

FEDERAL EMERGENCY MANAGEMENT AGENCY

# Semiannual Report



**OFFICE OF INSPECTOR GENERAL**

**October 1, 2001 – March 31, 2002**



# Statistical Highlights of OIG Activities

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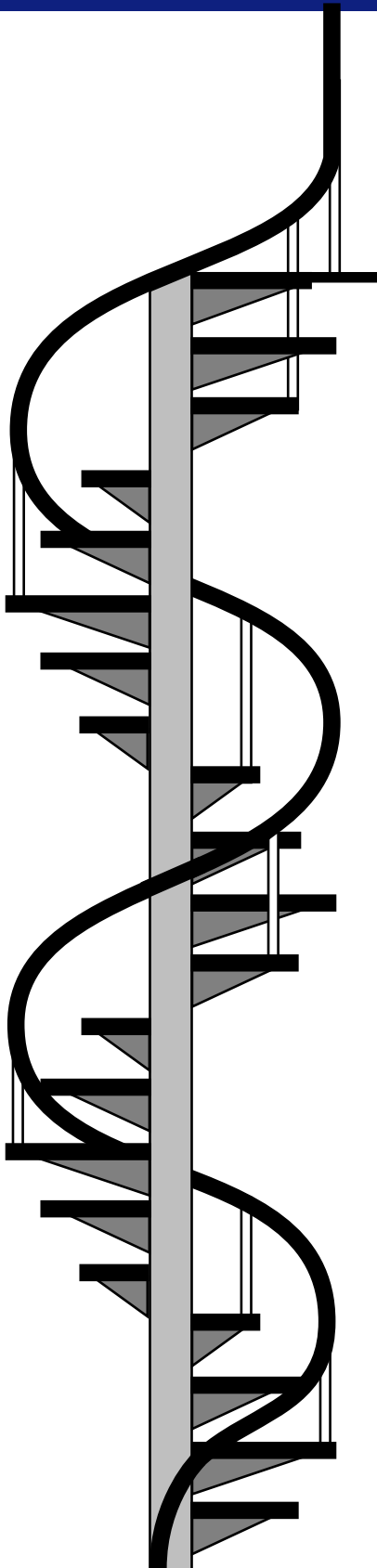
## DOLLAR IMPACT (in thousands)

Questioned Costs .....	\$28,839
Funds Put to Better Use .....	\$ 9,614
Management Agreement That Funds Be:	
Recovered .....	\$ 4,870
Deobligated .....	\$ 0
Funds Recovered .....	\$ 1,089
Funds Deobligated .....	\$ 132
Fines and Restitutions .....	\$ 1,853
Administrative Cost Savings and Recoveries	
\$ 7,545	

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## ACTIVITIES

OIG Reports Issued .....	46
Contract Reports Processed .....	7
Single Audit Reports Processed .....	7
Investigative Cases Opened .....	145
Investigative Cases Closed .....	91
Investigative Cases Pending as of 3/31/02 ..	309
Arrests and Indictments .....	111
Convictions .....	26
Personnel Actions .....	2
Complaints Received .....	315
Hotline Complaints Received .....	765
Hotline Referrals (to programs or other agencies)	
29	
Hotlines Closed .....	1,425





# Federal Emergency Management Agency

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## Office of Inspector General

April 30, 2002

The Honorable Joe M. Allbaugh  
Director  
Federal Emergency Management Agency  
Washington, DC 20472

Dear Mr. Allbaugh:

The Inspector General Act of 1978 (Public Law 95-452), as amended, requires the preparation of a Semi-Annual Report to Congress summarizing the activities of my office. I am please to enclose the report for the period from October 1, 2001 to March 31, 2002. The Act also mandates that you transmit this report to the appropriate committees of Congress within 30 days of receipt, together with any comments you wish to make.

During this period, we performed an audit of FEMA's fiscal year 2001 financial statements, as required by the Chief Financial Officers Act of 1990. In addition, we assessed FEMA's implementation of certain aspects of the Government Performance and Results Act. We continued our efforts to review States' disaster grant management processes, disaster costs, and subgrantee compliance with applicable laws and regulations. We also continued to support Agency managers through participation on task forces and working groups to improve the overall operations of FEMA. Finally, we investigated numerous allegations of fraud and abuse by disaster recipients.

Our efforts yielded significant monetary and non-monetary results during the past 6 months, including approximately \$1.2 million in recoveries and deobligations, and the agreement of management officials to collect or deobligate an additional \$4.9 million. Additionally, we questioned \$28.8 million and identified \$9.6 million of funds that could be put to better use. Our efforts also resulted in 111 arrests and/or indictments and 26 convictions.

My staff and I are committed to working closely with you and your management team toward the goal of promoting effectiveness, economy, and efficiency in FEMA's programs and operations.

Sincerely,

George J. Opfer  
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
Readiness, Response & Recovery .....	8
Federal Insurance & Mitigation .....	13
Administration & Resource Planning .....	13
Other Activities .....	16
5. PREVENTION ACTIVITIES .....	19
Hotline Complaints .....	19
World Trade Center Terrorist Attack .....	19
Income Verification .....	20
Crime Training Participation .....	20
Task Force Activities .....	20
Integrity Awareness .....	21
6. OTHER OIG ACTIVITIES .....	23
Oversight of Non-FEMA Audits .....	23
Audit Reports Unresolved Over Six Months .....	23
7. LEGISLATIVE AND REGULATORY REVIEWS .....	25
8. APPENDICES .....	27
9. INDEX OF REPORTING REQUIREMENTS .....	39
10. CUSTOMER SURVEY FORM .....	41



# Executive Summary

This is the 26th semiannual report issued by the Office of Inspector General (OIG), Federal Emergency Management Agency (FEMA), since becoming 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, 2001, through March 31, 2002. All activities and results reported fall within the reporting period unless otherwise noted.

During this reporting period, we performed several reviews that addressed issues identified in the list of 10 areas the OIG considered to be the most serious management challenges facing FEMA. We performed an audit of FEMA's fiscal year 2001 financial statements as required by the Chief Financial Officers Act of 1990. We also assessed FEMA's implementation of certain aspects of the Government Performance and Results Act. In addition, we reviewed three states' grants management processes and financial reporting to FEMA. We devoted significant resources to reviewing disaster costs and grant recipients' compliance with applicable laws and regulations. We investigated numerous allegations of fraud and abuse by disaster recipients. We continued to support Agency managers to improve the overall operations of the Agency through participation on task forces and working groups.

Our audits, inspections, and investigations were instrumental in FEMA management deobligating and recovering \$1.2 million, and in making agreements to recover and deobligate an additional \$5.9 million. We issued 46 audit reports; processed an additional 14 reports issued by non-FEMA auditors; closed 91 investigations; arrested and/or indicted 111 individuals/companies; convicted 26 individuals and closed 1,425 complaints.



## **Who determines what the OIG audits or investigates?**

The OIG receives requests to conduct audits and investigations from many sources. However, the OIG independently determines what is audited or investigated.





# Federal Emergency Management Agency

**FEMA** is the Federal agency charged with building and supporting the Nation's emergency management system. It 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 2,609 full-time employees, who assist individuals, families, communities, and States throughout the disaster cycle. They help to plan for disasters, develop mitigation programs, and meet human and infrastructure needs when major disasters occur. They work at FEMA headquarters in Washington, D.C.; 10 regional offices and facilities around the country and in the Caribbean and Pacific; FEMA's National Emergency Training Center in Emmitsburg, Maryland; National Teleregistration and Processing Centers in Hyattsville, Maryland, and Denton, Texas; and Mt. Weather Emergency Assistance Center in Berryville, Virginia. FEMA also maintains a cadre of temporary disaster employees ready to help when disasters occur.

The U.S. Fire Administration and the Federal Insurance and Mitigation Administration (FIMA) are under FEMA's jurisdiction. U.S. Fire Administration supports the Nation's fire services and emergency medical services communities with training, public education, and research in fire protection technologies and emergency response procedures. The FIMA makes flood insurance available to residents and businesses in communities that agree to enforce floodplain management practices. More than 19,000 communities participate in the National Flood Insurance Program, which has more than 4.3 million home and business policies in effect.



# 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. Before April 16, 1989, when the law became effective, the OIG was established administratively and the Director of FEMA appointed the Inspector General.

The statute conferred new authorities and responsibilities on the OIG, including the power to issue subpoenas; responsibility for various reports, such as this semiannual report; and authority to review relevant proposed laws and regulations to determine their potential impact on FEMA programs and operations. The law also mandates that the OIG audit and investigate FEMA programs.

Our office has four divisions—Audit, Inspections, Investigations, and Management Services—and was authorized 90 full-time equivalent positions during this semiannual period. We also engage disaster employees on temporary appointments to audit or investigate disaster-related matters.



## **Does the OIG have access to all FEMA documents and information?**

Yes. The Inspector General Act specifically provides that the Inspector General is authorized “to have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material.”



# Summary of Significant OIG Activity

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## **What is the OIG's primary responsibility?**

The primary responsibility of the OIG is to conduct audits and investigations to prevent, detect, and report fraud, waste, abuse and mismanagement; to promote efficiency in the programs and operations of the Federal Emergency Management Agency.

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## SUMMARY OF SIGNIFICANT OIG ACTIVITY

We completed several reviews that addressed issues identified in our Fiscal Year 2001 Annual Performance Plan. Particular emphasis was placed on issues identified as the 10 most serious management challenges facing FEMA. Those challenges included: (1) implementing a homeland security program; (2) redesigning the public assistance program; (3) assessing State and local preparedness; (4) sustaining the national mitigation program; (5) enhancing the National Flood Insurance Program's financial stability and equity; (6) implementing and maintaining information management system; (7) developing an enterprise-wide human capital strategy; (8) enhancing financial management operations; (9) developing a viable grants management program, and (10) integrating the requirements of the Government Performance and Results Act of 1993 with agency budgets and management decision processes.

We issued 3 internal management reports on FEMA operations. We also issued 46 external reports on Federal fund recipients and processed an additional 14 reports performed by non-FEMA auditors. These reports questioned \$28.8 million in costs and identified an additional \$9.6 million in funds that could be put to more effective use.

We dedicated significant resources to reviewing states and their compliance with grants management regulations and financial reporting requirements, reviewing FEMA's fiscal year 2001 financial statement statements and related controls and compliance with laws and regulations, and assessing FEMA's implementation of the Government Performance and Results Act.

The following are summaries of some significant audits, inspections, and investigations completed by the OIG during the reporting period.

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### READINESS, RESPONSE & RECOVERY

#### **World Trade Center Disaster New York, New York**

We conducted a joint investigation with the Social Security Administration OIG on a disaster assistance claim made to FEMA wherein a wife claimed that her husband died in the World Trade Center collapse on September 11, 2001. Our investigation revealed that the woman's husband did not die during the terrorist attack on the World Trade Center and was currently alive. The woman was arrested and charged with defrauding FEMA of \$6,508 in disaster assistance, defrauding the Social Security Administration of \$7,332, and defrauding the American Red Cross of \$12,330. The U.S. Attorney's Office in the Southern District of New York is prosecuting this case.

#### **World Trade Center Disaster New York, New York**

We conducted an investigation involving two roommates who applied for FEMA disaster assistance. They shared an apartment on the fourteenth floor of an apartment building located approximately 30 blocks from ground zero. Our investigation determined that there was no disaster related damage to their apartment. The subjects received disaster assistance in the amounts of \$8,740 and \$8,625, respectively. During interview, both subjects admitted guilt and stated that they had not received any damage as a result of the disaster. One subject's

brother and mother also filed disaster assistance claims using the mother's apartment address that was a few blocks away. During interviews, both admitted that they did not receive any damage as a result of the disaster. All four subjects were arrested and have pleaded guilty and are awaiting sentencing. The Manhattan District Attorney's Office prosecuted all four individuals.

### **Recurring Audit Findings Public Assistance Disaster Grant Audits**

We reviewed audit findings reported to FEMA management as a result of audits conducted during Fiscal Years 1996 through 2000 of public assistance disaster funds awarded to state and local governments and nonprofit organizations. The objectives of the review were to identify frequently reported findings and determine whether FEMA can strengthen Federal regulations and FEMA guidelines or take other action to prevent their recurrence. We identified nine audit findings that appeared repetitively in the 376 audits performed during the five-year period. For five of these findings, we attributed subgrantee noncompliance to weaknesses in Federal regulations or FEMA guidance in the areas of equipment rates, labor costs, administration, grant accounting, and project monitoring. We recommended that FEMA take certain action to update or clarify existing Federal regulations and/or FEMA guidance to facilitate subgrantees' compliance in these areas. For the remaining four findings, we noted no inherent weaknesses in Federal regulations and/or FEMA guidance that may have contributed to the subgrantees' noncompliance. These findings included costs claimed by subgrantees that were unsupported, unrelated or unauthorized, or excessive, or costs that resulted in duplication of benefits. We recommended that FEMA require Disaster Field Office personnel to emphasize

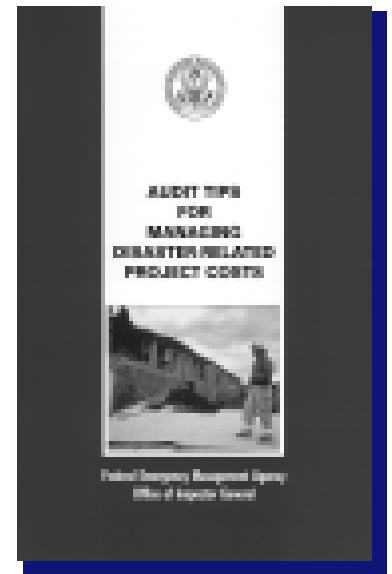
these findings with subgrantees during their initial applicant briefing.

### **States' Management of the Disaster Assistance Program**

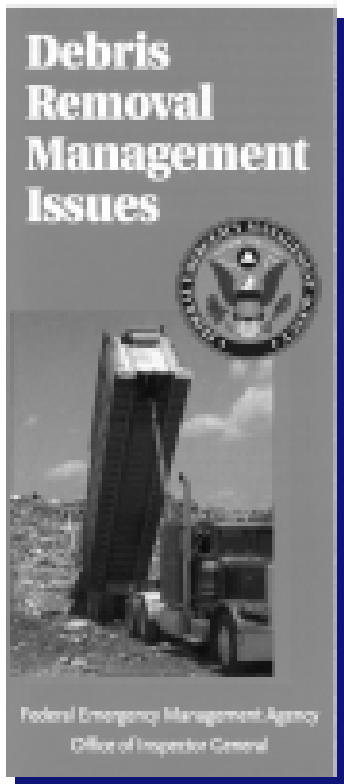
Under its disaster assistance programs, FEMA awards funds to the States where the disasters occur for public assistance, individual and family assistance, and hazard mitigation. The States serve as grant recipients and are responsible for administering the funds under the program, including all subgrants made by States for disaster response and recovery operations.

We reviewed the disaster grants management systems and practices of three States covering 58 disasters and \$8.7 billion: North Carolina, Alabama, and California. The objectives of the reviews were to determine whether the States administered the funds according to applicable Federal regulations and FEMA guidelines. We identified a number of problems.

For example, States often do not file required financial reports, and when they do, FEMA regional offices do not adequately review or reconcile the reports. States do not have adequate support for all costs claimed and do not segregate state management and administrative allowances to allow for proper allocation to disaster programs. There continues to be a widespread level of non-compliance with the submission of States' administrative plans. In addition, quarterly progress reports are not submitted to FEMA timely and when submitted, contain errors and inconsistent information. FEMA regional offices are lax in enforcing the State reporting requirements. Finally, States are not adequately monitoring subgrantees and reporting on their progress. These deficiencies are indicative of an inadequate grants management program. FEMA needs to take the initiative to assist the States in developing reliable grants management systems.



**Here you will find answers to questions about common problems found during our audits of disaster projects.**



**Many problems that burden efficient debris removal operations can be eliminated through an effective on-site monitoring program.**

### **Virgin Islands Home Protection Roofing Program**

The Virgin Islands (V.I.) Office of Management and Budget awarded the V.I. Department of Property and Procurement \$33.5 million to repair roofs of eligible residential homes damaged by Hurricanes Marilyn and Bertha in September 1995 and July 1996, respectively. Various components of the V.I. Government did not maintain accurate records on the receipt and expenditure of program funds. Moreover, the V.I. Government's final claim contained questioned costs of \$1,007,194 (Federal Share (FS) \$906,475) resulting from claims made for previously disallowed costs, unreasonable and unnecessary administrative charges, questionable charges for roofing repairs, and other improper charges. We recommended that FEMA disallow the questioned costs and instruct the V.I. Government to ensure that records containing receipts and expenditures are timely and appropriately reconciled.

### **Puerto Rico**

In September 1998, a Presidential disaster was declared as a result of Hurricane Georges that struck Puerto Rico causing wide spread damages. An individual was indicted for making false claims to FEMA for disaster assistance by falsely claiming that he lived in a damaged residence, when he did not. He was convicted and ordered to make restitution in the amount of \$21,615, pay a fine in the amount of \$400, and was further ordered to serve 60 months confinement.

### **California State University, Northridge**

The California Office of Emergency Services awarded \$392.4 million to the California State University, Northridge (CSUN), for debris removal, emergency protective measures, and permanent repairs to facilities damaged by the Northridge earthquake in January 1994.

CSUN's claim included questioned costs of \$7,131,984 (FS \$6,418,786) consisting of ineligible code compliance project and grant acceleration program and construction management costs; claimed costs associated with the wrong Damage Survey Report; and unsupported project costs. We recommended that FEMA disallow the questioned costs.

### **Wellton-Mohawk Irrigation & Drainage District, Arizona**

The Arizona Department of Emergency and Military Affairs awarded \$66.2 million to Wellton-Mohawk Irrigation & Drainage District (WMIDD), Wellton, Arizona, for emergency repairs to property damaged as a result of flooding that occurred on January 5, 1993, and for improvements to irrigation and drainage system facilities. WMIDD's claim included \$5,143,679 (FS \$3,857,759) in questioned costs attributed to an unallowable method for determining the value of riprap (rock) used to accomplish the FEMA-approved scope of work. We recommended that FEMA disallow the questioned costs.

### **Raleigh, North Carolina**

FEMA awarded the State of North Carolina Parks Department (NCPD) \$915,000 for debris removal around the shores of a large lake near Raleigh, North Carolina, as a result of damage sustained from Hurricane Fran in 1996. There were seven different State parks along the shoreline. NCPD awarded one contract for the entire project. The contractor claimed more hours than actually worked, more employees than were on the job, and the use of more equipment than was actually utilized on the project. Five individuals and the corporation have entered guilty pleas. The corporation negotiated a global plea of all charges and agreed to pay \$2.4 million, including \$1 million in restitution and \$1.4 million in criminal/civil fines. During



this reporting period the corporation did pay the \$2.4 million and three additional subjects were indicted, arrested and are pending trials on various charges. The primary subject was a former corporate officer who was indicted on twenty counts. The other subjects were indicted on five counts and two counts respectively. This was a joint investigation with the U.S. Army Criminal Investigation Division, Major Procurement Fraud Unit. The U.S. Attorney's Office, Eastern District of North Carolina, prosecuted the case.

### **City of Anaheim, California**

The California Office of Emergency Services awarded \$6 million to the City of Anaheim for damages resulting from severe storms, flooding, and mud and rock slides that occurred on January 5, 1993. The City's claim included questioned costs of \$1,608,381 (FS \$1,206,286) consisting of \$1,521,795 in unreasonable project costs, \$74,587 in costs covered under FEMA's statutory administrative allowance, and \$11,999 in unsupported project costs. We recommended that FEMA disallow the questioned costs.

### **New Orleans Housing Authority New Orleans, Louisiana**

As a result of Tropical Storm Allison, many residents of the New Orleans Housing Authority (NOHA) applied for FEMA assistance. FEMA-OIG determined that many NOHA applicants were ineligible for FEMA assistance because they were renters and did not own their apartments. Any repairs to the NOHA units were done at the expense of the NOHA and not the renters. We determined that 2,822 NOHA applicants had claimed structural damage to their respective residence and were seeking FEMA assistance for the alleged damage. We recommended, and FEMA agreed, to deny all 2,822 applications. Had each applicant received the average

FEMA allowance of \$2,000, the total amount of ineligible FEMA funds dispersed would have totaled \$5,644,000.

### **City of Pine Bluff, Arkansas**

The Arkansas Department of Emergency Management awarded City of Pine Bluff, Arkansas, \$4.5 Million for debris removal, and emergency protective measures, and repair of roads and other facilities damaged by severe winter ice storms in December 2000. FEMA disallowed \$1.4 million of the City's claim based on a FEMA Debris Monitoring Report that identified 144,363 cubic yards of ineligible debris. The City appealed FEMA's decision, conceding that it claimed 26,819 cubic yards of ineligible debris removal. We were unable to determine the amount of ineligible debris claimed by the City because neither the City nor its contractors maintained adequate records. However, based on errors in FEMA's estimate, we concluded that the City's estimate of 26,819 cubic yards of ineligible debris was closer to the actual amount than FEMA's estimate of 144,956 cubic yards. We recommended that FEMA accept the City's estimate of 26,819 cubic yards of ineligible debris.

### **Gwinnett County, Georgia**

The Georgia Emergency Management Agency awarded Gwinnett County, Georgia, \$26 million for debris removal and emergency protective measures as a result of an April 1998 tornado. The County's claim included questioned costs of \$359,472 (FS \$269,604) resulting from ineligible debris removal costs, and excess and unauthorized project charges. We recommended that FEMA disallow the questioned costs.

### **Public Works Department Los Angeles, California**

The California Office of Emergency Services awarded \$3.6 million to the City of Los Angeles, Public Works Depart-



**Pictured outside the 'Bat-Cave' in Hawaii are Mike McGuire, Marty O'Neill, and Bill Moore. Inside these auditors from the CPA firm of Foxx and Company, assess how well the Office of Civil Defense manages FEMA's disaster programs. The OIG has contracts with seven CPA firms to conduct grantee audits.**

ment, for damages resulting from severe winter storms, mud and rockslides, and flooding that occurred on January 5, 1993. The City's claim included questioned costs of \$836,326 (FS \$627,245) consisting of non-disaster related costs, duplicate claims, unsupported costs, excessive equipment costs, overstated fringe benefit costs, and mathematical errors.

Additionally, the City received an overpayment of \$25,951 of the Federal share of costs on one project. We recommended that FEMA disallow the questioned costs and recover the overpaid FEMA funds.

### **Onslow County, North Carolina**

In September 1996, Hurricane Fran struck the State of North Carolina, causing severe damage to various counties along the Eastern coastline. Onslow County was among the counties designated to receive disaster assistance and one of the projects funded was to repair storm damage to waterlines throughout the county. Onslow County entered into a contract with a local firm to repair the waterlines. The company president instructed certain employees to falsify daily time sheet records reflecting that employees were working on the repair project, when, in fact, they were not. The false labor records were submitted to Onslow County for payment, resulting in overcharging FEMA and the State of North Carolina for the repair work performed. In a jury trial the contractor was found guilty on nine out of ten counts; five counts of making false claims to the FEMA and four counts of making false statements to FEMA. On January 23, 2002, the contractor was sentenced to fifteen (15) months in a federal penitentiary and ordered to pay \$45,583 in restitution. This case was prosecuted by the U.S. Attorney's Office, Eastern District of North Carolina.

### **Perry County, Kentucky**

Presidential disasters were declared in Perry County, Kentucky, in June 1996 and March 1997. The County Emergency Management Director falsely claimed roads received damage as a result of erosion from heavy rains and flooding. During the course of the work it appeared the damage was pre-existing and not a result of the disasters. It also appeared that work to replace guardrails and road supports was not being done as specified by the project worksheet. Specifically, the guardrail support beams were being cut off about 10 feet short of the required depth. As a result of the investigation, the County Emergency Management Director and the contractor performing the work pleaded guilty to false statements and two subcontractors pleaded guilty to obstruction of justice.

### **Virginia Beach, Virginia**

The Virginia Department of Emergency Services awarded the City of Virginia Beach, Virginia, \$870,729 for debris removal, emergency protective measures, and repairs to the water supply pipeline damaged as a result of Hurricane Floyd in September 1999. The City's claim included questioned charges of \$265,472 (FS \$199,104) resulting from unauthorized and ineligible charges. We recommended that FEMA determine the allowability of the unauthorized charges of \$228,737 and disallow the questioned costs of \$36,735.

### **Oklahoma City, Oklahoma**

The Oklahoma Department of Civil Emergency Management awarded \$2.39 million to Oklahoma City for debris removal, permanent restoration of roads and bridges, and repair or restoration of buildings, parks, and recreational facilities damaged by a severe windstorm on July 24, 1995. The City's claim included questioned costs of \$365,247 (FS \$273,360) resulting from unsupported equipment costs, contract work, and con-

tract labor, and ineligible costs for an administrative allowance that was not returned to FEMA when the project was deobligated. We recommended that FEMA disallow the questioned costs.

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## FEDERAL INSURANCE & MITIGATION

### National Flood Insurance Program (NFIP)

#### Harris County (Houston), Texas

In reviewing the current lists of repetitive losses in Tropical Storm Allison, we compared all the applicants that applied and received FEMA assistance for Disaster Housing Repairs (DHR) only, with a list of all the insureds in Harris County Texas that filed and received NFIP and/or Write Your Own (WYO) companies money from the flooding event which occurred in June 2001. The comparison of the above two lists for individuals in Harris County, Texas, produced a list of 630 individuals who applied for and received duplicate benefits. An investigation of the 630 subjects is being conducted for possible violations of False Claims, False Statements, Mail Fraud and Wire Fraud, in obtaining FEMA assistance and NFIP/WYO assistance for the same repairs.

#### NFIP Fraud in Florida

In September 1998, Hurricane Georges hit the Southern end of Florida. An investigation was initiated with a hotline call from a resident/owner of a South Florida condominium complex. The owner had heard statements made by the complex manager at a homeowners association meeting that pertained to the utilization of funds received from the NFIP and the filing of the flood loss claim. Our investigation disclosed that the complex manager and the flood insurance adjuster conspired to file a false claim with NFIP. Damages claimed were either pre-existing or had

nothing to do with the storm. In addition, the complex manager misapplied NFIP funds that were received. This is a joint case with the Florida Department of Insurance Fraud and is being prosecuted by the Florida State Attorney's Office. The two subjects have been arrested and charged with 2 counts each of Insurance Fraud and Grand Theft 2nd Degree, both violations under Florida State Criminal Statutes.

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## ADMINISTRATION & RESOURCE PLANNING

### Auditor's Report on FEMA's Fiscal Year (FY) 2001 Financial Statements

The independent public accounting firm of KPMG LLP, under our direction, audited the FY 2001 FEMA-wide financial statements as required by the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act (GMRA) of 1994. The FY 2001 financial statements received a qualified opinion, meaning that, except for the effects of the matters to which the qualifications related, the financial statements were presented fairly and free of material misstatements.

The qualifications were due to (1) a lack of adequate documentation to support \$10.7 million in personal property, and (2) an unsupported adjustment of \$77 million to FEMA's unliquidated obligations account. The primary reason for the qualifications can be linked directly to FEMA's inability to produce timely, reliable, and consistent financial information. Specifically, we continued to report that FEMA was in substantial non-compliance with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA). As a result, FEMA employees and contractors had to engage in intensive efforts requiring time-consuming manual procedures to develop reliable information. We also



May 4, 2001

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#### Davenport, IA

**Davenport's River Street lived up to its name when the Mississippi River flowed over its banks and flooded the city's downtown riverfront.**

reported that FEMA lacked a fully integrated financial management system.

In addition to the qualifications on the FY 2001 financial statements, the auditors identified six reportable conditions that resulted in material weaknesses in internal controls: (1) information security controls for the financial systems environment; (2) financial system processing functionality; (3) financial statement reporting process; (4) real and personal property accounting system and processes; (5) account reconciliation process; and (6) accounts receivable process. We reported that:

- ◆ FEMA's core financial system, the Integrated Financial Management Information System (IFMIS), suffers from significant information security control weaknesses in the following areas: access to the IFMIS vendor database, audit trails, IFMIS administrator back-up, segregation of duties, password controls, and reviews of user access rights. The National Emergency Management Information System (NEMIS), another major FEMA system, also has several password control weaknesses. Finally, we found several significant security weaknesses with FEMA's network environment. These issues significantly reduce the overall information security controls for FEMA's financial systems processing environment.
- ◆ FEMA's financial systems processing environment needs to be improved to more efficiently support agency processes and comply with FFMIA requirements, OMB Circular A-127 policy guidance, and the Joint Financial Management Improvement Program (JFMIP). The key areas that require improvement include interfaces between systems and core functionality.
- ◆ FEMA does not have a routine process to produce financial statements that is a by-product of already existing mission-driven policies and procedures and financial internal controls. FEMA does not have written policies and procedures in place outlining the steps to be performed to prepare consolidated financial statements. The financial statements were prepared late as compared to the 2001 Year-End Closing Instructions and required numerous revisions throughout January and mid-February. There is a lack of control to ensure that the financial statements are accurate.
- ◆ FEMA does not have systems and processes in place and operating effectively to ensure all property above FEMA's capitalization threshold is properly recorded, depreciated, and tracked for safeguarding purposes. The Logistics Information Management System (LIMS), FEMA's personal property management system, cannot perform the required accounting functions as required by JFMIP. FEMA faces a significant increase in risk that its Property Plant & Equipment and its related accounts will not be accurately reported.
- ◆ FEMA did not fully or timely reconcile many accounts during the year. This occurred because FEMA lacks sufficient human resources and sufficiently trained financial management personnel to adequately perform its financial reconciliations. The effect of not performing timely reconciliations is that material errors in the financial records could exist and remain undetected by FEMA management.
- ◆ FEMA did not issue a bill for collection for receivables totaling over \$42 million of which a majority was



over one year old. In response to a prior FEMA OIG report, FEMA agreed to recoup approximately \$30 million in overpayments identified in the report. Although the \$30 million was recorded in accounts receivable (part of the \$42 million discussed above), we found that there was no attempt to recoup these overpayments as of September 30, 2001.

For years, these deficiencies have adversely affected the agency's ability to report accurate, reliable, and timely financial data and, due to resource constraints, corrective measures were either ignored or limited to the most fundamental tasks. This is especially troublesome in light of the new priorities and increased funding that has been proposed for the agency in the President's fiscal year 2003 budget. To meet these new challenges, we believe that it is imperative that FEMA develop and maintain an enhanced financial management and internal control structure that includes a fully integrated accounting system, is supported by adequate human resources, and ensures accurate, reliable, and timely financial reporting.

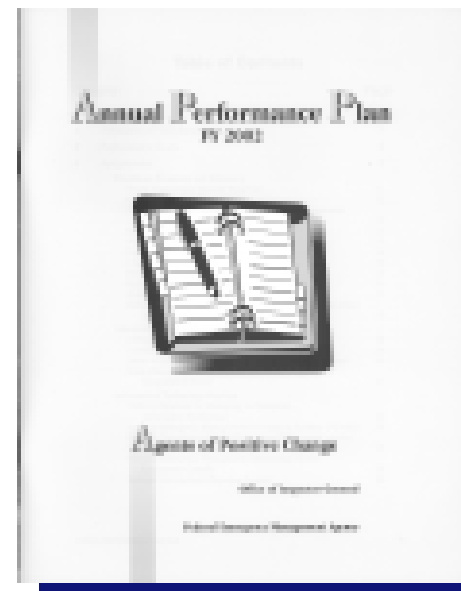
### **Audit of FEMA's Implementation of the Government Performance and Results Act**

We assessed FEMA's implementation of specific aspects of the Government Performance and Results Act (Results Act). We evaluated whether FEMA (1) made implementation of the Results Act a priority and used performance goals and results as management tools, (2) devised measurable annual performance goals that, if accomplished, would demonstrate progress toward accomplishing strategic goals, (3) used accurate and complete data to measure its performance, and (4) integrated its budget and performance plan by accurately reporting resources budgeted and used

to accomplish program goals and objectives outlined in its Annual Performance Plan.

We found that FEMA has established measurable performance goals and used accurate performance data to report its achievements in its Annual Performance Report. However, FEMA has not adopted performance-based management as a useful management tool. FEMA has not embraced performance-driven, results-oriented management, i.e., FEMA managers do not use the performance data generated to comply with the Results Act to manage their programs. FEMA also has not ensured that all of its performance goals measure program results or that sufficient progress has been made toward integrating its budget and its performance plan. With no meaningful linkage between budget and performance, FEMA's accomplishments cannot be measured against its use of resources. In addition, FEMA has found it difficult to reallocate its budget that reports resources by funding source, to the Results Act's activity-based reporting structure that lists program activities and performance goals, and has asked for an extension to the 2002 deadline.

We recommended that FEMA management make the implementation of the Results Act a high priority. Specifically, management needs to (1) emphasize the benefits of the Results Act, (2) set clear expectations, (3) better define the roles and responsibilities of program office managers and staff, (4) ensure that annual performance goals are results-oriented, (5) provide training, (6) include regional activities in future performance plans and reports, and (7) ensure the availability of financial data needed to accurately integrate its performance plan and budget.



**This is our fifth Annual Performance Plan. It is linked to, and updates, our five-year "Strategic Plan for FY 1998-FY 2002."**

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## OTHER ACTIVITIES

### **Cerro Grande Fire Assistance Act Program New Mexico**

On May 4, 2000, the National Park Service initiated a prescribed burn, known as the Cerro Grande Prescribed Fire, which exceeded containment capabilities. The Cerro Grande Fire Assistance Act was enacted to fully compensate victims for losses resulting from the fire and to provide for the expeditious consideration and settlement of claims for those losses. On October 11, 2001, a nine count federal superseding indictment was filed against an individual, who assumed the identity of a deceased acquaintance and then filed false claims in the assumed name, charging her with two counts of mail fraud and seven counts of money laundering. On January 11, 2002, this individual was found guilty in a federal jury trial of all twenty-three counts. She is awaiting federal sentencing, and trial for the State of New Mexico forgery and burglary charges stemming from this case.

Also, during our reviews of claims filed by Cerro Grande Fire victims, we noted that FEMA was reimbursing the Pueblos for New Mexico gross receipt taxes. The taxes were associated with construction projects on Pueblo tribal territory to repair damages caused by the fire. However, the projects were exempt from the tax under New Mexico tax regulations. Consequently, FEMA was reimbursing the Pueblos for costs they would not incur. We recommended that the Director, Office of Cerro Grande recover \$893,180 from the Pueblo of Santa Clara and \$82,449 from the Pueblo of San Ildefonso, and that New Mexico gross receipt taxes not be included in future claim payments.

### **Emergency Food and Shelter Program Hammond, Louisiana**

This investigation involves a non-profit organization located in Hammond, Louisiana, that provides food and shelter assistance to the disadvantaged. The nonprofit organization receives part of their funding from the FEMA, Food and Shelter Program. The investigation determined that two employees were embezzling money from the nonprofit organization. Both subjects gave signed sworn statements admitting that they created false claims and received approximately \$8,000, which was used to pay their rent and utilities. This case has been accepted by the U.S. Attorney's Office, Eastern District of Louisiana.

### **National Processing Service Center Denton, Texas**

Two contract employees working at the Texas National Processing Service Center have been convicted and sentenced for stealing computer equipment. One defendant was sentenced to 24 months probation, fined \$1,982, and ordered to pay restitution in the amount of \$5,640. The second defendant was sentenced to 15 months probation, 80 hours community service, \$500 fine and \$207 court costs.

### **FEMA Deputy Fire Chief Impersonation Case San Jose, California**

An investigation conducted by the San Jose Police Department and FEMA OIG resulted in searches of an individual's residence and vehicle after he represented himself as a FEMA Deputy Fire Chief and an instructor at the U.S. Fire Academy to the San Jose Fire Department. The vehicle was equipped with emergency lights, sirens, radios, exterior markings, and fire-fighting equipment, to include a Deputy Chief's helmet. The residential search identified false identification cards iden-



**May 4, 2000**

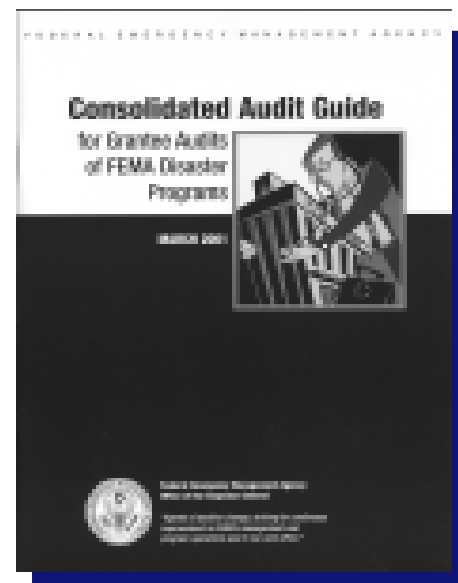
**Los Alamos, NM**

**The fire destroyed homes,  
vehicles, and personal  
property, leaving many  
people with nothing.**

tifying this individual as a fire fighter, law enforcement officer, and member of FEMA, U.S. Fire Administration, U.S. Marshal's Service, California Office of Emergency Services, and various task forces. A variety of agencies' official blank fax and letterheads were also seized. On November 3, 2001, this individual was charged with a California State charge of impersonating an officer or emergency service worker. On December 19, 2001, a two count federal indictment was filed against this individual charging him with one count of possession of official badges, identification cards, and/or insignias, and one count of impersonating a government employee. This individual has pleaded not guilty to both the state and federal charges.

#### **FEMA Vehicle Inspector Harris County (Houston), Texas**

A Vehicle Inspector was terminated from FEMA on September 12, 2001. An investigation was initiated 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 for vehicle inspections. Even after dismissal he continued to pose as a FEMA Inspector and continued soliciting and receiving bribes. The Houston FBI has joined in the investigation. This case has been accepted by the U.S. Attorney's Office, Houston, Texas, and will be presented to the Federal grand jury.



**FEMA has three major classifications of disaster relief grants and these are the focus of this audit guide. It is designed to assist independent auditors in performing these audits at the State (grantee) level.**





# Prevention Activities

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## Hotline Complaints

During this reporting period we received a total of 1,080 complaints, 71 percent received through the Hotline. Approximately half were associated with the June 2001 floods in Texas, Louisiana and West Virginia. Allegations of fraud associated with the September 11th terrorist attacks in New York accounted for 10 percent of our hotline complaints. Examples of allegations 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 for the loss of life, jobs/or business unaffected by the World Trade Center Terrorist Attacks.

## World Trade Center Terrorist Attack, New York City

Staff from the FEMA OIG responded to the World Trade Center (WTC) site shortly after the September 11, 2001, disaster. We coordinated our efforts with the Federal Coordinating Officer (FCO), various FEMA divisions and offices that were located at the Disaster Field Office (DFO), State and local agencies, and

various law enforcement entities. Specifically, we:

- Began law enforcement briefings and coordination with the Manhattan District Attorney Office and the Eastern and Southern District Offices of the U.S. Attorney.
- Held meetings and briefed various prosecutors, the New York Police Department, the Port Authority Police Department, the City of New York - Department of Investigations, and many other investigative organizations that have concurrent jurisdiction over the WTC, on the FEMA OIG mission, duties, and responsibilities.
- Provided advice on various matters to FEMA, State and local officials and performed proactive measures related to the internal activities of the DFO to ensure the appropriate use of FEMA funds.
- Assisted program officials during applicants' briefings and also participated in 49 follow-up kick-off meetings with selected applicants.
- Made applicants aware of FEMA's documentation requirements and identified and discussed problems found in reviews of other disaster grant recipients.
- Offered to visit applicants place of business to review the accounting

systems and internal control procedures and practices.

- Made twelve visits to State and local organizations to evaluate systems and procedures to account for FEMA funds and identify weaknesses that needed to be corrected.
- Reviewed contracts proposed by the City of New York for removal of debris, and the New York/New Jersey Port Authority's proposed contracts for restoring the train station destroyed at the WTC complex. In both instances, we prevented the applicants from entering into "Cost-Plus-Percentage-Cost" type contracts that are prohibited by Federal regulations.
- Closely monitored FEMA's approval of Public Assistance projects. We plan to initiate audits of selected recipients in the near future.

To date, we have arrested 27 individuals on various charges, and we have opened 237 fraud complaints. We received the majority from the FEMA Human Services staff at the DFO and Disaster Assistance Service Center. We have closed 179 complaints, and we continue to receive and open hotline complaints daily.

We have opened 51 investigations of which 45 remain open. Many of these cases are joint investigations with the Federal Bureau of Investigation, Social Security Administration OIG, New York Department of Investigations, and other law enforcement agencies.

### **Income Verification**

A claimant's annual income is an important consideration when determining disaster assistance eligibility. Fraud in this area occurs when income is under-reported and funds are improperly disbursed to ineligible parties. In response to this occurrence, we are

examining ways of electronically verifying income prior to disbursement of funds, without affecting the operational efficiency of the Individual Assistance Program. With no figures to quantify the problem, a preliminary assessment study is necessary. The study would compare reported income from past disaster relief recipients to income figures for those same individuals as reported to other sources. During this reporting period we discussed with representatives of the FEMA Readiness, Response & Recovery Directorate how to best collect data and determine the scope of income under-reporting as it relates to the Assistance to Individuals and Households Program.

### **OIG Participation in the National Insurance Crime Training Academy**

During this reporting period the OIG participated with the National Insurance Crime Bureau, the Department of Justice, the National White Collar Crime Center, and the Insurance Industry in the development of the National Insurance Crime Training Academy (NICTA). The academy is designed to provide insurance crime related training to law enforcement and insurance investigators via the Internet. FEMA OIG will provide resource and training information to NICTA to assist in the prevention, detection and prosecution of disaster related fraud.

### **OIG Law Enforcement Task Force Activities**

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

During this reporting period, the Guam Task Force continued to investigate two highly sensitive conspiracy cases related to the Public Assistance programs, with the dollar amount still to be determined. Efforts by this Task Force have resulted in one conviction, one sentencing, \$60,000 in asset forfeiture, and \$112,000 in restitution. The Virgin Islands and Puerto Rico Task Forces continue to conduct numerous complex and highly sensitive criminal investigations.

### **Integrity Awareness**

Fraud prevention presentations continue to be made regularly at FEMA field

and regional offices in the 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 wrongdoing. Additionally, we continue to participate in radio and television interviews to educate the public about potential fraud schemes. During this reporting period, we presented 40 fraud awareness briefings to 1,527 professionals from Federal, State and local agencies/organizations.



# Other OIG Activities

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## Oversight of Non-FEMA Audits

We processed 14 audit reports prepared by non-FEMA auditors on FEMA programs and activities in compliance with our responsibility to do so, and we continue to monitor actions taken to implement the recommendations in those reports. We processed 7 reports relating to OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations,” and 7 contract reports. Three reports identified \$14.2 million in questioned costs.

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## Audit Reports Unresolved Over Six Months

Timely resolution of outstanding audit recommendations continues to be a priority at FEMA. As of this report date, there were 35 audit reports containing recommendations that were unresolved for more than 6 months. Of the 35 audit reports, 19 are reports 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 audit, inspection, investigation, and legislative experiences of the OIG. We also participate in the President's Council on Integrity and Efficiency, which provides a mechanism by which to comment on existing and proposed legislation and regulations that have a government-wide impact.

During this reporting period, the OIG reviewed 21 proposed changes to legislation, regulations, and policy and procedures that could affect FEMA. Significant reviews included legislation resulting from the September 11, 2001 tragedy, proposed regulations to implement changes to the Stafford Act which were mandated by the Disaster Mitigation Act of 2000. We also routinely reviewed drafts of FEMA program operation manuals, directives and instructions and provided comments on the agency's draft strategic plan.

A significant number of bills have been introduced as a result of the September 11, 2001 tragedy. OIG has reviewed those bills that directly affect FEMA programs. During the autumn of 2001, OIG staff met with staff of the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate, at their request, to share our experiences with the implementation of the Cerro Grande Fire Assistance Program. The Cerro Grande program, which provides compensation to a variety of claimants affected by the May 2000 wildfires in northern New Mexico, was being considered as a possible model to assist uninsured and underinsured individuals and businesses in lower Manhattan in recovering from the aftermath of September 11th. Many of our recommendations were incorporated into S.1624, the World Trade Center Attack Claims Act, which was reported by the Senate Environment and Public Works Committee on November 8, 2001.

The Disaster Mitigation Act of 2000 requires significant changes in the way that FEMA administers assistance to individuals and households following a disaster. These changes are effective in May 2002. The Act requires that FEMA discontinue its Individual and Family Grant Program, which is replaced by a new program entitled "Financial Assistance to Address Other Needs." It also provides more specific guidance on addressing the housing needs of disaster victims. The OIG has provided extensive comments on the proposed rule and a draft of the final rule.

The OIG has also commented on agency instructions and directives on a variety of subjects, including use of the employee travel card and administration of the agency's civil rights program. We have also commented on efforts to update and improve FEMA's continuity of operations plans. FEMA's continuity of operations planning activities prepare for operations in alternate facilities should a natural disaster or terrorist attack makes regular FEMA facilities unavailable.



# Appendices

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## **Are copies of previous Semiannual Reports to Congress available?**

Yes, electronic copies of previous Semiannual Reports to Congress can be accessed at website [www.FEMA.gov/ig](http://www.FEMA.gov/ig) and printed copies can be obtained by contacting the OIG.

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## 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 Questioned Costs—Amounts Due and Recovered

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## 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.

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APPENDIX 1

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

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## QUESTIONED COSTS

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Report Category	Number	Questioned Costs	Unsupported Costs
A. Reports pending management decision at the start of the reporting period	38	\$40,949,045	\$27,891,229
B. Reports issued/processed during the reporting period with questioned costs	32	\$28,839,638	\$5,377,706
Total Reports (A+B)	70	\$69,788,683	\$33,268,935
C. Reports for which a management decision was made during the reporting period	18	\$7,707,689	\$278,591
(1) disallowed costs	18	\$5,909,314	\$264,894
(2) accepted costs	3	\$1,798,375	\$13,697
D. Reports put into appeal status during period	0	\$0	\$0
E. Reports pending a management decision at the end of the reporting period	52	\$62,080,994	\$32,990,344
F. Reports for which no management decision was made within six months of issuance	25	\$33,523,662	\$27,658,000

**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.

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APPENDIX 1

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

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## FUNDS PUT TO BETTER USE

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Report Category	Number	Amount
A. Reports pending management decision at the start of the reporting period	9	\$41,702,409
B. Reports issued during this reporting period	9	\$1,354,098
Total Reports (A+B)	18	\$43,056,507
C. Reports for which a management decision was made during the reporting period	2	\$132,298
(1) Value of recommendations agreed to by management	2	\$132,298
(2) Value of recommendations not agreed to by management	0	\$0
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	16	\$42,924,209
F. Reports for which no management decision was made within six months of issuance	8	\$41,655,631

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.

# Compliance—Resolution of Reports and Recommendations

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## COMPLIANCE

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

9/30/01	3/30/02
Reports / Recommendations	Reports / Recommendations
26 / 126	35 / 168

**2. Current Inventory**

**OPEN REPORTS**

9/30/01	Current Period	3/30/02
Open	Issued / Closed	Open
125	36 / 22	140

**ACTIVE RECOMMENDATIONS**

9/30/01	Current Period	3/30/02
Open	Issued / Closed	Active
376	296 / 125	547

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**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.

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APPENDIX 3

# Management Reports Issued

(In thousands)

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## MANAGEMENT REPORTS

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<b>Program Office/Report Subject</b>	<b>Report Number</b>	<b>Date Issued</b>	<b>Funds To Be Put To Better Use</b>
<b>INFORMATION TECHNOLOGY SERVICES</b>			
1. FACTS I Data Verification and Intragovernmental Activity and Balances	H-05-02	3/02	\$0
<b>ADMINISTRATION AND RESOURCE PLANNING</b>			
2. Implementation of the Government Performance and Result Act	H-01-02	9/02	\$0
3. Fiscal Year 2001 Financial Statements	H-04-02	2/02	\$0
<b>Total</b>			<b>\$0</b>

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APPENDIX 4

# Financial Assistance Audit Reports Issued

## FINANCIAL ASSISTANCE

Report Number	Date Issued	Auditee	Questioned Costs	Unsupported	Funds Put To Better Use
1. C-01-02	10/01	Departments within the State of New Mexico	\$12,380	\$11,550	\$0
2. C-02-02	11/01	City of Wichita, Kansas	\$9,950	\$2,229	\$0
3. C-03-02	11/01	Northeast Illinois Regional Commuter Railroad Corporation	\$39,068	\$1,866	\$0
4. C-04-02	12/01	City of Iowa City, Iowa	\$5,046	\$0	\$0
5. C-05-02	12/01	City of Pine Bluff, Arkansas	\$00	\$0	\$0
6. C-06-02	1/02	City of Oklahoma City, Oklahoma	\$273,360	\$272,593	\$0
7. C-07-02	2/02	Red River Valley Cooperative Power Association, Minnesota	\$192,885	\$0	\$0
8. C-08-02	3/02	Dakota Energy Cooperative, Inc., South Dakota	\$0	\$0	\$0
9. E-01-02	10/01	State of North Carolina Administration of Disaster Assistance Funds	\$0	\$0	\$0
10. E-02-02	10/01	State of Alabama Administration of Disaster Assistance Funds	\$22,006	\$0	\$0
11. E-03-02	10/01	Town of Mount Pleasant, South Carolina	\$7,119	\$0	\$0
12. E-04-02	10/01	Review of FY 2000 EMPA Grant Alabama Emergency Management Agency	\$18,660	\$0	\$0
13. E-05-02	11/01	Municipality of Canovanas, Puerto Rico	\$76,568	\$0	\$28,455
14. E-06-02	11/01	Virgin Islands Home Protection Roofing Program	\$525,209	\$8,200	\$110,918
15. E-07-02	11/01	Lynches River Electric Cooperative, South Carolina	\$116,119	\$21,872	\$0
16. E-08-02	11/01	City of Virginia Beach, Virginia	\$199,104	\$0	\$0
17. E-09-02	11/01	Maine Department of Transportation	\$16,661	\$0	\$85,520
18. E-10-02	1/02	Gwinnett County, Georgia	\$269,604	\$0	\$0
19. E-11-02	1/02	Maine Military Bureau	\$144,779	\$0	\$0
20. E-12-02	1/02	Massachusetts Department of Transportation	\$159,192	\$3,610	\$0
21. E-13-02	1/02	Maine Department of Human Services	\$29,090	\$1,195	\$67,436
22. E-14-02	2/02	Municipality of San German, Puerto Rico	\$0	\$0	\$32,414
23. E-15-02	2/02	Okaloosa County, Florida	\$0	\$0	\$0
24. E-16-02	2/02	Horry County, South Carolina	\$50,318	\$0	\$0

Report Number	Date Issued	Auditee	Questioned Costs	Unsupported	Funds Put To Better Use
25. E-17-02	2/02	City of Bayonne, New Jersey	\$0	\$0	\$27,775
26. E-18-02	2/02	City of Boston, Massachusetts	\$62,325	\$0	\$0
27. E-19-02	3/02	South Carolina Public Service Authority	\$45,670	\$0	\$0
28. E-20-02	3/02	Recurring Audit Findings - Public Assistance Disaster Grant Audits	\$0	\$0	\$0
29. E-21-02	3/02	Municipality of Naranjito, Puerto Rico	\$32,390	\$0	\$0
30. H-02-02	3/02	Pueblo of Santa Clara, New Mexico	\$0	\$0	\$893,180
31. H-03-02	3/02	Pueblo of San Hildefonso, New Mexico	\$0	\$0	\$82,449
32. W-01-02	10/01	Humboldt County Department of Public Works, Eureka, California	\$152,626	\$89,624	\$0
33. W-02-02	10/01	County of Fresno, California	\$55,004	\$28,803	\$0
34. W-03-02	11/01	Department of Public Works, Los Angeles, California	\$627,245	\$19,370	\$25,951
35. W-04-02	11/01	Yolo County Flood Control and Water Conservation District, California	\$0	\$0	\$0
36. W-05-02	12/01	Washington County, Idaho	\$0	\$0	\$0
37. W-06-02	1/02	County of Sonoma, California	\$0	\$0	\$0
38. W-07-02	1/02	California State University	\$6,418,786	\$26,838	\$0
39. W-08-02	1/02	Welton-Mohawk Irrigation & Drainage District, Arizona	\$3,857,759	\$0	\$0
40. W-09-02	2/02	Santa Clara County, California	\$0	\$0	\$0
41. W-10-02	2/02	State of California Administration of Disaster Assistance Funds	\$0	\$0	\$0
42. W-11-02	2/02	City of Anaheim, California	1,206,286	\$89,999	\$0
43. W-12-02	2/02	Monterey County, California	\$7,251	\$0	\$0
<b>Total</b>			<b>\$14,632,460</b>	<b>\$577,749</b>	<b>\$1,354,098</b>



APPENDIX 5

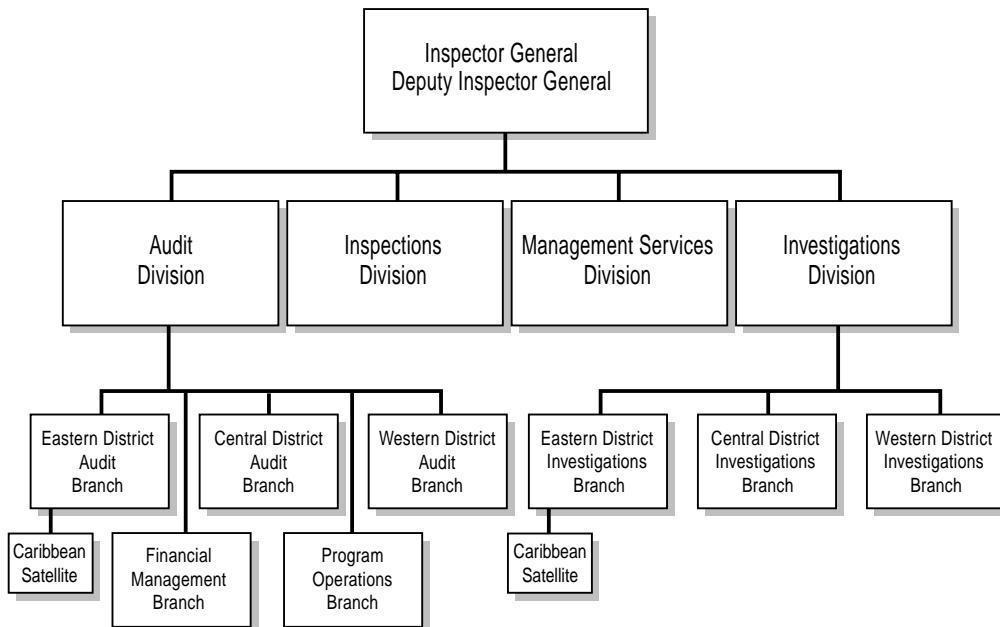
# Schedule of Amounts Due and Recovered

## DUE AND RECOVERED

Report Number	Date Issued	Auditee	Amount Due	Recovered Costs
1. C-01-02	10/01	Departments within the State of New Mexico	\$0	\$12,380
2. C-03-02	11/01	Northeast Illinois Regional Commuter Railroad Corporation	\$0	\$39,068
3. E-15-01	2/01	Office of Management and Budget, Puerto Rico	\$0	\$0
4. E-21-01	3/01	Illinois Department of Transportation	\$259,670	\$0
5. E-27-01	4/01	City of Covington, Kentucky	\$0	\$47,742
6. E-33-01	6/01	Puerto Rico Public Housing Administration	\$3,799,661	\$0
7. E-34-01	6/01	City of Pascagoula, Mississippi	\$0	\$2,927
8. E-37-01	8/01	Covington County, Alabama	\$0	\$76,988
9. E-39-01	8/01	Jackson County, Mississippi	\$0	\$10,144
10. E-41-01	8/01	City of Burlington, Vermont	\$16,982	\$0
11. E-09-02	11/01	Maine Department of Transportation	\$0	\$16,661
12. E-12-02	1/02	Massachusetts Department of Transportation	\$0	\$159,192
13. W-05-01	1/01	California Department of Forestry and Fire Protection	\$0	\$50,336
14. W-23-01	5/01	City of Santa Barbara, California	\$0	\$2,056
15. W-25-01	6/01	Lane County, Oregon	\$0	\$11,761
16. W-26-01	7/01	California Seismic Safety Commission	\$0	\$234,496
17. W-27-01	8/01	San Francisco Airport Commission, California	\$0	\$274,533
18. W-31-01	8/01	Columbia Irrigation District, Washington	\$794,006	\$0
19. W-34-01	9/01	California Institute of Technology	\$0	\$96,042
20. W-02-02	10/01	County of Fresno, California	\$0	\$55,005
<b>Total</b>			<b>\$4,870,319</b>	<b>\$1,089,331</b>



# Federal Emergency Management Agency Office of Inspector General



## OIG Points of Contact

**Inspector General** (202) 646-3910  
**PCIE Liaison** (202) 646-3140  
**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** <http://www.fema.gov/ig/hotline.htm>

## OIG Internet Home Page:

<http://www.oig.doc.gov>



# 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	25
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	1/
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	33-35
Section 5(a)(7) Summary of Significant Audits	8-15
Section 5(a)(8) Reports with Questioned Costs	29-30, 33-34
Section 5(a)(9) Reports Recommending That Funds Be Put to Better Use	30, 32-34
Section 5(a)(10) Summary of Reports Where No Management Decision Was Made	30
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 Office of Financial Management monitors and reports on corrective actions after a decision has been reached. Corrective action information is transmitted in the Director's Report to Congress.



# 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 the report. We ask that you 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](mailto:james.daniels@fema.gov)

# Notes



# Notes



# IG

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## **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.htm>**

### **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.**

**OFFICE OF INSPECTOR GENERAL**

**October 1, 2001 – March 31, 2002**

