in fire protection technologies and emergency response procedures. FIMA makes flood insurance available to residents and businesses in communities that agree to enforce floodplain management practices. Nearly 20,000 communities participate in the National Flood Insurance Program (NFIP), which has more than 4.4 million home and business policies in effect.



## What is the challenge facing FEMA as part of its transition to the Department of Homeland Security?

The challenges facing FEMA are many. For example, the integration of FEMA's many management and financial information systems with those of other entities that will be brought into the Department will be a daunting task.

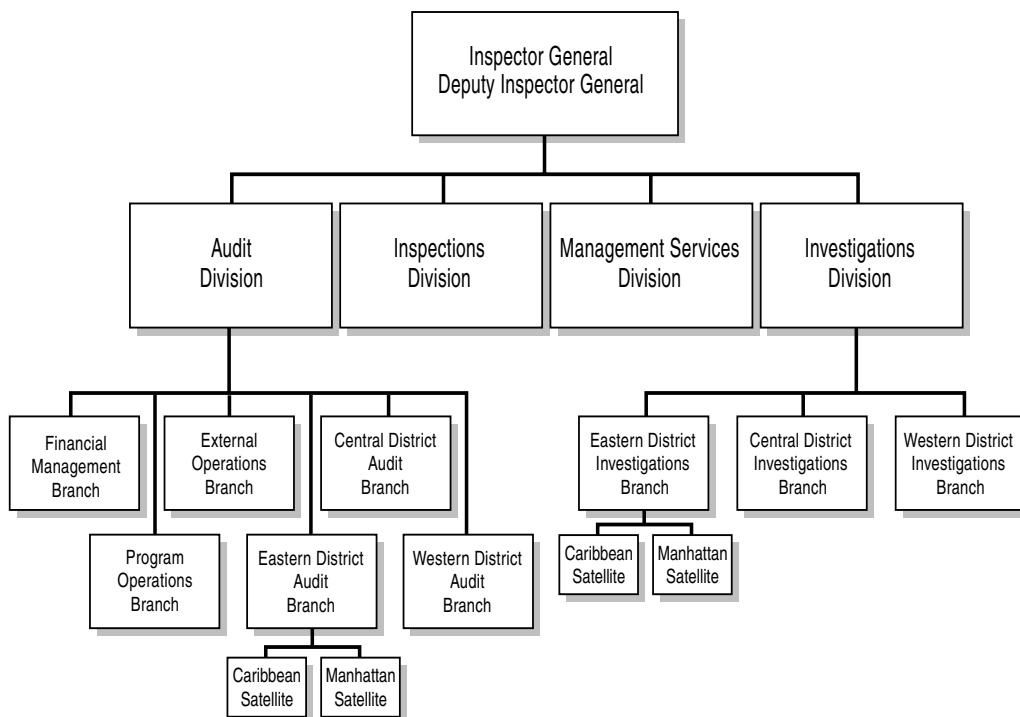
FEMA is well aware of these issues and is addressing them as they arise through active communication with staff.



# Office of Inspector General

Congress enacted the Inspector General Act in 1978 to ensure integrity and efficiency in government. A 1988 amendment to the Act (Public Law 100-504) created the position of Inspector General in FEMA, subject to presidential appointment and senatorial confirmation. According to the Inspector General Act of 1978, the Inspector General is responsible for conducting and supervising audits and investigations, recommending policies designed to promote economy and efficiency, and preventing and detecting criminal activity, fraud, waste, abuse, and mismanagement in FEMA programs and operations.

The FEMA OIG is authorized 200 full-time employees, who help to improve the quality of FEMA services and assist FEMA in accomplishing its goals and objectives effectively and efficiently. The OIG has four divisions: Audit, Inspections, Investigations, and Management Services; three District offices in Atlanta, Denton, and Oakland; and three Satellite offices in Virgin Islands, Puerto Rico, and New York.





# Summary of Significant OIG Activity

---



## **What does the IG Act of 1978 require the IG to report?**

The Act requires each IG to prepare semiannual reports summarizing the activities of the office. These reports shall include, but need not be limited to a description of significant problems, abuses, and deficiencies relating to the administration of programs and operations.

## SUMMARY OF SIGNIFICANT OIG ACTIVITY

We completed several reviews identified in our FY 2002 Annual Performance Plan, concentrating on the President's management initiatives and those issues that we believe to constitute serious management challenges facing FEMA. These include information technology management, financial management, grants management, property management, and human capital management.

We issued ten internal management reports on FEMA operations and 43 external reports on federal fund recipients, processed an additional 34 reports issued by non-FEMA auditors, and questioned costs totaling \$7.3 million.

We dedicated significant resources to reviewing states' disaster grant processes and compliance with grants management regulations and financial reporting requirements. We also completed evaluations of FEMA's redesigned Public Assistance Program, the Grant Acceleration Program used for the Northridge earthquake disaster, and FEMA's delivery of individual assistance programs to victims of the World Trade Center disaster. We placed particular emphasis on auditing the FY 2002 FEMA financial statements and evaluating the agency's information systems and information security. Following are summaries of the more significant audits, inspections, and investigations completed by the OIG during the reporting period.

### TERRORISM RESPONSE AND RECOVERY

#### World Trade Center, New York

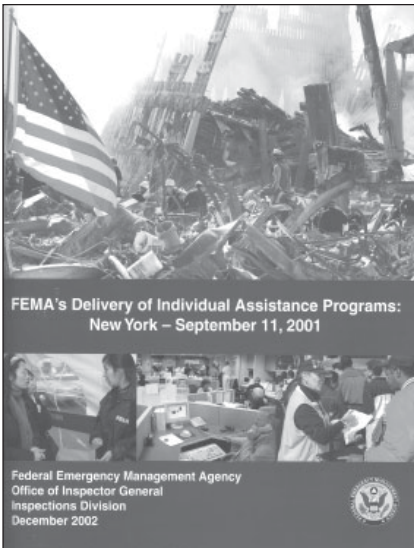
We responded to the World Trade Center (WTC) disaster that occurred on

September 11, 2001 (9/11). Auditors and investigators have remained at the WTC site since that time, actively auditing and investigating allegations or complaints of fraud, waste, and abuse involving FEMA's programs. We have been coordinating our investigations with the office of the Manhattan District Attorney, the offices of the U.S. Attorneys for the Southern and Eastern Districts, the office of the Attorney General of the State of New York, the New York Police Department, the Port Authority Police Department, the New York Department of Investigations, the Small Business Administration OIG, the Social Security Administration OIG, the Environmental Protection Agency OIG, and other entities. During this reporting period we have:

- Opened 353 fraud complaints.
- Opened 35 investigations directly related to the WTC disaster. There are 107 active cases, many of which are being jointly investigated by the New York Police Department, the New York Department of Investigations, and other law enforcement agencies.
- Arrested 24 people on various criminal charges. A total of 78 persons have been arrested since 9/11.

#### Delivery of Individual Assistance Programs in Response to 9/11

The unparalleled terrorist events of 9/11 resulted in catastrophic losses and physical damage to the business and residential infrastructure in the lower part of the Borough of Manhattan. The majority of people affected by this disaster required crisis counseling and assistance



**Due to the unique circumstances of this disaster, FEMA had to use its authorities and programs more broadly than it ever had before.**

from economic losses, and possible residential air contaminants.

FEMA used its full range of disaster assistance programs to address people's post-disaster needs. The unique circumstances of this man-made disaster required FEMA to apply its programs more broadly than ever before. FEMA's jurisdiction was not adequate to meet the expectations of everyone who sought recovery assistance. FEMA had no specific authority to (1) deal with the broad economic losses experienced by the range of people affected by the attack; and (2) address the issue of possible air pollutants and their impact on the general population of New York City, beyond assessing the impact of these threats on people's immediate health and safety. Further, because of legal constraints, FEMA could not assist people lawfully present in the United States who were not U.S. citizens, non-citizen nationals, or qualified aliens; nor could it assist otherwise eligible non-critical private non-profit service organizations that had not first obtained assistance from the U.S. Small Business Administration.

FEMA needed to coordinate with other federal agencies and state and local voluntary agencies responding to the consequences of 9/11. The need for extensive coordination presented difficulties in an environment in which unprecedented requests for assistance were made.

FEMA needs to be more proactive in leveraging the expertise available from other resources and should focus on improving outreach efforts after events that affect large, diverse populations. Congress may wish to consider legislation to develop a program similar to the Mortgage and Rental Assistance program. Such a program must provide for greater flexibility in addressing economic losses and financial hardships.

## DISASTER RESPONSE AND RECOVERY

### State Management of the Disaster Assistance Program

For states where disasters occur, FEMA awards funds intended for public assistance, individual and family assistance, and hazard mitigation. As grant recipients, the states are responsible for administering the funds, including making subgrants for disaster response and recovery operations.

We reviewed the disaster grants management systems and practices of five state covering 32 disasters and totaling \$543 million. We examined whether the states administered the funds according to applicable federal regulations and FEMA guidelines, and identified several problems. For example, states often do not file required financial reports and, when they do file reports, FEMA regional offices do not adequately review or reconcile them. States do not have support for all costs claimed and do not segregate state management and administrative allowances to ensure proper allocation of those expenses. There is widespread non-compliance with the FEMA requirement that states submit administrative plans. Quarterly progress reports submitted to FEMA are not timely, and when submitted, often contain errors and inconsistent information. FEMA regional offices are lax in enforcing the state reporting requirements. Finally, states do not adequately monitor subgrantees and report on their progress. These deficiencies indicate inadequate grants management. FEMA needs to take the initiative to assist states in developing reliable grants management systems. Following are examples of questionable practices and costs that we uncovered during our recent audits of subgrantee disaster claims:

- The Florida Department of Community Affairs awarded Monroe



### What is the management challenge facing disaster response and recovery?

Managing disaster response and recovery continues to be one of FEMA's largest challenges.

FEMA faces difficulties establishing disaster declaration criteria, reducing disaster response and recovery costs, managing its disaster workforce, ensuring the integrity its many financial assistance programs, and improving program services.

FEMA has begun to address these problems.

## FEMA IG

Federal Emergency Management Agency  
Office of Inspector General  
Audit Division

### Audit of FEMA's Grant Acceleration Program



H-4-03

February 2003

**This report recommends that FEMA recover from the State of California, as the grantee, \$15.8 million that was not used for authorized grant purposes.**

County \$30 million to remove debris, repair damaged facilities, and provide emergency protective measures as a result of Hurricane Georges in September 1998. The county's claim included questioned costs of \$1,057,651. This consisted of excess charges, claims for reimbursement of benefits duplicated elsewhere, costs incurred for an activity after its authorized completion date, and costs of small projects not implemented. We recommended that FEMA recoup the questioned costs.

- The California Office of Emergency Services awarded \$60.5 million to the Watsonville Community Hospital for earthquake repairs required as a result of the Loma Prieta Earthquake on October 17, 1989. The Community Hospital's claim included questioned costs of \$2,129,157, consisting of unauthorized projects, costs not directly related to approved projects, and unsupported and ineligible labor costs. The audit also identified \$1,037,385 of interest earned on federal fund advances. We recommended that FEMA recover the questioned costs and interest earned.
- The Arkansas Department of Emergency Management awarded the Southwest Arkansas Electric Cooperative \$15.2 million to implement emergency protective measures and to restore electrical lines damaged as a result of a severe ice storm in December 2000. The Cooperative's claim included questioned costs of \$2,058,851, resulting from ineligible, overstated, and unsupported costs; unallowable markups; and overpayments of FEMA funds. We recommended that FEMA recoup the questioned costs.

- As a result of severe storms and flooding in July 1994, the Georgia Emergency Management Agency awarded the Dougherty County School System \$46.1 million for emergency protective measures and for demolition and restoration of buildings. The School System's claim included questioned costs of \$1,032,756 for items covered by insurance and ineligible project management costs. We recommended that FEMA recoup the questioned costs.

### **Grant Acceleration Program**

Northridge public assistance projects were not being administered in a timely manner; therefore, FEMA created the Grant Acceleration Program (GAP) to facilitate administrative closure of these projects. The GAP gave applicants a fixed level of funding based on estimates of project costs, more flexibility, and less federal oversight. There were two primary problems with the program. First, the cost estimates on which the awards were based were higher than the actual costs to perform the projects. As a result, many of the projects were over-funded. Second, most of the overpayments were transferred to other projects and were used to pay for improvements that were not eligible for FEMA funding. We recommended that FEMA recover \$15.8 million from the State of California for unauthorized use. We also recommended that FEMA determine whether additional funds were misused in the same fashion.

### **FEMA's Redesigned Public Assistance Process**

At FEMA's request, we assessed the effectiveness of its redesigned process for delivering Public Assistance Program disaster grants. The redesign was implemented in October 1998 and focused on (1) speeding delivery of assistance and



disaster closeouts, (2) improving consistency in operations and decision-making, (3) increasing participation of state and local partners, (4) improving customer satisfaction, and (5) reducing administrative costs. The redesign did not affect program eligibility.

We determined that the redesigned public assistance process improved some areas of program delivery. For example, FEMA issued a standardized set of policies and procedures and it also increased participation opportunities for state and local partners. We could not determine, however, whether FEMA accomplished all of its redesign objectives or whether FEMA significantly improved program delivery because FEMA did not develop the monitoring tools needed to evaluate the impact of the redesign, nor did it fully implement some components of the redesign. For example, FEMA was supposed to speed program delivery, in part, by increasing the decision-making authority of certain staff and by automating paper processes through the use of its disaster management system. FEMA did not collect the data necessary to determine whether either of these components sped program delivery. FEMA also rarely increased program staff authority; consequently, program staff could not use the disaster management system as intended.

We recommended that FEMA institute tracking and reporting systems to measure the impact of the changes on program effectiveness. Once assessment tools become available, FEMA also should reassess the redesign components to determine whether the changes, as implemented, achieved their intended objectives. Based on those assessments, FEMA should adjust or add new components, establish baselines, and develop a comprehensive implementation plan.

## **Territory of Guam**

On December 8, 2002, Supertyphoon Pongsona brought torrential rain, high winds, and surf and tidal surges to the Territory of Guam. FEMA officials were already in Guam because they anticipated that Supertyphoon Pongsona would hit Saipan, making Guam strategically ideal for a quick emergency response. Instead Guam was hit with sustained winds of 175 mph and gusts of 200 mph. Parts of Guam were essentially flattened. OIG staff responded to a request from the Federal Coordinating Officer (FCO) to assist the Disaster Field Office staff on audit-related matters. Specifically, we:

- Attended FCO staff meetings and other program-related meetings to keep abreast of emerging disaster response and recovery issues and provide technical assistance as necessary.
- Visited debris sites and assessed contractor procedures for receiving, categorizing, and segregating debris, and for maintaining security that would prevent illegal dumping; also monitored the U.S. Army Corps of Engineers' mission-assigned, debris contract-monitoring activities.
- Reviewed preliminary damage assessments to determine the type and scope of damage and accompanied public assistance officers who conducted on-site inspections of damaged facilities to confirm whether damage was disaster-related and eligible for FEMA funding.
- Visited the Guam Territorial Logistics Center and assessed internal controls for recovery of non-consumable items such as 164 generators to U.S. Army Corps of Engineers mission assignment for power restoration efforts.



**December 11, 2002**

### **Territory of Guam**

**Damages are extensive on the island of Guam caused by Supertyphoon Pongsona.**

## Allegations of Disaster Fraud Are Being Aggressively Investigated

The OIG continues to maintain a robust program to detect and prosecute those people that make fraudulent claims against the disaster relief program. The following are examples of cases that we investigated during the past six months:



- The President declared a disaster in California's Central Valley area in February 1999. Temperatures that dropped below freezing extensively damaged the citrus crop. The citrus workers were entitled to benefits from FEMA assistance programs. A two-count indictment was returned on August 22, 2002, against one recipient for false claims and mail fraud, and a fourteen-count indictment was returned against three persons for the same charges. The defendants in this case are charged with submitting fraudulent income verification and notice-to-evict forms to obtain FEMA mortgage rehabilitation assistance. The amount fraudulently claimed totaled \$200,000. Two of these defendants pled guilty early in 2003. Plea agreements are being prepared for the remaining two defendants.
- A presidential disaster was declared following the Nisqually Earthquake in Seattle, Washington, in June 2001. The Compass Center Men's Shelter in Seattle sustained severe damage and was declared uninhabitable. The residents of the Compass Center were eligible for temporary housing and individual and family grant assistance. Our investigation determined that 62 people applied for and received FEMA assistance by stating that they were residing at the Compass Center, when in fact they were not. Based on these 62 fraudulent claims, FEMA disbursed \$146,000. A defendant pled to one count of False Claim Information and was sentenced in Federal Court on February 21, 2003. The U.S. Attorney's Office has accepted three additional cases for prosecution. The King County District Attorney's Office has accepted seven cases for prosecution.
- The New Orleans Secret Service and FEMA OIG are jointly investigating a check-alteration case. The subject applied for and received FEMA disaster assistance for \$659. The subject altered the amount of the Treasury check to read \$9,659 and cashed the check with a local merchant. The Federal Reserve Bank determined that the check was altered. The \$9,659 was debited back to the merchant's account. The subject was interviewed and gave a signed, sworn statement in which he admitted to altering and cashing the FEMA check. This case has been accepted for prosecution by the U.S. Attorney's Office, New Orleans, Louisiana.
- The Houston FBI and FEMA OIG are jointly investigating a case involving a vehicle inspector terminated from the FEMA/Texas Individual Family Grant Program on September 12, 2001. We initiated an investigation after the vehicle inspector failed to return an issued cell phone and camera. The investigation determined that the vehicle inspector had been demanding and receiving \$100 or property while conducting vehicle inspections for FEMA. Even after dismissal, the vehicle inspector continued posing as a FEMA inspector and soliciting bribes. The former vehicle inspector pled guilty to seven bribery counts and was sentenced on November 4, 2002, to five months' con-

finement at a federal prison, five months' confinement at a drug rehabilitation center, and 36 months' supervised parole. The person also was required to pay \$1,800 in restitution to his victims and \$1,500 in fines and court costs.

- We conducted a joint investigation with the Great Falls Montana Police in June 2002, after a search warrant pertaining to a 30-year homicide investigation produced evidence of FEMA grant fraud. Information obtained by our investigators through interviews and records examination, resulted in charging the Director of the Great Falls Montana Food Bank with theft of approximately \$59,000. The former director pled guilty to theft and is awaiting sentencing pending completion of the homicide trial. The homicide trial is scheduled to begin in June 2003.

## FEDERAL INSURANCE AND MITIGATION

### Effectiveness of the Community Rating System

The Community Rating System (CRS) is a voluntary program. It enables the purchase of discounted flood insurance by a community that institutes floodplain-management programs and practices that exceed National Flood Insurance Program minimum requirements. We reviewed the effectiveness of the CRS as a tool for improving local floodplain management and learned that data was not available to confirm that the CRS effectively reduces the dollar exposure of the NFIP. We determined the CRS is a disciplined program having well-defined requirements, clearly written guidelines, and detailed rating processes and procedures.

We identified opportunities for Federal Insurance and Mitigation Administration to further enhance the

effectiveness of the CRS program by (1) conducting community assistance visits to all CRS communities, (2) marketing the CRS to communities in which NFIP exposure is greatest, (3) providing credit for increasing flood insurance coverage in the community, and (4) providing claims-data access to CRS Coordinators. FIMA also should consider (1) discontinuing CRS discounts for pre-flood insurance rate maps properties, (2) requiring insurance to the cumulative level of assistance provided, and (3) requiring a greater commitment to uniform building codes and measurable criteria for entry into CRS. These actions would not only improve the effectiveness of the CRS but also would reduce NFIP exposure and disaster costs.

### FEMA's Use and Management of Flood-Mapping Contractors

We audited the \$71 million spent by FEMA on its three flood-map production coordination contractors (mapping contractors). These contractors were employed to create and maintain flood-hazard maps. The maps are used for floodplain management, community planning, and disaster response. They support decisions about flood-insurance purchase requirements and premiums.

FEMA achieved critical mapping goals by using the contractors. However, FEMA's contract management system needs to be strengthened because while the contractors met some mapping requirements and achieved some mapping goals, only 16 percent of contract funds were spent on a major mapping goal: updating old maps. We identified opportunities for FEMA to improve contract management and redirect contract spending to meet the urgent need for accurate, up-to-date FEMA flood maps.

FEMA may be able to update more maps by first reducing spending on processing Letters of Map Change (LOMC), which accounted for 32 percent of contract spending over the two years. LOMC



### What is the management challenge facing mitigation program?

FEMA is challenged with designing a program that ensures fair evaluation of all applicants and their proposed mitigation projects. Program success will depend on the quality and effectiveness of FEMA's evaluation process and criteria.



## What is the management challenge facing grants management?

Our audits of States management of FEMA disaster grants found an alarming number of recurring problems. These problems indicate that FEMA needs to continue to take the initiative to provide technical assistance and guidance to States to ensure that they have reliable disaster grants management systems to safeguard FEMA funds.

revised flooding information is for a small area on a map, and by law, must be processed within 60 days. Second, FEMA may revise contracting strategies to increase competition and give contractors incentives to control costs. Funds saved in these two ways can be redirected for map updates. FEMA also should give special attention to contractual arrangements for administration and support, which accounted for 27 percent of contract spending. FEMA is aware of these opportunities, is actively seeking input from contractors, and is considering various contracting strategies.

Specifically, we recommended that FEMA (1) consider reducing mapping-contractor reviews of requests for Letters of Map Amendment, (2) develop statements of work for routine or predictable requirements that can be used as the basis for awarding fixed-price contracts, (3) coordinate information technology needs with the chief information officer to ensure that the best value is received, (4) determine the feasibility of using a multiple-award contract for acquiring specific mapping services, (5) identify financial management information required to track mapping contract services and costs, and disseminate the information internally, and (6) properly train and supervise staff to ensure accurate processing of invoices, enforcement of contract provisions, and completeness of contract administration files.

## ADMINISTRATION AND RESOURCE PLANNING

### FEMA's Fiscal Year 2002 Financial Statements

The independent public accounting firm of KPMG LLP, at our direction, audited the FY 2002 FEMA-wide financial statements as required by the Chief Financial Officers Act of 1990, amended by the Government Management Reform Act of 1994. The FY 2002 financial state-

ments received an unqualified opinion. The financial statement information was presented fairly and free of material misstatements—an improvement over the FY 2001 opinion. In FY 2001, FEMA received a qualified opinion due to the lack of adequate documentation to support \$10.7 million in personal property and an unsupported adjustment of \$77 million to FEMA's unliquidated obligations.

FEMA was able to determine and support its personal property balances for FY 2002, and it restated corresponding items for FY 2001. FEMA adjusted its records to reflect accurately an additional \$74 million in personal property acquisition value and an additional \$72 million in related accumulated depreciation. Although the adjustment to the net book value was only \$2 million, the large increase in acquisition value and accumulated depreciation represents significant personal property that FEMA's official accounting records did not previously identify. The adjustment also provides insight into the age of personal property in FEMA's inventory.

The auditors identified seven reportable conditions, six of which are material weaknesses. Weaknesses noted during last year's audit were found in (1) information security controls for the financial systems environment, (2) financial system processing functionality, (3) financial statement reporting processes, (4) real and personal property accounting system and processes, (5) account reconciliation process, and (6) accounts receivable process. The auditors also identified a reportable condition concerning the liability estimation process for the Cerro Grande program. We reported that:

- FEMA lacks an adequate information security program that ensures consistent and effective controls throughout the life cycle of the agency's various information sys-

tems. Weaknesses from FY 2001 continue to exist in: (1) entity-wide security program planning, training, and awareness; (2) background investigations; (3) system certification and accreditation; (4) the database and network environment; and (5) audit trails, segregation of duties, and user access controls for the Integrated Financial Management Information System (IFMIS). We also reported in FY2002 weaknesses in: (1) FEMA's payroll and acquisition systems, (2) policies and procedures for information technology contractors, (3) employee termination procedures, (4) management of wireless devices, and (5) identification of sensitive but unclassified IT information. These issues significantly reduced the overall information security controls of FEMA's financial systems.

- FEMA's financial systems need to be improved to support agency processes more efficiently and to comply with Federal Financial Management Improvement Act requirements, Office of Management and Budget (OMB) policy guidance, and Joint Financial Management Improvement Program standards (JFMIP). Although FEMA has improved the capability of its financial systems, weaknesses remain in (1) interfaces between IFMIS and other systems, (2) payroll processing, (3) managerial cost accounting, (4) vendor files, and (5) contingency plans for IFMIS. FEMA has not updated since 1989 certain data needed to process its payroll efficiently, resulting in significant costs to correct unnecessary errors. FEMA also did not update its internally mandated Requirements Traceability Matrix for the IFMIS upgrade to version 5.1.6. The Matrix helps to ensure

that a system meets functional and user requirements.

- FEMA does not have a routine process for producing financial statements that reflects policies, procedures, and financial internal controls. FEMA prepared its financial statements behind schedule and had to produce several revisions before the audit could be completed successfully. Standard operating procedures for preparing financial statements have not been finalized, and FEMA continues to rely on manual preparation of financial statements. Computations of deobligations and the accrual of accounts payable have some weaknesses. Other issues that we reported included: (1) inadequate control over successive issued versions of FY 2001 financial statements, (2) weaknesses in how mission-assignment disbursements are classified, (3) inconsistent recording of some unusual emergency contingent appropriations; and (4) untimely closeout of interagency agreements.
- FEMA does not have systems and processes in place to ensure that all property valued above FEMA's capitalization threshold is properly recorded or accurately depreciated and tracked for safeguarding purposes. The Logistics Information Management System (LIMS), FEMA's personal property management tool, cannot perform the accounting functions required by JFMIP. FEMA delayed plans for acquiring a JFMIP-compliant property system in FY 2002 because of an OMB moratorium on system purchases for agencies moving to the Department of Homeland Security. FEMA took steps to improve its property accountability by conducting an agency-wide inventory of personal



### What was the result of FEMA's fiscal year 2002 financial statements?

The financial statement information was presented fairly and free of material misstatements—an improvement over the FY2001 opinion.



## What is the management challenge facing information technology (IT) management?

According to the Office of Management and Budget, FEMA's IT challenge includes: integrating itself smoothly into the new Department of Homeland Security; implementing its e-government agenda; managing its systems effectively in a rapidly changing IT environment, and meeting its human capital needs. FEMA is working to address weaknesses in IT management, security and other areas.

property valued at \$25,000 or more. The inventory was intended to ensure the correct reporting of equipment and related depreciation. The following weaknesses, identified in FY 2001, nevertheless have not been fully addressed: (1) LIMS continues to change the acquisition date of property upon its transfer, and (2) FEMA-developed processes for identifying, valuing, and tracking construction-in-process and deferred maintenance have not been fully implemented. We additionally reported during FY 2002 that FEMA lacked procedures to ensure the consistent reporting of certain equipment as a system or component, the proper conduct of inventories, and the entry of all equipment into LIMS. FEMA had not fully entered the results of its FY 2002 agency-wide inventory into LIMS. As a result, FEMA has jeopardized its ability to substantiate the baseline numbers it has worked so hard to obtain.

- FEMA did not fully reconcile its agency financial accounts on a pre-set schedule. We continued to note reconciliation problems in accounts payable, unliquidated obligations, Fund Balance with Treasury, suspense fund, reimbursable agreements, and intragovernmental balances.
- FEMA's accounts receivable processes still need improvement, although FEMA made significant progress during FY 2002. For example, FEMA had not prepared a bill for one large account recorded in its books, although the amount was fully reserved. We also reported that FEMA did not process the billings related to the state share of certain mission assignments in a timely manner.

We also identified one reportable condition relating to the estimation of the remaining liability for the Cerro Grande program. Specifically, FEMA changed its methodology for estimating the FY 2002 liability without preparing an analysis of the impact of the change. As a result, FEMA was unable to identify the components of the FY 2002 calculation that caused the overall change in liability estimates between FY 2001 and FY 2002.

FEMA developed a remediation plan in FY 2002 to address the material weaknesses identified in the FY 2001 audit report. FEMA has made progress in implementing the plan, but the weaknesses reported above remain material and require continued management focus and resources.

---

## INFORMATION TECHNOLOGY SERVICES

### Review of the National Fire Incident Reporting System (Version 5.0)

We reviewed FEMA's National Fire Incident Reporting System (NFIRS 5.0) to determine whether FEMA had acquired, developed, and maintained NFIRS 5.0 in a controlled manner and in accordance with relevant federal guidance. Before and during our review, FEMA took several positive steps, including completing two independent system reviews in FY 2001. Despite those efforts, we found ways in which FEMA can make further improvements in acquiring, developing, and maintaining NFIRS 5.0. Specifically:

- FEMA's use of an indefinite-delivery, indefinite-quantity telecommunication services contract led to complaints that FEMA had not enabled fair competition for NFIRS 5.0 services. We considered the use of this contract mechanism as overly

broad for NFIRS 5.0 development, enhancement, and maintenance services. We recommended that FEMA reconsider the acquisition strategy to enhance contractor competition, and ensure the most economical and effective acquisition of NFIRS 5.0 services.

- The Clinger-Cohen Act and OMB Circular A-130, *Management of Federal Information Resources*, require that agencies justify their information technology projects through analyses of investment alternatives, a benefit cost analysis, and a return-on-investment analysis. OMB Circular A-130 also requires that agencies prepare benefit cost analysis throughout a system's life cycle. FEMA neither completed a well-documented information technology investment analysis for NFIRS 5.0 nor had a documented analysis for NFIRS' current life-cycle phase. The lack of a sound and well-documented NFIRS 5.0 capi-

tal planning process is due, at least in part, to deficiencies in FEMA's overall information technology capital planning program. We recommended that FEMA ensure that an NFIRS 5.0 analysis of investment alternatives, benefit cost analysis, and return-on-investment analysis are documented and consistent with OMB requirements.

- The Clinger-Cohen Act and OMB Circular A-130 require that agencies implement adequate information system controls. FEMA took several positive actions to address general system control weaknesses that they identified prior to our review. Despite these efforts, we found that FEMA could further improve the segregation of duties, security authorizations, change controls, and contingency planning. Our report included specific recommendations for improvements in each of these areas.



**June 6, 2002**

**Hayman, CO**

**A type one heavy air tanker takes off from air command to fight the Hayman fire southwest of Denver.**





# Prevention Activities

## Hotline Complaints

During this reporting period we received 1,738 complaints, 77 percent of which were received through the hotline. Almost half of the complaints were associated with Tropical Storm Isidore and Hurricane Lili in Louisiana. Examples of the complaints include:

- Applicants claimed losses that they did not incur or were not entitled to claim.
- Co-applicants did not properly share/divide the funds received.
- Applicants did not use FEMA funds for intended purposes.
- State/local public officials used FEMA funds for other than intended purposes.
- Applicants' checks were diverted or stolen.
- Fraudulent claims were made regarding loss of life, jobs or business unaffected by the WTC Terrorist Attacks.
- Misleading telemarketing scams related to the Individual and Family Grant (IFG) Program in New York occurred.

## Disaster Fraud Management Training

We collaborated with the National White Collar Crime Center, the National Insurance Crime Bureau, and the Small

Business Administration to develop a two-day training course in 1998. The purpose of this course was to assist state and local law enforcement in combating disaster-related fraud. Disaster Fraud Management Training is designed to increase fraud awareness, educate law enforcement personnel in methods of fraud prevention and deterrence, and provide strategies for maximizing resources. During this reporting period, one course was presented in Atlanta, Georgia, to 36 professionals including prosecutors, investigators, emergency service personnel, and members of the insurance industry. To date, the FEMA OIG has provided full funding and sponsorship for 676 people to attend this fraud prevention training. Three additional courses are scheduled in the next reporting period and will accommodate an additional 108 professionals.

## OIG Law Enforcement Task Force Activities

The FEMA OIG continues to work under the auspices of the U.S. Attorney's Office with the U.S. Department of Justice, Antitrust Division; Federal Bureau of Investigation; Internal Revenue Service, Criminal Investigations Division; and OIGs from the Departments of Labor, Transportation, Interior, Small Business Administration, and the Postal Inspection Service.

During this reporting period, the Guam Task Force continued to conduct numerous complex and highly sensitive criminal investigations.



## What are some tips to avoid contractor rip-offs?

Be extremely cautious about contractors you hire to repair or rebuild damaged property.

- Try not to rush into starting repair work.
- Get estimates from more than one licensed, bonded, reputable contractor. Don't grab the first person that comes along. Call your local Better Business Bureau to check out a contractor.
- Find out what neighbors are paying for similar work.

**Integrity Awareness**

We regularly make fraud prevention presentations at FEMA field and regional offices in an effort to heighten employee awareness. The presentations offer an overview of the OIG and reinforce the importance and responsibility of the employee to report allegations of wrong-

doing. We also continue to participate in radio and television interviews to educate the public about potential fraud. During this reporting period, we presented 21 fraud awareness briefings to 754 professionals from federal, state, and local agencies and organizations.

# Other OIG Activities

---

## **Oversight of Non-FEMA Audits**

We processed 34 audit reports prepared by non-FEMA auditors on FEMA programs and activities. We continue to monitor the actions taken to implement the recommendations in those reports. We processed 25 reports relating to OMB Circular A-133, *Audits of States, Local governments, and Non-Profit Organizations*, and nine contract reports. Seven reports identified \$1.4 million in questioned costs.

---

## **Audit Reports Unresolved Over Six Months**

Timely resolution of outstanding audit recommendations continues to be a priority at FEMA. As of this report date, 53 audit reports contain recommendations that have been unresolved for more than six months. Of the 53 audit reports, 19 report on recipients of FEMA disaster grants. We are working closely with FEMA management on the resolution of those reports and anticipate closure before the next reporting period.



# Legislative and Regulatory Reviews

**S**ection 4(a) of the Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of FEMA and to make recommendations concerning their impact. In reviewing regulations and legislative proposals, the primary basis for our comments are the audit, inspection, investigation, and legislative experiences of the OIG. We also participate in the President's Council on Integrity and Efficiency (PCIE). The PCIE provides a mechanism for commenting on existing and proposed legislation as well as regulations that have a government-wide impact.

During this reporting period, we reviewed 18 proposed changes to legislation, regulations, policy, and procedures that could affect FEMA. We also routinely reviewed drafts of FEMA program operation manuals, directives, and instructions and provided comments on the agency's draft strategic plan.



# Appendices

---



**Does the IG Act of 1978 require the agency head to report on the status of IG recommendations?**

Section 106(b) of the IG Act requires the agency head to report semi-annually to Congress on the status of final actions on IG recommendations.

---

## APPENDICES

<b>Appendix 1</b>	Audit Reports with Questioned Costs and Funds Put to Better Use
<b>Appendix 2</b>	Compliance—Resolution of Reports and Recommendations
<b>Appendix 3</b>	Management Reports Issued
<b>Appendix 4</b>	Financial Assistance Audit Reports Issued
<b>Appendix 5</b>	Schedule of Amounts Due and Recovered

---

## Definitions

### **Questioned costs**

Auditors commonly question costs arising from an alleged violation of a provision of a law, regulation, grant, cooperative agreement or contract. A questioned cost is a finding in which, at the time of the audit, a cost is not supported by adequate documentation or is unreasonable or unallowable. A funding agency is responsible for making management decisions on questioned costs, including an evaluation of the findings and recommendations in an audit report. A management decision against the auditee would transform a questioned cost into a disallowed cost.

### **Unsupported cost**

It is a cost that is not supported by adequate documentation.

### **Funds put to better use**

Audits can identify ways to improve the efficiency of programs, resulting in cost savings over the life of an award. Unlike questioned costs, the auditor instead recommends methods for making the most efficient use of federal dollars such as reducing outlays, deobligating funds or avoiding unnecessary expenditures.



## APPENDIX 1

# Audit Reports with Questioned Costs and Funds Put to Better Use

## QUESTIONED COSTS

Report Category	Number	Questioned Costs	Unsupported Costs
A. Reports pending management decision at the start of the reporting period	50	\$57,774,662	\$29,086,505
B. Reports issued/processed during the reporting period with questioned costs	36	\$7,253,008	\$1,907,125
Total Reports (A+B)	86	\$65,027,670	\$30,993,630
C. Reports for which a management decision was made during the reporting period	30	\$10,767,438	\$469,744
(1) disallowed costs	29	\$8,905,823	\$278,660
(2) accepted costs	8	\$1,861,615	\$191,084
D. Reports put into appeal status during period	0	\$0	\$0
E. Reports pending a management decision at the end of the reporting period	56	\$54,260,232	\$30,523,886
F. Reports for which no management decision was made within six months of issuance	28	\$48,038,122	\$28,660,146

### Notes and Explanations:

“Management Decision” occurs when management informs the OIG of its intended action in response to a recommendation and the OIG determines that the proposed action is acceptable.

“Accepted Cost” is previously questioned cost accepted in a management decision as an allowable cost to a government program. Before acceptance, the OIG must agree with the basis for the management decision.

In Category C, lines (1) and (2) do not always equal the total on line C since resolution may result in values greater than the original recommendations.

In Category A, amounts have been corrected due to a mathematical error on last period semiannual—Difference of \$3,509.

---

**APPENDIX 1**

# Audit Reports with Questioned Costs and Funds Put to Better Use

---

**FUNDS PUT TO BETTER USE**

---

<b>Report Category</b>	<b>Number</b>	<b>Amount</b>
A. Reports pending management decision at the start of the reporting period	10	\$33,980,217
B. Reports issued during this reporting period	5	\$19,193,152
Total Reports (A+B)	15	\$53,173,369
C. Reports for which a management decision was made during the reporting period	7	\$2,875,937
(1) Value of recommendations agreed to by management	4	\$1,897,225
(2) Value of recommendations not agreed to by management	3	\$978,712
D. Reports put into the appeal status during the reporting period	0	\$0
E. Reports pending a management decision at the end of the reporting period	8	\$50,297,432
F. Reports for which no management decision was made within six months of issuance	5	\$32,947,099

In Category C, lines (1) and (2) do not always equal the total on line C since resolution may result in values greater than the original recommendations.

In Category A added \$15,162 and one report—it was not reported last period.

---

## APPENDIX 2

# Compliance—Resolution of Reports and Recommendations

---

### 1. Recommendations in Reports more than 6 months old for which a management decision is still pending.

9/30/02	2/28/03
Reports / Recommendations	Reports / Recommendations
56 / 273	53 / 254

### 2. Current Inventory

#### OPEN REPORTS

9/30/02	Current Period	2/28/03
Open	Issued / Closed	Open
141	56 / 58	139

#### ACTIVE RECOMMENDATIONS

9/30/02	Current Period	2/28/03
Open	Issued / Closed	Active
654	230 / 282	602

---

### Notes and Explanations:

**Open reports** are those containing one or more recommendations for which a management decision or final action is pending.

**Active Recommendations** are recommendations awaiting a management decision or final action.

**Final Action** is the completion of all management actions—as described in a management decision—with respect to audit findings and recommendations.

---

**APPENDIX 3**

# Management Reports Issued

(In thousands)

---

<b>Program Office/Report Subject</b>	<b>Report Number</b>	<b>Date Issued</b>	<b>Funds To Be Put To Better Use</b>
<b>READINESS, RESPONSE AND RECOVERY</b>			
1. Grant Acceleration Program	H-04-03	2/03	\$15,772,948
2. Measuring the Effectiveness of FEMA's Redesigned Public Assistance Process	H-07-03	2/03	\$0
3. Delivery of Individual Assistance Programs: New York September 11, 2001	I-02-03	12/02	\$0
4. Changes in Reporting the Status of Applicant Approvals for Individual and Family Grants Program Applications	I-03-03	12/02	\$0
5. Allegation of Misuse of Government Assets	H-SE-01-03	2/03	\$0
<b>FEDERAL INSURANCE AND MITIGATION ADMINISTRATION</b>			
6. Use and Management of Flood Mapping Contractors	H-06-03	2/03	\$0
7. Community Rating System: Effectiveness and Other Issues	I-01-03	10/02	\$0
<b>U.S. FIRE ADMINISTRATION</b>			
8. National Fire Incident Reporting System	H-05-03	2/03	\$0
<b>ADMINISTRATION AND RESOURCE PLANNING</b>			
9. Fiscal Year 2002 Financial Statements	H-02-03	1/03	\$0
10. Agreed-Upon Procedures Report for FACTS I Data Verification and Intragovernmental Activity Balances	H-03-03	2/03	\$0
<b>Total</b>			<b>\$15,772,948</b>

---

## APPENDIX 4

# Financial Assistance Audit Reports Issued

Report Number	Date Issued	Auditee	Questioned Costs	Unsupported	Funds Put To Better Use
1. C-01-03	12/02	Southwest Arkansas Electric Cooperative, Inc. Texarkana, Arkansas	\$277,235	\$29,707	\$1,689,205
2. C-02-03	1/03	State of Colorado Administration of Disaster Assistance Funds	\$0	\$0	\$0
3. C-03-03	1/03	City of Colorado Springs, Colorado	\$67,962	\$10,257	\$0
4. C-04-03	2/03	State of North Dakota Administration of Disaster Assistance Funds	\$0	\$0	\$0
5. E-01-03	10/02	City of Wilmington, North Carolina	\$6,865	\$0	\$0
6. E-02-03	10/02	Scott County, Tennessee	\$16,178	\$0	\$0
7. E-03-03	10/02	Dougherty County School System, Georgia	\$389,480	\$0	\$540,000
8. E-04-03	10/02	City of Wilmington, North Carolina	\$60,727	\$8,974	\$0
9. E-05-03	11/02	Monroe County, Florida	\$15,940	\$0	\$0
10. E-06-03	11/02	Monroe County, Florida	\$49,731	\$0	\$0
11. E-07-03	11/02	Monroe County, Florida	\$639,624	\$0	\$153,614
12. E-08-03	12/02	Jefferson County, Alabama	\$212,235	\$0	\$0
13. E-09-03	12/02	Cobb County, Georgia	\$7,250	\$3,122	\$0
14. E-10-03	12/02	Amicalola Electric Membership Corporation, Jasper, Georgia	\$15,671	\$1,582	\$0
15. E-11-03	1/03	Geneva County, Alabama EMPA -Emergency Management Performance Grant	\$27,141	\$8,870	\$0
16. E-12-03	1/03	Fulton County, Georgia	\$4,500	\$0	\$0
17. E-13-03	1/03	Tennessee Department of Transportation	\$131,037	\$114,875	\$0
18. E-14-03	1/03	Seminole County, Florida	\$105,000	\$105,000	\$0
19. E-15-03	1/03	City of Portland, Maine	\$54,900	\$39,169	\$0
20. E-16-03	2/03	State of Tennessee Administration of Disaster Assistance Funds	\$0	\$0	\$0
21. E-17-03	2/03	South Kentucky Rural Electric Cooperative Corporation, Kentucky	\$14,285	\$2,331	\$0
22. H-01-03	12/02	Santa Clara Golf Services Corporation Espanola, New Mexico	\$907,889	\$0	\$0
23. W-01-03	10/02	Watsonville Community Hospital, Watsonville, California	\$1,596,868	\$119,393	\$1,037,385
24. W-02-03	11/02	Facey Medical Foundation, Mission Hills, California	\$224,181	\$0	\$0

	<b>Report Number</b>	<b>Date Issued</b>	<b>Auditee</b>	<b>Questioned Costs</b>	<b>Unsupported</b>	<b>Funds Put To Better Use</b>
25.	W-03-03	11/02	State of California Department of Forestry and Fire Protection	\$173,128	\$0	\$0
26.	W-04-03	12/02	State of Idaho Administration of Disaster Assistance Funds	\$19,026	\$0	\$0
27.	W-05-03	12/02	City of Sacramento, California	\$1,655	\$1,655	\$0
28.	W-06-03	12/02	Sacramento County, California	\$13,113	\$1,233	\$0
29.	W-07-03	1/03	State of Hawaii Administration of Disaster Assistance Funds	\$126,940	\$0	\$0
30.	W-08-03	1/03	Department of Public Works Los Angeles County, California	\$122,051	\$10,660	\$0
31.	W-09-03	1/03	City of Fremont, California	\$0	\$0	\$0
32.	W-10-03	2/03	California Department of Parks and Recreation	\$191,648	\$2,317	\$0
33.	W-11-03	2/03	Alameda County Flood Control and Water Control District Zone 7, California	\$314,497	\$0	\$0
<b>Total</b>				<b>\$ 5,786,757</b>	<b>\$ 459,145</b>	<b>\$3,420,204</b>

**APPENDIX 5**

# Schedule of Amounts Due and Recovered

Report Number	Date Issued	Auditee	Amount Due	Recovered Costs
1. C-02-02	11/01	City of Wichita, Kansas	\$0	\$9,950
2. C-09-02	7/02	City of Davenport, Iowa	\$0	\$103,664
3. C-10-01	9/01	Claiborne Electric Cooperative, Inc. Homer, Louisiana	\$65,429	\$0
4. C-11-02	9/02	Texas Department of Transportation	\$0	\$2,658
5. C-13-02	9/02	State of Iowa Administration of Disaster Assistance Funds	\$0	\$7,405
6. C-01-03	12/02	Southwest Arkansas Electric Cooperative, Inc. Texarkana, Arkansas	\$277,235	\$0
7. E-26-99	3/99	Virgin Islands Water and Power Authority	\$0	\$8,200,107
8. E-14-00	1/00	Nassau County, New York	\$0	\$160,336
9. E-35-00	7/00	Virgin Islands Department of Human Services	\$0	\$11,238
10. E-05-01	11/00	Municipality of Caguas, Puerto Rico	\$0	\$245,531
11. E-20-01	3/01	Elizabethton Electric System, Tennessee	\$0	\$20,116
12. E-26-01	4/01	Kentucky National Guard	\$0	\$184,104
13. E-33-01	6/01	Puerto Rico Public Housing Administration Temporary Emergency Shelters	\$0	\$3,799,661
14. E-36-01	7/01	Redbank Valley School District, Pennsylvania	\$0	\$18,988
15. E-41-01	8/01	City of Burlington, Vermont	\$0	\$16,982
16. E-03-02	10/01	Town of Mount Pleasant, South Carolina	\$0	\$7,119
17. E-05-02	11/01	Municipality of Canovanas, Puerto Rico	\$0	\$76,568
18. E-06-02	11/01	Virgin Islands Home Protection Roofing Program	\$0	\$507,436
19. E-07-02	11/01	Lynches River Electric Cooperative, South Carolina	\$99,025	\$0
20. E-08-02	11/01	City of Virginia Beach, Virginia	\$0	\$27,551
21. E-16-02	2/02	Horry County, South Carolina	\$0	\$50,318
22. E-19-02	3/02	South Carolina Public Service Authority	\$0	\$45,670
23. E-23-02	4/02	Virgin Islands Department of Education	\$0	\$263,260
24. E-29-02	9/02	City of Key West Utility Board, Florida	\$0	\$192,015
25. E-30-02	9/02	City of Wilson, North Carolina	\$25,868	\$0
26. E-01-03	10/02	City of Wilmington, North Carolina	\$6,865	\$0
27. E-04-03	10/02	City of Wilmington, North Carolina	\$60,727	\$0
28. E-07-03	11/02	Monroe County, Florida	\$0	\$639,624
29. E-09-03	12/02	Cobb County, Georgia	\$0	\$7,250

<b>Report Number</b>	<b>Date Issued</b>	<b>Auditee</b>	<b>Amount Due</b>	<b>Recovered Costs</b>
30. E-10-03	12/02	Amicalola Electric Membership Corporation, Jasper, Georgia	\$0	\$15,671
31. E-12-03	1/03	Fulton County, Georgia	\$0	\$4,500
32. W-22-00	5/00	McHenry County, North Dakota	\$0	\$18,896
33. W-11-01	2/01	Dawson County Public Power District Lexington, Nebraska	\$0	\$357,353
34. W-15-01	3/01	Cam Wal Electric Coopeative, Inc. Selby, South Dakota	\$0	\$4,136
35. W-28-01	8/01	County of Santa Cruz, California	\$0	\$126,538
36. W-03-02	11/01	Department of Public Works, City of Los Angeles, California	\$0	\$139,104
37. W-07-02	1/02	California State University	\$6,418,786	\$0
38. W-11-02	2/02	City of Anaheim, California	\$0	\$64,939
39. W-14-02	4/02	City of Anaheim, California	\$0	\$10,301
40. W-17-02	9/02	City of Pacifica, California	\$0	\$11,462
41. W-04-03	12/02	State of Idaho Administration of Disaster Assistance Funds	\$19,026	\$0
<b>Total</b>			<b>\$6,972,961</b>	<b>\$15,350,451</b>



# Index of Reporting Requirements

The specific reporting requirements prescribed in the Inspector General Act of 1978, as amended in 1988, are listed below with a reference to the pages on which they are addressed.

Requirements	Pages
Section 4(a)(2)	Review of Legislation and Regulations 23
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies 8-17
Section 5(a)(2)	Recommendations with Significant Problems 8-17
Section 5(a)(3)	Prior Recommendations Not Yet Implemented <sup>1</sup>
Section 5(a)(4)	Prosecutive Referrals None
Section 5(a)(5) & Section 6(b)(2)	Summary of Instances Where Information Was Refused None
Section 5(a)(6)	Listing of Audit Reports 26-33
Section 5(a)(7)	Summary of Significant Audits 8-17
Section 5(a)(8)	Reports with Questioned Costs 27, 31-34
Section 5(a)(9)	Reports Recommending That Funds Be Put to Better Use 28, 30-32
Section 5(a)(10)	Summary of Reports in Which No Management Decision Was Made 27-32
Section 5(a)(11)	Revised Management Decisions None
Section 5(a)(12)	Management Decision Disagreements None

1/ In FEMA's audit follow-up process, the Financial and Acquisition management Division monitors and reports on corrective actions after a decision has been reached. Corrective action information is transmitted in the Director's Report to Congress.



# OIG Points of Contact

Inspector General	(202) 646-3910
PCIE Liaison	(202) 646-4632
Audit Division	(202) 646-3911
Management Services Division	(202) 646-3140
Inspections Division	(202) 646-3911
Investigations Division	(202) 646-3894
GAO/DCAA Liaison	(202) 646-3221
Single Audit Liaison	(202) 646-3221

## Requests for Reports:

Telephone	(202) 646-4166
E-Mail	Rita.Rios@FEMA.gov

## OIG Hotline:

Telephone	(1-800) 323-8603
Spanish Telephone	(1-800) 794-6690
Internet E-mail	<a href="http://www.fema.gov/ig/hotline.shtm">http://www.fema.gov/ig/hotline.shtm</a>

**OIG Internet Home Page:** <http://www.FEMA.gov/ig/>



# Customer Survey

The Office of Inspector General has a continuing interest in providing informative semiannual reports to its customers. In this regard, we are soliciting your suggestions to improve our reports. Please complete and return this survey sheet to:

**Federal Emergency Management Agency  
Office of Inspector General  
500 C Street, S. W., Room 506  
Washington, D.C. 20472**

**Attention: James Daniels**

**Your name:**

**Your daytime telephone number:**

**Your suggestion(s) for improvement:**  
*(please include additional sheets if needed)*

If you would like to discuss your suggestion(s) with a staff member of the Office of Inspector General or would like more information, please call Mr. Daniels at (202) 646-3221, or contact him on the Internet at **James.Daniels@FEMA.gov**

# Notes

# IG

## OFFICE OF INSPECTOR GENERAL

| home | site help | search | feedback | library |



## HOTLINE

**If you have knowledge of fraud, waste, or abuse involving FEMA contracts, programs or personnel, call the Fraud Hotline at:**

**1-800-323-8603**

*or write:*

Office of Inspector General  
Federal Emergency Management Agency  
500 C Street, S.W.  
Washington, DC 20472

*or use Internet Electronic Mail*

**<http://www.fema.gov/ig/hotline.shtm>**

### Hotline Complaints

The OIG continues to promote and publish the Fraud Hotline in furtherance of our efforts to prevent and deter crime. Hotline posters in both English and Spanish format are displayed in locations frequented by the general public to encourage their responsibility.

Photo credits:

FEMA Photo Library for the first three pictures: Fires in West Glenwood, Colorado; Midwest Floods; and World Trade Center Terrorism Attack.

NOAA Photo Library, NOAA Central Library for the last two pictures: Union City, Oklahoma tornado and Hurricane Danielle.



**OFFICE OF INSPECTOR GENERAL**  
**October 1, 2002 – February 28, 2003**