



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security



SEMIANNUAL REPORT TO THE CONGRESS
October 1, 2014 through March 31, 2015

This Semiannual Report to the Congress is issued pursuant to the provisions of section 5 of the *Inspector General Act of 1978*, Public Law 95-452, as amended (*Inspector General Act*) and reflects the accomplishments of the Department of Homeland Security (DHS) Office of Inspector General (OIG) for the period October 1, 2014, to March 31, 2015. We also include the status of our prior reports and recommendations to the Department. Please see the appendixes for a list of the reports issued this period and the status of prior recommendations.

Statistical Highlights of DHS OIG Activities

October 1, 2014, through March 31, 2015

Dollar Impact

| | |
|--|-----------------|
| Questioned Costs | \$182,841,310 |
| Funds to be Put to Better Use | \$1,427,147,144 |
| Management Agreement That Funds Be Recovered/Deobligated from Audits | \$356,941,734 |
| Funds Recovered/Deobligated (from audits and investigations) | \$365,230,327 |
| Funds Recovered/Deobligated from Audits | \$359,341,207 |
| Recoveries from Investigations | \$5,889,120 |
| Fines | \$80,300 |
| Restitutions | \$8,543,500 |

Activities

| | |
|---|-------|
| Reports Issued to DHS | 61 |
| Audit and Inspection | 38 |
| Disaster Relief Fund | 16 |
| Integrity and Quality Oversight | 1 |
| Management Alerts and Advisories | 6 |
| Investigative Reports Issued | 240 |
| Investigations Initiated | 275 |
| Investigations Closed | 294 |
| Open Investigations | 818 |
| Investigations Referred for Prosecution | 108 |
| Investigations Accepted for Prosecution | 47 |
| Investigations Declined for Prosecution | 55 |
| Arrests | 48 |
| Indictments | 24 |
| Convictions | 44 |
| Personnel Actions | 20 |
| Total Complaints Received | 8,215 |
| Hotline Complaints (excludes whistleblower) | 8,111 |
| Whistleblower | 104 |
| Complaints Referred (to programs or other agencies) | 6,595 |
| Complaints Closed | 8,018 |



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

April 30, 2015

The Honorable Jeh C. Johnson
Secretary
Department of Homeland Security
Washington, DC 20528

Dear Mr. Secretary:

I am pleased to present our semiannual report, which summarizes the work and accomplishments of our office during the first half of this fiscal year.

In this report, we focus on and offer a progress report on the Department's acquisition management program—a function critical to the fulfillment of all DHS missions. We summarize the Department's acquisition challenges, as well as its successes, throughout its history and describe our work in this area. For example, in one recent acquisition management report, we question the cost effectiveness of U.S. Customs and Border Protection's (CBP) plan to spend \$443 million to expand its unmanned aircraft (drone) program, when alternative investments may better contribute to border security. We also outline our plans to perform a series of acquisition audits that should result in improvements to the program and cost savings.

Other highlights include the issuance of:

- An investigative report confirming the Deputy Secretary, then the head of U.S. Citizenship and Immigration Services, appeared to exert undue influence over the adjudication of three high-profile immigration decisions related to USCIS' EB-5 program.
- Quick response management alerts and advisory reports, in addition to our traditional reports, to expedite the process of informing the Department of critical deficiencies and allow for immediate corrective action. We reported on:
 - Serious life safety issues at a U.S. Immigration and Customs Enforcement Service Processing Center, which resulted in a decision to vacate the building within days.
 - The diversion of a U. S. Secret Service team that focused primarily on the area around the White House. We confirmed that the team would have been unable to respond to exigencies at the White House, and that the President was at the White House on two of those occasions.
 - Increased contract costs for CBP's \$938 million aviation maintenance agreement, and the lack of sufficient internal controls to adequately address and correct deficiencies in aircraft maintenance activities through its corrective action process.
- A report on improving the management of the Federal Emergency Management Agency's Long Term Recovery Offices, which were responsible for overseeing 26 major disasters and \$66 billion in funding, by ensuring the offices are cost effective and consistently operated.
- Two reports on the Transportation Security Administration's Pre✓[®] program in which we recommended ways to further limit aviation security vulnerabilities.

We have reduced the number of open DHS OIG recommendations from 736 to 630 since our last semiannual report. I commend the continuing work of your audit liaison staff and our staff to achieve this reduction.

As in the past, the men and women of the OIG will continue to concentrate on the areas of greatest risk to the Department and work diligently to improve the efficiency and integrity of Department programs and operations.

Sincerely,

John Roth
Inspector General

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Office of Inspector General Accomplishments

During this reporting period, DHS OIG completed significant audits, inspections, and investigations to promote economy, efficiency, effectiveness, and integrity in the Department's programs and operations. Specifically, we issued 61 reports, including management advisories, alerts, and reports on disaster relief fund spending (appendix 4), as well as 240 investigative reports, while continuing to strengthen our transparency and internal oversight. Our reports provide the DHS Secretary and Congress with an objective assessment of the issues the Department faces. They also offer specific recommendations to correct deficiencies and improve the economy, efficiency, and effectiveness of DHS' programs.

Our audits resulted in questioned costs of \$182,841,310 of which \$7,254,327 did not have supporting documentation. As a result of disallowed costs identified in current and previous audit reports and investigations, the Department recovered or deobligated \$365,230,327 (appendix 5). We issued 7 reports identifying \$1,456,649,051 in funds that could be put to better use. We

initiated 275 and closed 294 investigations. Our investigations resulted in 48 arrests, 24 indictments, 44 convictions, and 20 personnel actions. Additionally, we reported \$14,512,920 in recoveries, fines, and restitutions from investigations.

We made 244 recommendations that, if implemented, should improve the Department's programs and operations, and we closed 352 recommendations. We will continue to encourage the Department to take timely corrective actions to address our findings and recommendations, particularly the 630 unique recommendations that remain open and unimplemented at the end of this reporting period.

We also continue to actively engage with Congress on a range of issues relating to our work and that of the Department. Inspector General John Roth testified five times before Congress during this reporting period. Assistant Inspector General Anne L. Richards testified once. We provide hearing testimony at www.oig.dhs.gov.

Office of Inspector General and Department of Homeland Security Profiles

The *Homeland Security Act* officially established DHS, with the primary mission of protecting the American homeland. The *Homeland Security Act* also established an OIG in the Department by amendment to the *Inspector General Act*. By this action, Congress and the administration ensured independent and objective audits, inspections, and investigations of DHS' programs and operations.

The President appoints the Inspector General, who is subject to confirmation by the Senate and issues reports directly to the DHS Secretary and Congress. The *Inspector General Act* ensures OIG's independence. This enhances our ability to prevent and detect fraud, waste, and abuse, as well as to provide objective and credible reports to the Secretary and Congress on the economy, efficiency, and effectiveness of DHS' programs and operations.



OIG is organized into the following offices:

- | | |
|--|---|
| Executive Office | Office of Integrity and Quality Oversight (IQO) |
| Office of Audits (OA) | Office of Investigations (INV) |
| Office of Emergency Management Oversight (EMO) | Office of Legislative Affairs |
| Office of Counsel | Office of Management |
| Office of Information Technology Audits (ITA) | Office of Public Affairs |
| Office of Inspections (ISP) | |

DHS and OIG became operational on January 24, 2003. On March 1, 2003, under the President's reorganization plan, 22 agencies and about 181,000 employees were transferred to the new Department.

DHS is organized into the following components and offices:

- | | |
|---|---|
| Domestic Nuclear Detection Office (DNDO) | Office of Operations Coordination and Planning |
| Federal Emergency Management Agency (FEMA) | Office of Policy (PLCY) |
| Federal Law Enforcement Training Center (FLETC) | Office of Public Affairs |
| Management Directorate (Management) | Privacy Office |
| National Protection and Programs Directorate (NPPD) | Science and Technology Directorate (S&T) |
| Office for Civil Rights and Civil Liberties | Transportation Security Administration (TSA) |
| Office of General Counsel | U.S. Citizenship and Immigration Services (USCIS) |
| Office of Health Affairs | United States Coast Guard (USCG) |
| Office of Inspector General (OIG) | U.S. Customs and Border Protection (CBP) |
| Office of Intelligence and Analysis (I&A) | U.S. Immigration and Customs Enforcement (ICE) |
| Office of Intergovernmental Affairs | United States Secret Service (USSS) |
| Office of Legislative Affairs | |

SUMMARY OF SIGNIFICANT OFFICE OF INSPECTOR GENERAL ACTIVITY



ACQUISITION MANAGEMENT

Challenges and Successes in Acquisition Management

DHS relies extensively on complex acquisitions and service contracts to fulfill its critical missions. Since its inception in 2003, the Department has spent tens of billions of dollars annually for a broad range of assets and services—from ships, aircraft, surveillance towers, and nuclear detection equipment, to financial, human resource, and information technology (IT) systems.

Because the theme of this semiannual report is acquisition management, we would like to provide the reader with a bit of insight into the complexity, challenges, and successes of acquisition management at DHS.

Early History

The Department was established very quickly with many legacy and new agencies; thus, DHS' earliest acquisition processes were imperfect and slow to mature. Initially, DHS operated in disparate silos focused on purchasing goods and services with minimal management of requirements. In their transition to DHS, seven agencies, including the U.S. Coast Guard (USCG), the Federal Emergency Management Agency (FEMA), and the Transportation Security Administration (TSA), retained their own procurement functions. The expertise and capability of the seven procurement offices mirrored their pre-DHS expertise and capability, with staff sizes ranging from 21 to 346.

In 2004, DHS established an eighth acquisition office, the Office of Procurement Operations, under the direct supervision of the Office of the Chief Procurement Officer, to service the remaining DHS components and manage department-wide procurements. Staffing shortages in many procurement offices prevented proper procurement planning and severely limited the Department's ability to monitor contractor performance and effectively administer contracts.

Although the Chief Procurement Officer had been delegated the responsibility to oversee all

DHS acquisition activity, component heads also had some of the same primary duties, resulting in confusion over who was ultimately accountable for acquisition decisions. Untimely and inconsistent management directives and a lack of insufficient guidance added to the confusion.

The Department's initial investment review process—intended to provide insight at key points in an investment's life cycle to assess cost, schedule, and performance—needed key reviews and management controls. For example, DHS did not require a review to ensure that an acquisition's design performed as expected before investing in a prototype. DHS procurements also encountered problems because contract technical and performance requirements were not well defined. For example, development of the Geographic Information System supporting USCG's Port Security Assessment Program commenced without identified Geographic Information System functional requirements.¹

Recent Progress and Ongoing Challenges

DHS has taken many steps to strengthen department-wide acquisition management, such as establishing an Acquisition Life Cycle Framework and creating the Office of Program Accountability and Risk Management (PARM) in 2011. The framework is designed to ensure that program managers have the tools, resources, and flexibility to execute the acquisition and deliver a product that meets user requirements while complying with applicable statutes, regulations, and policies.

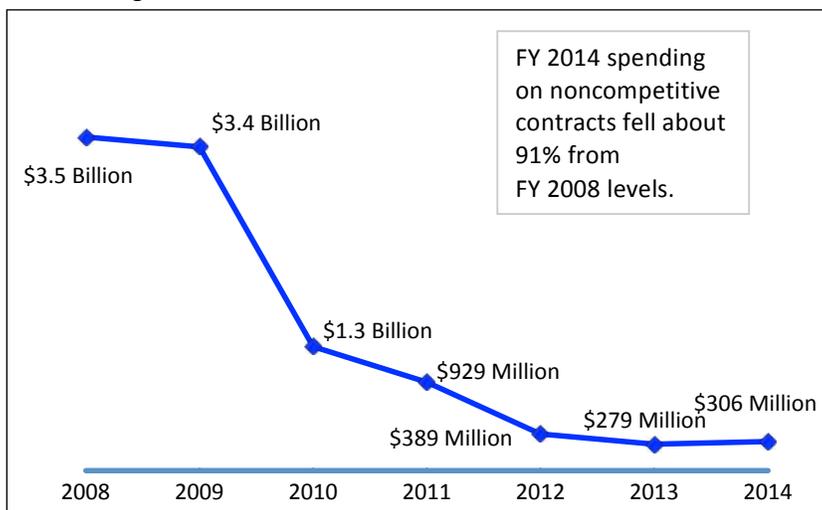
PARM oversees major acquisition programs and the acquisition workforce, develops program management policies, and collects performance data. Within PARM, the Acquisition Review Board determines whether components' acquisitions meet specific requirements at key phases throughout the acquisition process. DHS established a Joint Requirements Council to review high-dollar acquisitions and make recommendations to the Acquisition Review Board on cross-cutting savings opportunities.

¹ GAO-04-1062, *Better Planning Needed to Help Ensure an Effective Port Security Assessment Program*, September 2004.

DHS has also increased component-level acquisition capability. For instance, the Department appointed component acquisition executives to oversee and support their respective programs; it also initiated monthly component acquisition executive staff forums to provide guidance and share best practices. DHS has continued to enhance its acquisition workforce by establishing centers of excellence for cost estimating, systems engineering, and other disciplines to promote best practices and provide technical guidance.

Additionally, the Department has made significant progress in awarding contracts through a full and open competitive process. Competition provides the best assurance that the Government has received a fair and reasonable price, as well as the most comprehensive information on the technical alternatives for completing the work. In its first 6 years, from fiscal years (FY) 2003–08, DHS’ spending on noncompetitive contracts grew from \$655 million to \$3.5 billion. Then, largely due to the Department’s response to OIG and Government Accountability Office (GAO) audit recommendations, spending on noncompetitive contracts fell from \$3.5 billion in 2008 to below \$400 million in the last three fiscal years, as shown in the following chart.

DHS Noncompetitive Contract Obligations for FYs 2008 through 2014



Source: DHS OIG.

DHS needs a unified culture to enhance homeland security and derive efficiencies from the integration of operations. The Secretary’s April 2014 Unity of Effort Initiative, which identified several efforts to build organizational capacity, develop action plans, and implement change, is aimed at achieving this transformation. As part of this initiative, the Deputy Secretary leads the Deputy’s Management Action Group to discuss and decide on emerging issues, including specific initiatives in joint requirements and acquisition reform.

Although DHS has made much progress, it has not yet achieved the cohesion and sense of community to act as one entity working toward a common goal. For example, components continue to fail to follow departmental acquisition guidance and are not always willing to work together to realize economies of scale, hindering the Department’s cost-effectiveness and efficiency. DHS also lacks acquisition management tools to consistently determine whether major acquisitions are on track to achieve their cost, schedule, and capability goals.

DHS does not always ensure that components follow departmental acquisition guidance, which may lead to cost overruns, missed schedules, and mediocre acquisition performance. For example, last September we reported that FEMA spent about \$247 million over 9 years to implement a Logistics Supply Chain Management System that cannot interface with its partners’ logistics management systems or provide real-time visibility over all supplies shipped. These problems were largely caused by FEMA’s failure to comply with the Department’s acquisition guidance. For instance, the program office responsible for the system did not analyze alternatives to determine how best to close the gap in FEMA’s logistics capability; did not report life cycle cost increases to the component acquisition executives and the DHS Acquisition Decision Authority; and did not formally report program breaches as required, which hindered oversight.

Our 2013 audit of DHS’ H-60 helicopter programs (OIG-13-89) showed that one component would not cooperate with another to

realize potential cost savings and other efficiencies. Specifically, CBP was unwilling to coordinate with USCG to upgrade its H-60 helicopters, even though both components were converting the same helicopters. In March 2010, the Acquisition Review Board directed USCG to collaborate with CBP and present a joint review on possible helicopter program synergies within 75 days. Although USCG hosted CBP officials at its Aviation Logistics Center, both USCG and CBP officials said that a senior CBP executive canceled any reciprocal visits by USCG officials to CBP sites and instructed CBP H-60 program personnel not to have any further contact with USCG H-60 officials. Without CBP's cooperation, USCG could not complete the joint review, and neither PARM nor the Acquisition Review Board followed up on the incomplete joint review.

DHS does not have the tools to consistently track whether its major acquisitions will achieve their cost, schedule, and capability goals. According to GAO's May 2014 testimony², about half of DHS' major programs lack an approved baseline, and 77 percent lack approved life cycle cost estimates. DHS needs these baselines, which establish cost, schedule, and capability parameters, to accurately assess program performance. Yet, much of the necessary program information is not consistently available or up to date, and Department officials have acknowledged it may be years before this issue is fully addressed.

In the last Congress, the House passed the *DHS Acquisition Accountability and Efficiency Act* (HR 4228) to require DHS to improve discipline, accountability, and transparency in acquisition program management. The bill reinforced the importance of key acquisition management practices, such as establishing cost, schedule, capability parameters, and included requirements to better identify and address poorly performing acquisition programs. However, the Senate did not act on the bill. The bill has been reintroduced as H.R. 2199 in the 114th Congress but no action has been taken.

² GAO-14-532T, *Department of Homeland Security, Progress Made: Significant Work Remains in Addressing High-Risk Areas*, May 2014

Acquisition Audits Completed During This Semiannual Reporting Period

This period's acquisition audits exemplify ongoing challenges as well as progress. For instance, the Department encourages components to develop their own policies and guidance for nonmajor programs—acquisitions with life cycle costs of less than \$300 million—as long as they are consistent with the spirit and intent of department-wide guidance. We found that the Science and Technology Directorate (S&T) lacked such guidance, contributing to the termination of a contract for convenience after investing more than \$23 million for a prototype that was close to delivery. CBP's Unmanned Aircraft System is yet another example of acquiring systems before adequately defining requirements or developing performance measures, resulting in expensive assets that are underused and may not be adding sufficient value to border security. However, the U.S. Secret Service's (USSS) acquisition management office exemplifies what can be accomplished when components follow the Department's acquisition guidance—adequate oversight and management of acquisitions with only minor issues that were promptly corrected.

Our six acquisition-related reports for this semiannual reporting period are summarized below:

Science and Technology Directorate Needs to Improve Its Contract Management Procedures

S&T properly awarded a contract to NVS Technologies, Inc. to develop technology to detect biological threats. However, S&T's lack of proper contract management procedures enabled the former Acting Director of the Chemical and Biological Defense Division to direct the termination of the contract against subject matter experts' advice. S&T terminated the contract for convenience after spending more than \$23 million for a prototype that was close to the scheduled delivery. As a result, S&T may have wasted up to \$23 million in incurred and potential contract termination costs. In addition, S&T's failure to implement policies and procedures may hinder its ability to make well-informed decisions about all of its contracts, valued at \$338 million in FY

2013. We recommended that S&T develop and implement written standard operating procedures for overall contract oversight and management; develop specific procedures for terminating a contract for convenience; and review its contract portfolio to ensure sufficient evidence of program review. S&T concurred with these recommendations; the first two recommendations are resolved and open, and the third is unresolved and open. (OIG-15-38, February 2015, OA)

U.S. Customs and Border Protection’s Unmanned Aircraft System Program Does Not Achieve Intended Results or Recognize All Costs of Operations

CBP has invested significant funds in its Unmanned Aircraft System (aka “drone”) program, but after 8 years, it cannot demonstrate how much the program has improved border security. The program lacks performance measures, does not recognize all operating costs, and has not achieved expected results. CBP anticipated using the unmanned aircraft to patrol more than 23,000 hours per year, but the aircraft logged only 5,102 hours. We estimate that, in FY 2013, it cost at least \$62.5 million to operate the Unmanned Aircraft System program, or about \$12,255 per flight hour. The \$443 million CBP plans to spend on program expansion could be put to better use by investing in alternatives, such as manned aircraft and ground surveillance assets. Of our four recommendations, one is closed, one is unresolved and open, and two are resolved and open. CBP agreed to establish program goals and performance measures, conduct an independent study before acquiring more unmanned aircraft, and comply with any future DHS guidance on costs associated with flight programs. (OIG-15-17, December 2014, OA)

The United States Secret Service Has Adequate Oversight and Management of its Acquisitions
USSS acquisition management program office, established in 2011, has adequate oversight and management of its acquisition process, complies with DHS acquisition guidance, and has implemented some best practices. To strengthen its acquisition program, we recommended that USSS finalize guidance for its acquisitions with life cycle costs of less than \$300 million, which

comprise the majority of its investments, and select a Component Acquisition Executive. USSS fully implemented both recommendations. (OIG-15-21, February 2015, OA)

U.S. Customs and Border Protection’s Management of National Aviation Maintenance Activities, Management Advisory

In 2009, CBP awarded a \$938 million contract to Defense Support Services, LLC to maintain about 265 aircraft to fly approximately 100,000 hours per year. Since the contract was awarded, however, the number of CBP aircraft maintained, annual flight hours, and the average age of the aircraft fleet have decreased, while contract costs increased. Additionally, the safety and cost of operations may be affected by CBP’s lack of guidance for addressing and reporting maintenance deficiencies such as the installation of the wrong rotor blades on a helicopter, disconnected battery vent tubes, and an unsecured generator bolt. CBP’s Office of Air and Marine told us that it planned to better disseminate corrective action reports and maintain those reports on its intranet site, which would be accessible to all maintenance officers. The management advisory contained no recommendations. (No Report Number Issued, January 2015, OA)

CBP’s Oversight of Its Non-Intrusive Inspection Equipment Maintenance Contracts Needs Improvement

In FY 2014, CBP awarded six contracts and one interagency agreement valued at approximately \$90.4 million to perform preventive and corrective maintenance of non-intrusive inspection (NII) equipment. CBP uses NII equipment to screen cargo and conveyances for weapons and other contraband at land, sea, and air ports of entry without physically opening or unloading them. Although CBP monitored NII operations, it did not ensure that contractors performed preventive and corrective maintenance on screening equipment according to contractual requirements and manufacturers’ specifications. As a result, CBP’s NII equipment may not retain its full functionality or reach its maximum useful life. CBP agreed with our recommendation to implement a plan to monitor service contractors’ performance, including validation steps for

contractor-submitted maintenance data. The recommendation is resolved and open. (OIG-15-53, March 2015, OA)

U.S. Coast Guard Command, Control, Communication, Computers, Intelligence, Surveillance, and Reconnaissance Modernization

USCG Command, Control, Communication, Computers, Intelligence, Surveillance, and Reconnaissance project is a \$1.5 billion investment to modernize IT systems on 130 cutters and 45 aircraft. USCG sufficiently planned for future technology capabilities and implemented systems that effectively support the mission needs of some ships and aircraft, but budget reductions prevented critical IT upgrades for others. Even though USCG's reliance on obsolete technology for these ships and aircraft negatively affects mission performance and increases costs, the necessary upgrades have been deferred until funding becomes available. In addition, USCG lacked plans for migrating to a common technology or ensuring effective support for multiple IT systems on some ships and aircraft. As a result, USCG may face higher life cycle costs and reduced mission effectiveness in the future. USCG concurred with our recommendations to implement a plan to provide legacy ships with sufficient system capabilities to carry out their missions while replacement ships are being built; complete the implementation of an upgrade solution for the aircraft mission system; and implement a strategy to manage multiple technology systems across affected aircraft and ships. The first and second recommendations are resolved and open; the third is closed. (OIG-15-05, October 2014, ITA)

Moving Forward

Given the magnitude and risks of the Department's acquisitions, we will continue to invest resources in this critical area. For instance, we are planning an audit to determine whether USCG is effectively managing the acquisition of eight Legend-class National Security Cutters to replace its 1960s-era High Endurance Cutters. In 2012, GAO reported that the cost of USCG's plan to acquire the final two cutters is not covered under its current 5-year budget plan. Thus, there may be a significant discrepancy between expected capital investment

funding and the estimated life cycle costs for the project.

We are also planning an audit to determine whether TSA is properly identifying operational needs and developing realistic cost estimates before investing in new security technologies and infrastructure. Over the next 5 years, TSA's Office of Security Capabilities may invest \$2.2 billion in security enhancements such as new threat detection technology and baggage screening equipment.

As these examples illustrate, we are becoming more proactive in performing audits throughout the acquisition process. This approach will allow DHS to correct course early in the acquisition life cycle, before fully investing in a program. Components will be able to address cost, schedule, and performance problems as they arise, protecting long-term investment.

We are also initiating "verification reviews," aimed at determining whether DHS and the components have implemented crucial audit recommendations and whether their actions have had the intended effect. For example, an upcoming review will ascertain whether USCG implemented recommendations from our 2012 audit (OIG-12-68) on its Sentinel Class Fast Response Cutter. The estimated \$1.5 billion contract contains 6 options to build a maximum of 34 cutters. In 2012, we found that USCG's aggressive, schedule-driven strategy allowed it to begin construction of the cutters before resolving operational, design, and technical risks. USCG also procured 12 cutters before testing the lead cutter in actual operations.

The urgency and complexity of DHS' mission will continue to demand rapid pursuit of major investment programs. While DHS continues to build its acquisition management capabilities department-wide and in the components, the business of DHS goes on and major procurements continue to move. We believe our proactive life cycle auditing approach will foster increased commitment by the Department and its components to effect real and lasting change—both providing better support for DHS' missions and saving precious taxpayer dollars.

ENHANCING BORDER AND TRANSPORTATION SECURITY AND IMMIGRATION ENFORCEMENT

MANAGEMENT ADVISORY

Oversight of Unaccompanied Alien Children

We issued a report to the DHS Secretary about our unannounced site visits at CBP's temporary holding facilities for unaccompanied alien children (UAC) on the southern border. We performed these inspections to determine the conditions of detention for UACs in DHS custody. We conducted five unannounced site visits in three locations where CBP and ICE held UAC and families. Most facilities were compliant with UAC laws, regulations, and policies. We also monitored CBP and ICE investigations of complaints of civil rights and civil liberties violations, all of which were completed. We did not observe misconduct or inappropriate conduct by DHS employees during our unannounced site visits, and we did not receive new civil rights or civil liberties complaints. We made no formal recommendations. (No Report Number Issued, October 2014, INV/ISP)

REPORTS

Inspection of U.S. Customs and Border Protection Miami Field Office Ports of Entry

We conducted this review to determine whether the U.S. CBP Miami Field Office ports of entry operations comply with CBP policies and procedures. In most instances, the CBP Miami Field Office complied with CBP policies and procedures. We found only minor deficiencies in CBP Miami Field Office operations for cargo targeting and seized asset management. For passenger screening, Miami International Airport leveraged an existing system to track passengers who have records for violations of laws or other significant events. Other Miami Field Office ports of entry could benefit from this "one-stop system" that would allow them to document, monitor, and report on targeting passengers in real time.

The field office could improve the consistency of its recordkeeping for changes to the biometric watchlist. Also, the CBP Miami Field Office needs to improve its compliance with safeguards for using high security bolt seals during cargo screening. Lastly, the CBP Miami Field Office needs to update its policy and procedures for agriculture inspections so they align with current United States Department of Agriculture procedures. We made four recommendations to CBP, which, when implemented, should improve passenger screening, agriculture safeguarding operations, and cargo targeting. CBP concurred with all four recommendations and has provided documentation resulting in the resolution and closure of one recommendation. (OIG-15-13, December 2014, OA)

U.S. Immigration and Customs Enforcement's Alternatives to Detention (Revised)

ICE's Intensive Supervision Appearance Program provides nationwide contracted alternatives to alien detention. As a condition of release from detention, the program places participant aliens under various forms of intensive supervision or electronic monitoring to improve alien immigration court appearance rates and compliance with final removal orders from the United States. We reviewed whether the rate at which individuals in the Intensive Supervision Appearance Program have absconded or committed criminal acts has been reduced since 2009; ICE can improve the effectiveness of its alternatives to detention program, either by revising or expanding its Intensive Supervision Appearance Program contract, or through other cost-effective means; and ICE's Risk Classification Assessment is effective.

We determined ICE has changed how it uses the Intensive Supervision Appearance Program and no longer supervises some participants throughout their immigration proceedings. As a result, ICE cannot definitively determine whether the program has reduced the rate at which aliens who were once in the program, but who are no longer participating, have absconded or been arrested for criminal acts. ICE instructed field offices to consider re-detaining noncompliant Intensive Supervision Appearance Program participants,

but most field offices do not have sufficient funding for detention bed space to accommodate all noncompliant participants. Furthermore, the Risk Classification Assessment is time consuming, resource intensive, and not effective in determining which aliens to release or under what conditions. We made five recommendations to improve ICE's management of the Intensive Supervision Appearance Program and the Risk Classification Assessment tool. ICE concurred with four recommendations, and did not concur with one. (OIG-15-22, February 2015, ISP)

(U)³ Security Enhancements Needed to the TSA Pre✓[®] Initiative

(U) In November 2001, Congress authorized TSA to implement trusted passenger programs to expedite security screening of participating passengers. The intent is to allow airport security personnel the ability to focus more extensive screening on higher-risk and unknown populations. In response, TSA introduced the TSA Pre✓[®] initiative in October 2011. TSA identified low-risk passengers to receive expedited screening through TSA Pre✓[®] lanes at airport security checkpoints. Our objectives were to determine what processes and procedures exist to ensure proper vetting of applicants, how TSA assesses member continued eligibility, and how TSA tests its processes for effectiveness and timeliness. We made recommendations to assist TSA in correcting deficiencies to meet its expedited screening goals. In addition to an unclassified summary, we issued to the Department and Congress a Classified and a Sensitive Security Information version of this report. (OIG-15-29, January 2015, ISP)

Evaluations of Alleged AUO Misuse by Border Patrol Agents

The Office of Special Counsel (OSC) referred multiple whistleblower disclosures to DHS, alleging widespread misuse of administratively uncontrollable overtime (AUO) by CBP's border patrol agents. AUO, which supplements recipients' incomes by as much as 25 percent annually, is meant for employees who are often required to work unpredictable overtime that cannot

be controlled administratively. We convened a multidisciplinary taskforce to evaluate allegations of AUO misuse in CBP's Ysleta Border Patrol Station (OIG 15-07), National Targeting Center (OIG 15-11), and in several Border Patrol sectors where agents served as CrossFit Instructors (OIG 15-20). We found that AUO pay for CrossFit duties, such as instruction and gym maintenance, was inconsistent with Federal AUO regulations. Although the Ysleta Station and National Targeting Center did not have sufficient AUO documentation to allow us to identify a specific violation of law, rule, or regulation, many of the tasks border patrol agents performed during AUO hours appeared to have been administratively controllable. Congress recently enacted pay reform for border patrol agents—replacing AUO with a new pay system that may result in \$100 million in annual savings. (OIG-15-07, November 2014; OIG-15-11, December 2014; and OIG-15-20, January 2015, OA)

U.S. Customs and Border Protection Did Not Effectively Target and Examine Rail Shipments from Canada and Mexico

We performed this audit to determine whether CBP effectively targets and examines high-risk rail shipments from Mexico and Canada. CBP did not effectively target and examine rail shipments entering the United States from Mexico and Canada. Specifically, U.S. Customs and Border Protection Officers (CBPO) did not always target shipments using the mandatory Automated Targeting System targeting criteria. CBPOs also did not always use the required radiation detection equipment to examine high-risk shipments. Finally, CBPOs did not always record the results of their rail cargo examinations in the Cargo Enforcement Reporting and Tracking System. As a result, CBP may not have targeted or properly examined rail shipments that were at an increased risk to contain contraband or dangerous materials. In addition, CBP has no assurance that decisions to release these high-risk shipments into U.S. commerce were appropriate. We made six recommendations which, when implemented, should improve CBP's processing of rail cargo from Mexico and Canada. (OIG-15-39, February 2015, OA)

³ U – The report is classified but the summary presented is unclassified.

Allegation of Granting Expedited Screening through TSA Pre✓® Improperly (OSC File No. DI-14-3679) Redacted

OSC received a whistleblower disclosure alleging a notorious convicted felon was improperly cleared for TSA Pre✓® screening, creating a significant aviation security breach. The disclosure identified this event as a possible error in the TSA Secure Flight program since the traveler's boarding pass contained a TSA Pre✓® indicator and encrypted barcode. On October 16, 2014, OSC referred this allegation to the Secretary of DHS. The Department subsequently requested our assistance with this allegation.

Our investigation objectives were to determine whether a convicted felon was improperly granted expedited screening through TSA Pre✓® despite having disqualifying criminal convictions, and whether the event indicates a possible error in the TSA Secure Flight program.

To assess the validity of the allegation, we interviewed the whistleblower and TSA senior officials responsible for the TSA Pre✓® initiative. We also analyzed documentation regarding the TSA Pre✓® inclusion and screening processes to determine whether a gap in aviation security exists.

We determined that TSA did not grant the traveler TSA Pre✓® screening through the TSA Pre✓® Application Program or managed inclusion. TSA granted the traveler TSA Pre✓® screening through risk assessment rules in the Secure Flight program. We made two recommendations aimed at improving the TSA Pre✓® Initiative security. TSA concurred with one recommendation and did not concur with the other. In addition to the redacted report, we issued a Sensitive Security Information version to the Department and Congress. (OIG-15-45, March 2015, ISP)

INVESTIGATIONS

Border Patrol Agent (BPA) Illegally Hides Cash

We investigated a BPA for money laundering and structuring cash deposits in violation of Federal law. We found that he structured \$61,600 of mutilated cash into nine deposits to evade Federal reporting requirements. He was sentenced to 24 months' imprisonment, to be followed by 36 months of supervised release. He was also ordered to forfeit \$28,100 and pay a fine of \$9,720. (CBP)

U.S. Wins Court Settlement

In response to a Qui Tam filing under the *False Claims Act*, we investigated a company that systematically under-declared the value of imported reusable bags in order to evade payment of duties to CBP. Between 2007 and 2009, the company imported bags valued at \$19.9 million, but reported a value of only \$5.6 million. As a result of our investigation, the company agreed to pay \$500,000 to the United States. (CBP)

Customs and Border Protection Officer Improperly Queries Database

We investigated a CBPO whose phone number was discovered in the cellphone of a drug courier who had been arrested at an airport with 5.54 pounds of cocaine. We found that the CBPO made unauthorized queries related to associates of the smuggler in law enforcement databases. He was terminated from employment and sentenced to 90 days of home confinement, 24 months of probation, and 200 hours of community service. (CBP)

Man Impersonates Federal Officer

We investigated an individual who impersonated a BPA in order to purchase law enforcement gear and uniform items from a local tactical shop. He also attempted to pass through a Border Patrol checkpoint by falsely claiming U.S. citizenship. He was sentenced to time served (approximately 6 months) and 36 months of supervised release and ordered to participate in counseling for substance abuse and mental health issues. (CBP)

Bribe Offered To CBPOs

We investigated a member of the public who was detained while attempting to cross the border into Mexico in a car he stole from a BPA. While detained, he offered two on-duty CBPOs \$30,000 to release him from custody and begin a drug smuggling partnership. He was sentenced to 36 months of supervised release. (CBP)

CBPO Keeps Border Fees

We investigated a CBPO who was collecting border entry fees from commercial truck drivers and pocketing the money. We sent an agent posing as a truck driver through the subject's inspection lane and paid the subject with pre-recorded funds. The subject resigned from Federal employment and was sentenced to 12 months of probation. (CBP)

BPA Unlawfully Transfers Weapon

During our investigation of a BPA whose live-in girlfriend was allegedly assisting a drug trafficking organization, we found that the BPA was involved in the illegal procurement and sale of firearms, sometimes to fellow BPAs. We also found that one of the purchasing BPAs had unlawfully transferred an assault weapon and high capacity magazines into the state in which he resided. The purchasing BPA was sentenced to 36 months of probation and 60 hours of community service. (CBP)

Immigration Officer Accepts Bribes

We investigated an Immigration Services Officer who accepted bribes of up to \$5,000 in exchange for falsifying immigration documentation. After his arrest and while he was out on bond, he and his wife visited potential government witnesses and attempted to influence their upcoming testimony. He was sentenced to 51 months' incarceration to be followed by 36 months of supervised release. His wife was sentenced to 18 months' incarceration to be followed by 36 months of supervised release. (USCIS)

Immigration Officer Bribed

We investigated an Immigration Services Officer who was accepting bribes to approve immigration applications. We conducted a monitored operation in which an applicant paid the subject cash for

immigration benefits. The officer was terminated from employment and sentenced to 30 months' incarceration to be followed by 24 months of supervised release and ordered to pay a \$6,000 fine. (USCIS)

Man Falsifies Immigration Documents

We investigated a member of the public who recruited foreign nurses for employment in the U.S., and submitted documentation to USCIS in an attempt to unlawfully gain the nurses' immigration benefits. He was sentenced to 36 months of supervised release, with the first 6 months to be served in a community confinement center, and ordered to pay a fine of \$8,000. (USCIS)

Official Arranges Sham Marriages

We investigated allegations of a corrupt USCIS employee who arranged fraudulent marriages between U.S. citizens and undocumented aliens. The marriages, costing up to \$15,000 apiece, were intended to provide immigration benefits and U.S. citizenship. We found no USCIS employee involved in the scheme and instead found a member of the public who was sentenced to 36 months of probation and a \$5,000 fine. (USCIS)

Contract Employee Sexually Assaults Detainee

We investigated a contract food service employee at an ICE detention facility who sexually assaulted a detainee in a walk-in freezer. The subject was sentenced to 21 months' incarceration to be followed by 60 months of supervised release. (ICE)

Police Chief Accepts Bribes

We investigated a local chief of police who was selling Significant Public Benefit Paroles to illegal aliens for \$10,000 to \$40,000 each. The paroles, which allow aliens to reside and work in the United States for a year and can be renewed, are provided by state and local law enforcement agencies to illegal aliens who assist with investigations. The police chief was sentenced to 54 months' incarceration to be followed by 36 months of supervised release. This was a joint investigation with ICE Homeland Security Investigations and the Federal Bureau of Investigation (FBI). (ICE)

Man Impersonates Officials to Extort

We investigated an undocumented alien who impersonated an ICE agent and contacted another undocumented alien to demand extortion payments under threat of arrest, fines, and deportation. In furtherance of the scheme, the subject invented and portrayed multiple personas, including that of a local police detective and a person who threatened to falsely accuse the extortion target of child molestation if payment was not received. The subject also recruited his mother to pose as an immigration judge to further menace the extortion target. The subject was sentenced to 60 months' imprisonment to be followed by 36 months of supervised release and ordered to pay \$27,341 in restitution. His mother was sentenced to 16 months' imprisonment to be followed by 12 months of supervised release. This was a joint case with ICE Office of Professional Responsibility. (ICE)

Man Illegally Exports Firearms

We investigated a U.S. citizen who traveled from the United States to Pakistan and was arrested by Pakistani Customs Officials after they found 11 handguns, 22 magazines, and 200 rounds of ammunition in his luggage. When interviewed, he admitted that he had transported handguns to Pakistan on three prior occasions. For knowingly transporting firearms in interstate and foreign commerce without a license, he was sentenced to 24 months' incarceration to be followed by 36 months of supervised release. (TSA)

Transportation Security Officer (TSO) Commits Tax Fraud

We investigated a TSO who was a part owner in a tax preparation business and played a leading role in a tax fraud scheme. Using the identities of deceased individuals and living school children, the TSO filed fraudulent tax returns and collected the refunds in accounts he controlled. He was sentenced to 40 months' imprisonment to be followed by 36 months of supervised release and ordered to pay \$210,120 in restitution. This was a joint investigation with USSS. (TSA)

SECURING CYBERSPACE AND INFORMATION TECHNOLOGY ASSETS

REPORTS

Annual Evaluation of DHS' Information Security Program for FY 2014

DHS has taken steps to improve its information security program. Although these efforts have resulted in some improvements, components are not consistently following the Department's policies and procedures to update the system inventory and plans of action and milestones in the Department's enterprise management systems. Furthermore, components continue to operate systems without the proper authority. We also identified a significant deficiency in the Department's information security program as USSS did not provide the Chief Information Security Officer (CISO) with the continuous monitoring data required by the Office of Management and Budget during FY 2014. Without this information, CISO was significantly restricted from performing continuous monitoring on the Department's information systems, managing DHS' information security program, or ensuring compliance with the President's cybersecurity priorities. Subsequent to the completion of our fieldwork, USSS established an agreement with the DHS Chief Information Officer to provide the required data beginning in FY 2015. The Department concurred with all five recommendations and the recommendations remain open and unresolved. (OIG-15-16, December 2014, ITA)

Audit of Security Controls for DHS Information Technology Systems at John F. Kennedy International Airport-Sensitive Security Information (Revised)

We audited DHS and its organizational components' information system security controls at John F. Kennedy International Airport. Specifically, we addressed how TSA, USSS, CBP, and ICE had implemented computer security operational, technical, and management controls for their information technology assets at this

site. This audit included onsite verification and validation of operational security controls; the technical security controls implemented on their servers; and applicable DHS policies, procedures, and other appropriate documentation. We briefed the DHS Chief Information Security Officer and the components on the results of our audit. The draft report included 14 recommendations and DHS concurred with 13 of them. DHS did not concur with recommendation number six. We do not agree with DHS' response to this recommendation. The response does not provide for corrective actions to address the security and privacy concerns identified in our report. Therefore, we issued two additional recommendations, one for the DHS Chief Information Officer and another for the DHS Chief Privacy Officer. (OIG-15-18, January 2015, ITA)

(U) Fiscal Year 2014 Evaluation of DHS' Compliance with Federal Information Security Management Act Requirements for Intelligence Systems

(U) We evaluated the DHS enterprise-wide security program for Top Secret/Sensitive Compartmented Information intelligence systems. Pursuant to the *Federal Information Security Management Act*, we reviewed the Department's security program including its policies, procedures, and system security controls for enterprise-wide intelligence systems. Since the FY 2013 evaluation, the Office of Intelligence and Analysis (I&A) continues to provide effective oversight of department-wide systems and maintains programs to monitor ongoing security practices. For example, I&A has updated its policies and procedures, including the publication of *DHS Sensitive Compartmented Information Systems Policy Directive 4300C*. The USCG has relocated its headquarters to DHS' St. Elizabeths Campus and migrated USCG Intelligence Support System into a new system that is supported by DHS, the Defense Intelligence Agency, and USCG. We identified deficiencies in the areas of I&A's configuration management and in USCG's continuous monitoring, configuration management, risk management, security training, and contingency planning. We made one recommendation to

I&A and nine recommendations to USCG. I&A concurred with our recommendation and provided documentation resulting in resolution. USCG concurred with five recommendations and provided documentation resulting in the resolution of one recommendation. USCG non-concurred with the remaining four recommendations, which remain open and unresolved. (OIG-15-33, January 2015, ITA)

The Security Posture of the United States Coast Guard's Biometrics At Sea System Needs Improvement

USCG operates the Biometrics At Sea System (BASS) on 23 cutters to collect biometric data from interdicted aliens. The captured biometrics are sent to the Automated Biometric Identification System (IDENT) for comparison against existing biometrics to identify potential persons of interest, including suspected terrorists. Our audit examined BASS interface with IDENT, security roles and responsibilities, and change control management. We determined that USCG did not have a routine reconciliation process to ensure that all biometrics that it captured on the 23 cutters are maintained in IDENT. Not ensuring a match between USCG submitted totals and the number stored in IDENT may impede the future identification of suspected terrorists, aggravated felons, or other individuals of interest. USCG also allowed application programmers with unrestricted system access to share passwords and did not clearly define system roles and responsibilities. These control weaknesses may result in individuals making unauthorized changes to the system without detection. We also found that the authorization for the transition from the 2-fingerprint to 10-fingerprint application system was not properly documented, and security documentation had not been updated. Without a proper authorization process, USCG could not provide assurance that senior executives approved the change prior to implementation.

We made seven recommendations to USCG to reconcile captured biometrics to data in IDENT, update security documents, define roles and responsibilities, eliminate the use of common passwords, and ensure adherence to change

management policies. USCG concurred with the seven recommendations, one of which has been resolved and closed. (OIG-15-41, March 2015, ITA)

United States Coast Guard Has Taken Steps to Address Insider Threats, but Challenges Remain

We reviewed the efforts of the USCG to address the risk posed by trusted insiders. Our objective was to assess USCG's progress toward protecting its information technology assets from threats posed by its employees, especially those with trusted or elevated access to sensitive but unclassified information systems or data.

We determined that USCG has taken some steps to address the risk of insider threats to its information systems and data. Specifically, USCG established an Insider Threat Working Group designed to implement a program focused on identifying and remediating insider risk; implemented a process to verify that system administrators have the appropriate level of access to information technology systems and networks to perform their assigned duties; and established the Cyber Security Operations Center to monitor and respond to potential insider threat risks or incidents against USCG information systems and networks. However, additional steps are needed to further reduce the risk of insider threats to information technology assets. We performed testing that revealed potential vulnerabilities in technical and physical security controls that could allow for unauthorized data removal from USCG information systems, and loss, theft, or destruction of information technology assets. In addition, insider threat security awareness training is needed for USCG employees.

We made three recommendations that, if implemented, should strengthen USCG's management of the threat posed by trusted insiders. USCG concurred with all three of our recommendations which are resolved and open. (OIG-15-55, March 2015, ITA)

INVESTIGATIONS

Former Contractor Downloads Child Pornography

After we received information from the National Center for Missing and Exploited Children, we investigated a former ICE contract employee for downloading child pornography. Our search of his residence revealed multiple storage devices containing thousands of images and hundreds of videos of pornographic material. He was sentenced to 72 months' incarceration and ordered to register as a sex offender.

Man Diverts Equipment from Charities

Along with several Federal law enforcement partner agencies, we investigated a member of the public who, over a period of years, fraudulently portrayed himself as an official of numerous nonprofit organizations to receive surplus government computer equipment under the U.S. Government's Computers for Learning Program. The investigation revealed that instead of providing the computers to students for their use, the subject sold the equipment for a profit. He was sentenced to 120 months' incarceration to be followed by 36 months of supervised release and ordered to pay restitution of \$7,280,253.

PROMOTING DISASTER RESILIENCE

REPORTS

The State of North Dakota Needs to Assist Ramsey County in Completing \$24 Million of FEMA Public Assistance Projects for Three Federally Declared Disasters that Occurred in 2009–2011

The State of North Dakota needs to assist Ramsey County (County) in completing \$24 million of FEMA Public Assistance projects for three federally declared disasters (1829-, 1907-, and 1981-DR-ND) that occurred in 2009–2011.

The County has procedures in place to account for disaster-related costs on a project-by-project

basis. However, at the time of our field work, the County did not have sufficient records available for us to determine whether the County is fully capable of managing the three Public Assistance grants. As of the end of our field work, the County had completed and closed only 3 of 129 approved large projects with total claimed costs of \$544,908, or less than 4 percent of the \$14.4 million grant awards for large projects. Therefore, the County has not met statutory deadlines for completing large projects, and may be in danger of losing its Federal funding. We evaluated the procurement procedures the County used in contracting for the \$544,908 in disaster work for the three large projects we reviewed. Although the County competitively awarded the contracts, it did not take required affirmative steps to ensure the use of small and disadvantaged businesses such as minority firms, women's business enterprises, and labor-surplus area firms when possible; or include any of the specific provisions in its contracts that Federal procurement regulations require. County officials said that they were not aware of these Federal requirements.

In addition, the County may be in danger of losing most of the Federal funding it received years ago for the 550 small projects FEMA approved for the three disasters. At the time of our audit, the County had received \$8,666,916 (Federal share) for the 550 small projects, but had not claimed any costs for them or provided any evidence the County had completed the small projects. The findings in this report occurred in part because North Dakota did not fulfill its responsibility as the grantee to ensure that the County was aware of and followed Federal requirements. Therefore, FEMA should direct North Dakota to provide additional technical assistance and monitoring to the County to ensure that the County is aware of and follows Federal requirements in completing disaster work. FEMA should also work with North Dakota in developing a plan for the County to complete all remaining work for the three disasters, including both large and small projects.

We made five recommendations to the FEMA Region XIII Acting Administrator to (1) direct

North Dakota to provide the County with additional technical assistance and monitoring to ensure the County is aware of and follows Federal requirements in completing approved disaster work; (2) work with North Dakota to ensure that it develops a plan for the County to complete all remaining large projects for the three disasters; (3) direct North Dakota to provide the County with additional technical assistance concerning compliance with Federal procurement standards to avoid improperly spending the \$13,768,371 obligated for 126 uncompleted large projects; (4) direct North Dakota to determine whether the County has completed 326 small projects FEMA approved under disaster numbers 1907 and 1981 and work with the County to either avoid losing more than \$6 million that FEMA obligated on those projects if the County still plans to complete them, or recover Federal funds the County received under those disasters for any small projects the County has not completed; and (5) remind North Dakota of its grantee responsibilities to ensure that subgrantees are aware of and comply with Federal regulations.

FEMA concurred with all five recommendations and has provided documentation resulting in the resolution and closure of all five recommendations. (OIG-15-03-D, October 2014, EMO)

FEMA Needs to Track Performance Data and Develop Policies, Procedures, and Performance Measures for Long Term Recovery Offices

Between 1994 and 2013, it is estimated that FEMA obligated and spent more than \$4 billion in administrative costs and more than \$1 billion in salaries for the seven Long Term Recovery Offices. However, FEMA does not track costs or performance data for these offices. As a result, FEMA cannot determine the cost effectiveness of Long Term Recovery Office operations. In addition, FEMA has not created standardized policies, procedures, and performance measures for Long Term Recovery Office operations.

Without them, FEMA cannot ensure consistency in establishing and managing these offices. We recommended that FEMA identify, track, and report costs and performance data that show cost

effectiveness for Long Term Recovery Offices; and implement standardized policies, procedures, and performance measures to establish, operate, and close Long Term Recovery Offices. FEMA concurred with both recommendations and plans to implement recommendation one by June 30, 2015, and recommendation two by September 30, 2015. Until implemented the recommendations remain resolved and open. (OIG-15-06-D, October 2014, EMO)

Ohio's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 Through 2012 (Revised)

We conducted an audit of *Ohio's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 Through 2012* to determine whether Ohio used Homeland Security Grant Program funds in accordance with the law, program guidance, state homeland security strategies, and other applicable plans. We also addressed the extent to which the funds awarded enhanced the ability of grantees to prevent, prepare for, protect against, and respond to natural disasters, acts of terrorism, and other manmade disasters. We reported that Ohio needs to improve its performance measures, the accounting for grant funds, the timeliness of releasing funds to subgrantees, and its monitoring of subgrantees, including their procurement and property management practices. We made nine recommendations to FEMA, which should strengthen program management, performance, and oversight. This includes better monitoring, reconciling accounts, documenting expenditures and budget changes, and tracking inventory. FEMA concurred with all nine of our recommendations and has provided documentation resulting in the resolution and closure of one recommendation. The remaining eight recommendations are resolved and open. (OIG-15-08, January 2015, OA)

Annual Report to Congress on States' and Urban Areas' Management of Homeland Security Grant Programs

Public Law 110-53, *Implementing Recommendations of the 9/11 Commission Act of 2007*, requires the DHS OIG to audit individual states' and territo-

ries' management of State Homeland Security Program and Urban Areas Security Initiative grants, and annually submit to Congress a report summarizing the results of those audits. We completed 18 audits in FY 2014 and submitted our annual report to meet this requirement. FEMA awarded these states and urban areas about \$447 million during the fiscal years audited. In most instances, the states and urban areas administered grant programs efficiently and effectively and in compliance with grant guidance and regulations. The individual audits identified two key areas for improvement: strategic planning and oversight of grant activities. We also identified about \$14.5 million in questioned costs. The annual report summarized 169 recommendations addressing the areas identified for improvement. FEMA concurred with 165 of the recommendations, and has provided documentation resulting in the resolution and closure of 107 recommendations. FEMA provided evidence to show that corrective actions are underway to implement the remaining open and resolved recommendations. (OIG-15-14, December 2014, OA)

IMPROVING MANAGEMENT STEWARDSHIP AND COMBATING FRAUD, WASTE AND ABUSE

MANAGEMENT ALERT AND ADVISORIES

Employee Safety at the San Pedro Processing Center

During an audit of the Department's warehouses, we identified serious safety issues at the ICE San Pedro Service Processing Center, in Los Angeles, California. The 2-acre Service Processing Center includes 10 federally owned buildings. ICE used the main building of the center to house detainees, but closed and abandoned the facility in 2007 because of building deficiencies and life safety concerns. At the time of our Alert, ICE's Enforcement Removal Operations and Homeland Security Investigations employees occupied a portion of the facility even though safety issues had not been resolved. In addition, ICE was still processing

aliens at this facility. We made one recommendation to vacate the building until all safety issues are corrected or until ICE determines that the facility is safe. ICE took immediate action and vacated the building within 48 hours of our Alert. In addition, ICE is in the process of addressing the safety issues in the building. (No Report Number Issued, December 2014, OA)

Allegations of Misuse of United States Secret Service Resources

We reviewed allegations that senior leadership officials at USSS ordered a protection operation on behalf of an administrative employee after the employee was involved in a dispute with a neighbor. We sought to determine if the use of government personnel and resources was outside the scope of USSS' mission when agents visited the employee's private residence on five occasions and queried law enforcement databases in conjunction with the visits. We found no specific statutory or regulatory authorization for the use of USSS resources to protect an employee who is involved in a non-work related private dispute; and that the diverted agents, who focused primarily on the area around the White House, would have been unable to respond to exigencies at the White House. The President was at the White House on two of the occasions the agents were diverted to the protection operation. (No Report Number Issued, October 2014, INV)

Investigation into Employee Complaints about Management of U.S. Citizenship and Immigration Services' EB-5 Program

We received allegations that the Deputy Secretary, then-Director of USCIS, exerted improper influence in the normal processing and adjudication of EB-5 immigration program benefits. We found that in three separate cases, the official communicated with stakeholders on substantive issues outside of the normal adjudicatory process, and intervened with the career USCIS staff in ways that benefited the stakeholders. We found the three matters would have been decided differently and that the official's intervention created an appearance of favoritism and significant resentment among USCIS career staff. When questioned, the official told us that his sole motivation for

involvement was to strengthen the integrity of the program. (No Report Number Issued, March 2015, INV)

REPORTS

FEMA Should Recover \$13.0 Million of Public Assistance Grant Funds Awarded to The Administrators of the Tulane Educational Fund, New Orleans, Louisiana

The Administrators of the Tulane Educational Fund (Tulane) received an award of \$291.1 million from the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (Louisiana), a FEMA grantee, for damages resulting from Hurricane Katrina, which occurred on August 29, 2005. Tulane's contractor could not support or justify \$13.0 million of the \$36.1 million (gross) that we audited. Tulane claimed \$6,870,325 of unsupported fuel, equipment, and labor-related costs; \$3,839,224 of ineligible equipment costs that Tulane's contractor billed at rates higher than the contract specified; \$1,096,182 of subcontractor volume discounts that Tulane's contractor should have applied (passed through) to reduce its invoices to Tulane; \$930,908 of excessive (unreasonable) subcontractor markups on fuel; and \$251,425 of obligated costs for scheduled equipment that the contractor billed twice. As a result, we questioned \$12,988,064 of unsupported and ineligible costs that Tulane claimed and we recommended that FEMA disallow these costs as well as require Louisiana to perform a comprehensive review of Tulane's claimed costs on all projects to determine whether the costs are valid, reasonable, eligible, and supported. We made six recommendations, five of which are resolved and one is unresolved. (OIG-15-01-D, October 2014, EMO)

FLETC Office of Professional Responsibility Receives Oversight Review

The Office of Integrity and Quality Oversight, Investigations Quality Assurance Division conducted an oversight review of the Federal Law Enforcement Training Center, Office of Professional Responsibility in the third and fourth quarters of FY 2014. We found that they generally complied with applicable directives, policies, guidelines, and investigative standards.

We observed commendable practices with the thoroughness of investigations, the quality of reports, and the productive relationships maintained with operational entities within FLETC. We found particular issues with the component's underreporting of complaints to OIG, the absence of annual Law Enforcement Availability Pay documentation and certifications, and weaknesses in safeguarding evidence. We made 21 recommendations to the Office of Professional Responsibility Division Chief, who agreed to resolve all of them. All recommendations have been closed. (OIG-15-04-IQO, October 2014, IQO)

Major Management and Performance Challenges Facing the Department of Homeland Security

As required by the *Reports Consolidation Act of 2000* (Public Law 106-531), we update our assessment of DHS' major management challenges annually. The report summarizes what OIG considers to be the most serious management and performance challenges facing the agency and briefly assesses the agency's progress in addressing those challenges.

This year, we are reporting the Department's major challenges in the following areas:

- DHS Operations Integration
- Acquisition Management
- Financial Management
- IT Management and Privacy Issues
- Transportation Security
- Border Security and Immigration Enforcement
- Grants Management
- Employee Accountability and Integrity
- Infrastructure Protection, Cybersecurity, and Insider Threat

Some of the most persistent challenges arise from the effort to combine and coordinate diverse legacy agencies into a single, cohesive organization capable of fulfilling a broad, vital, and complex mission. DHS must continually seek to integrate management operations under an authoritative governing structure capable of effectively overseeing and managing programs that cross component lines.

DHS' mission to protect the Nation from domestic and international threats and respond to natural and manmade disasters is further challenged by the unpredictable nature of these hazards. DHS must overcome the challenges inherent with uniting the Department under the Secretary's Unity of Effort Initiative, as well as those over which it has little control. (OIG-15-09, February 2015 (Revised), OA)

Independent Auditors' Report on DHS' FY 2014 Financial Statements and Internal Control over Financial Reporting

KPMG LLP (KPMG), under contract with DHS OIG, conducted an integrated audit of DHS' FY 2014 consolidated financial statements and internal control over financial reporting. KPMG issued an unmodified (clean) opinion over the Department's financial statements, reporting that they present fairly, in all material respects, DHS' financial position as of September 30, 2014. However, KPMG identified seven significant deficiencies in internal control, four of which are considered material weaknesses. Consequently, KPMG issued an adverse opinion on DHS' internal control over financial reporting. KPMG also reported instances in which DHS did not comply with four laws and regulations.

The following are the four significant deficiencies in internal control considered to be material weaknesses, the three other significant deficiencies in internal control, and the four laws and regulations with which KPMG identified instances of DHS noncompliance:

Significant Deficiencies Considered To Be Material Weaknesses

- Financial Reporting
- Information Technology Controls and Financial System Functionality
- Property, Plant, and Equipment
- Budgetary Accounting

Other Significant Deficiencies

- Entity-Level Controls
- Grants Management
- Custodial Revenue and Drawback

Noncompliance with Laws and Regulations

- *Federal Managers' Financial Integrity Act of 1982 (FMFIA)*
- *Single Audit Act Amendments of 1996*
- *Anti-deficiency Act*
- *Federal Financial Management Improvement Act of 1996 (FFMIA)*

DHS concurred with all 68 of the recommendations and has provided documentation resulting in the resolution of 35 recommendations. We closed the remaining 33 recommendations because they duplicated previously issued recommendations that remain open in our system.

(OIG-15-10, November 2014, OA)

Gulfport School District, Mississippi, Properly Accounted for and Expended FEMA Public Assistance Grant Funds Awarded for Hurricane Katrina Damages

The Gulfport School District received a Public Assistance grant award of \$4.9 million from the Mississippi Emergency Management Agency, a FEMA grantee, for damages resulting from Hurricane Katrina, which occurred in August 2005. The award provided 100 percent FEMA funding for debris removal activities, emergency protective measures, and repairs to permanent buildings and facilities. We audited four large projects with awards totaling \$4.3 million. The Gulfport School District properly accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines for the four projects reviewed. Because the audit did not identify any issues requiring further action from FEMA, we consider this audit closed.

(OIG-15-12-D, October 2014, EMO)

FEMA Insurance Reviews of Applicants Receiving Public Assistance Grant Funds for 2004 and 2005 Florida Hurricanes Were Not Adequate

We audited insurance adjustments applied against \$177.2 million of FEMA Public Assistance funds awarded to Florida applicants during 2004 and 2005, who had insurance coverage with a specific insurance provider. The Florida Division of Emergency Management (Florida), a FEMA grantee, awarded these funds to applicants for disaster recovery work related to hurricanes that

occurred during this time. The quality of FEMA's insurance reviews was not adequate to maximize insurance available under applicants' policies with the Insurance Company and to ensure that duplication of benefits did not occur. As a result, FEMA may have funded up to \$177.2 million that insurance should have covered. Furthermore, FEMA's insurance specialists routinely waived the requirement to obtain and maintain insurance for future disasters, even though they did not have the authority to take such action. As a result, FEMA potentially stands to lose up to a billion dollars in future Florida disasters because many communities may not have adequate insurance coverage to protect against a significant future disaster. We made five recommendations to address the issues identified in the report. FEMA chose to provide comments in their response to the final report. (OIG-15-19-D, December 2014, EMO)

The City of Loveland, Colorado, Could Benefit from Additional Assistance in Managing Its FEMA Public Assistance Grant Funding

The City of Loveland, Colorado (City), generally has established policies, procedures, and business practices to adequately account for and expend FEMA grant funds according to Federal regulations and FEMA guidelines. However, we identified various areas in which the City needs improvements to ensure compliance with Federal regulations and FEMA guidelines for the \$7.6 million FEMA initially obligated, the additional \$13.5 million FEMA obligated as of June 16, 2014, as well as for future disasters. Specifically, the City did not (1) fully implement procedures to account for costs on a project-by-project basis; (2) have adequate procedures to document costs for labor (\$317,248), equipment (\$193,178), and direct project administration (\$102); (3) take specific, affirmative steps that Federal procurement regulations require to ensure the use of minority firms, women's business enterprises, and labor surplus area firms, when possible; and (4) pursue all insurance proceeds for which they may be eligible and implement procedures to adequately allocate such insurance payments (including the \$3,317,878 it has already received) to FEMA-funded projects. These challenges occurred primarily because of the City's limited familiarity

with Federal regulations and FEMA guidelines. However, the grantee (Colorado) is responsible for ensuring that its subgrantee (the City) is aware of and complies with these requirements, as well as for providing technical assistance and monitoring grant activities.

We made six recommendations to the FEMA Region VIII Administrator to: (1) direct Colorado to provide additional technical assistance and monitoring to the City to correct the deficiencies we identify in this report and to ensure compliance with all Public Assistance Program grant requirements to avoid losing the \$13,477,236 million (Federal share \$10,107,927) that FEMA obligated for its projects; (2) direct Colorado to verify that the City implements and adheres to procedures to account for disaster-related costs on a project-by-project basis; (3) direct Colorado to verify that the City implements and adheres to procedures to adequately document its costs for labor (\$317,248; Federal share \$237,936), equipment (\$193,178; Federal share \$144,884), and direct project administration (\$102; Federal share \$77) for Projects 88, 158, and 194, as well as for any additional Public Assistance Program funding FEMA awards; (4) direct Colorado to verify that City officials comply with all applicable procurement standards, including those related to the use of minority firms, women's business enterprises, and labor surplus area firms in awarding contracts for FEMA-funded work; (5) direct Colorado to verify that the City pursues all insurance proceeds for which they are eligible and implements (and adheres to) procedures to adequately allocate such insurance payments (currently \$3,317,878) to FEMA-funded projects; and (6) instruct Colorado officials on their responsibilities for monitoring subgrant activities to assure subgrantee compliance with applicable Federal requirements, providing technical advice and assistance, administering and managing the grant, and maintaining and submitting the necessary documentation for FEMA grant awards. FEMA generally concurred with all six of our recommendations and will provide us documentation that should result in the resolution and closure of all six recommendations. (OIG-15-30-D, January 2015, EMO)

The U.S. Coast Guard Travel to Obtain Health Care Program Needs Improved Policies and Better Oversight

We conducted this audit to determine if USCG's health care travel program has sufficient controls to ensure travel is necessary. We determined that USCG health care travel program does not have sufficient controls to ensure travel is necessary. USCG did not establish, distribute, or ensure implementation of clear policies and procedures for reviewing, approving, and maintaining health care travel requests. Local offices were not provided criteria or training on how to evaluate health care travel requests, did not document that travel was necessary, and did not adequately justify that the location selected for medical care was appropriate. Ninety-four percent of the records tested were missing essential information, such as physicians' referrals and cost estimates. Without this information, approving officials may not have been able to evaluate whether the travel was necessary and cost effective. As a result, USCG may have approved requests for inappropriate health care travel, incurring unnecessary costs and lost productivity. We made three recommendations that should strengthen program management, performance, and oversight. USCG has taken action to address all three recommendations, and we consider them resolved and closed. (OIG-15-31, February 2015, OA)

United States Coast Guard's Alteration of the Burlington Bridge Project

After an alteration of the Burlington bridge in Burlington, Iowa, was completed in 2012, USCG requested that we audit the sharing of costs, known as the final apportionment of cost, to determine its accuracy. USCG could not provide proper documentation to support the final apportionment of cost for the Burlington bridge alteration, of which \$74 million was allocated to USCG and \$8 million to BNSF Railway. Specifically, USCG did not properly document its review of the construction contractors who bid on the new bridge. In addition, the financial documentation for changes to originally planned work did not always support the cost of the work. USCG also did not have a process to evaluate and verify BNSF Railway's reported salvage value or expected savings in

maintenance and repair costs. Based on our review of available documentation, we were unable to confirm either USCG's or BNSF Railway's share of the final cost to alter the Burlington bridge. As a result, USCG cannot be certain it was appropriate to pay \$74 million as the Federal share of the final cost of the bridge alteration. USCG concurred with both our recommendations, which we consider resolved and open. (OIG-15-32, February 2015, OA)

Larimer County, Colorado, Needs Assistance to Ensure Compliance with FEMA Public Assistance Grant Requirements

Larimer County, Colorado's (County) policies, procedures, and business practices are not adequate to account for and expend FEMA grant funds according to all Federal requirements. As a result, the County is at risk of losing some or all of its FEMA-approved funding, which totaled \$22.5 million as of June 2014. We identified several weaknesses in the County's policies, procedures, and business practices related to procurement, adequate support for costs, and accounting for costs. For example, based on our review of two large projects totaling \$2.6 million, the County did not comply with Federal procurement standards in awarding over \$1.5 million in contracts for disaster work; support contract (\$747,592) and force account equipment (\$3,832) costs adequately; and maintain adequate accounting records that would allow us to trace \$762,856 in cost reimbursement requests to the County's accounting ledgers. These findings resulted from the County's limited familiarity with Federal regulations and FEMA guidelines. However, Colorado, as the grantee is likewise responsible for ensuring that subgrantees are aware of and follow these requirements.

We made two recommendations to the FEMA Region VIII Administrator to direct Colorado to provide additional technical assistance and monitoring to the County to ensure compliance with all Public Assistance grant requirements, which will lessen the risk of the County losing \$22.5 million in Federal funding as a result of noncompliance with Federal requirements; and direct Colorado to review the \$1.5 million in costs the County incurred for emergency work on Projects 170 and 330 to ensure the costs

are reasonable, supported, and eligible. FEMA generally concurred with both recommendations and will provide us documentation that should result in the resolution and closure of both recommendations.

(OIG-15-34-D, February 2015, EMO)

FEMA Needs to Ensure the Cost Effectiveness of \$945,640 that Los Angeles County, California, Spent for Hazard Mitigation under the Public Assistance Program

Los Angeles County, California (County), improperly claimed \$945,640 more than the \$780,511 that FEMA Region IX initially authorized to construct a wall to stabilize a damaged section of road. The County incurred the additional costs because, rather than adhere to the scope of work that FEMA authorized, it built a superior wall to lessen the susceptibility of damage that anticipated wildfires might cause in that location. FEMA Headquarters ultimately approved this funding and awarded the County both the initial \$780,511 and an additional \$945,640 for the already-completed project. However, FEMA Headquarters did not provide a reasonable justification for its decision and did not perform a benefit/cost analysis as required to fund mitigation measures. As a result, FEMA and taxpayers had no assurance that the mitigation work was cost effective, as Federal regulations and FEMA guidelines require.

We made one recommendation to the Assistant Administrator, FEMA Recovery Directorate, to either disallow \$945,640 (Federal share \$709,230) in ineligible costs the County claimed for Project 3095 or retroactively approve the additional funding under Section 406 Hazard Mitigation, limited to the results of a benefit/cost analysis and assurance that the work performed complied with statutory, regulatory, and executive order requirements. Although FEMA officials said they do not concur with our recommendation as written, they did provide a benefit/cost analysis that shows that the project in question was cost effective, which was the goal of our recommendation. Therefore, we consider our recommendation and this report to be resolved and closed, and no further action is necessary. (OIG-15-40-D, February 2015, EMO)

Information Technology Management Letters for Select DHS Components of the FY 2014 DHS Financial Statement Audit

The independent public accounting firm KPMG LLP audited select DHS components and the Department's consolidated financial statements for the year ended September 30, 2014. As part of these audits, KPMG noted component-level information technology control deficiencies not included in the FY 2014 DHS Agency Financial Report. KPMG documented its comments and recommendations in individual IT Management Letters to the selected components. Some components took corrective actions to address prior years' IT control weaknesses. However, the most significant weaknesses from a financial statement audit perspective continued to include inadequate access controls and configuration management deficiencies for the components' key financial applications. Such deficiencies in the components' financial systems functionality limit the Department's ability to implement and maintain effective internal controls over financial reporting and thereby to ensure the confidentiality, integrity, and availability of critical financial and operational data. Collectively, the deficiencies represent a material weakness, as reported in the FY 2014 DHS Agency Financial Report. We issued individual reports for ICE, USCIS, TSA, USCG, and FEMA. (OIG-15-42, OIG-15-43, OIG-15-46, OIG-15-47, and OIG-15-54, March 2015, ITA)

INVESTIGATIONS

Service Member Fabricates Evidence with the Coast Guard Investigative Service

With USCG's Investigative Service, we investigated allegations that a senior enlisted male service member made retaliatory threats of violence and death to a female junior enlisted service member after she reported him for rape. At a military judicial proceeding, the claim of rape was not substantiated. We did find that various threatening text messages, including a death threat, which initially appeared to be sent from the senior service member, were instead created and sent by the junior service member to her own phone using an internet-based text messaging service. She was

sentenced to 6 months' incarceration in a military brig and a reduction to the lowest enlisted rank. (USCG)

Special Agent Steals Counterfeit Funds

We investigated a USSS Special Agent who attempted to purchase gasoline for his personal vehicle with a counterfeit \$100 bill. Although he initially denied stealing the money from the USSS, we established that the agent had improperly taken approximately \$6,830 in counterfeit money. He was placed on indefinite suspension and later resigned from Federal employment. During this reporting period, the Special Agent was sentenced to 9 months' incarceration to be followed by 12 months of supervised release and ordered to pay a \$20,000 fine. (USSS)

Investigator Falsifies Background Checks

We investigated a retired Federal agent who conducted background investigations for DHS applicants and employees. We interviewed several people whom he listed as sources and they said that they had never been interviewed. One witness said that the investigator had falsely reported a positive recommendation. The investigator was sentenced to 10 days' incarceration to be followed by 24 months of supervised release and was ordered to pay \$3,764 in restitution.

Judge Takes Kickbacks

We investigated an elected county judge who conspired to have FEMA funds awarded to a local construction business owner in exchange for campaign contributions. The judge was sentenced to 33 months' incarceration to be followed by 12 months of supervised release and ordered to pay \$4,000 in restitution. The business owner was sentenced to 24 months of probation and ordered to pay a fine of \$2,500 and restitution of \$4,000. This was a joint case with the FBI. (FEMA)

Grant Recipient Makes False Claims

In response to a Qui Tam filing under the *False Claims Act*, we investigated the recipient of a FEMA Nonprofit Security Grant for fraudulent reimbursement claims. Our investigation resulted in a total judgment of \$844,985 in favor of the United States. (FEMA)

Man Steals from FEMA

We investigated a member of the public who falsely claimed residence at a disaster damaged address in order to collect FEMA relief funds. He was sentenced to 18 months' incarceration to be followed by 36 months of supervised release and ordered to pay restitution of \$12,718. (FEMA)

Woman Commits FEMA Fraud

We investigated a member of the public who submitted fraudulent rent receipts with her FEMA assistance application. She was sentenced to 60 months of probation, including 6 months of monitored home detention, and ordered to pay restitution of \$11,843. (FEMA)

Man Falsifies FEMA Application

We investigated a member of the public who submitted multiple fraudulent leases and rent receipts in support of his application for FEMA disaster assistance. He was sentenced to 48 months of probation, including 8 months of monitored home detention, and ordered to pay restitution of \$12,598. (FEMA)

Claimant Fabricates Documents

We investigated a member of the public who altered existing documents and fabricated other documents to apply for FEMA disaster assistance. She was sentenced to 60 months of probation and ordered to pay restitution of \$9,569. (FEMA)

Two Join In FEMA Fraud

We investigated two members of the public who submitted disaster relief claims to FEMA for a residence which did not exist. They were each sentenced to 12 months and one day of incarceration to be followed by 36 months of supervised release. They were also ordered to pay a total of \$111,794 in restitution. (FEMA)

Woman Makes False FEMA Claim

We investigated a member of the public who sought relief funds by filing a false FEMA claim. She was sentenced to 15 months of incarceration to be followed by 36 months of probation and ordered to pay restitution of \$34,692. (FEMA)

Fraud Scheme Fails

We investigated three members of the public who joined in a scheme to fraudulently apply for FEMA disaster assistance. They were each given suspended sentences and placed on probation for 36 months. Additionally, two were ordered to pay fines and court costs totaling \$1,865 each, and one was ordered to pay restitution and court costs totaling \$6,417. (FEMA)

Woman Sentenced for Fraud

We investigated a member of the public who submitted fraudulent documents to FEMA in support of her application for disaster assistance. She was sentenced to 60 months of probation and ordered to pay \$26,963 in restitution. (FEMA)

Woman Falsely Claims Disaster Relief

We investigated a member of the public who submitted a bogus lease and landlord letter claiming damage to her primary residence. We found that she had no such landlord and was receiving housing assistance from the U.S. Department of Housing and Urban Development. She was sentenced to 60 months of deferred adjudication probation and ordered to pay restitution of \$7,375. She was also ordered to complete 80 hours of community service and an antitheft class. (FEMA)

LEGISLATIVE AND REGULATORY REVIEWS AND OTHER OFFICE OF INSPECTOR GENERAL ACTIVITIES



LEGISLATIVE AND REGULATORY REVIEWS

Section 4(a)(2) of the *Inspector General Act* requires the Inspector General to review existing and proposed legislation and regulations relating to DHS programs and operations and to make recommendations about their impact. Our comments and recommendations focus on the effect of the proposed legislation and regulations on economy and efficiency in administering DHS programs and operations or on the prevention and detection of fraud, waste, and abuse in DHS programs and operations.

During this reporting period, we reviewed more than 100 legislative and regulatory proposals, draft DHS policy directives, and other matters.

OVERSIGHT OF NONDEPARTMENTAL ACTIVITIES

During this reporting period, we did not complete any desk reviews of Single Audit reports issued by independent public accountant organizations. Single Audits are those conducted according to the *Single Audit Act*, as amended by Public Law 104-156. We have four reviews in progress.

CONGRESSIONAL TESTIMONY AND BRIEFINGS



The Office of Inspector General testified before Congress six times during this period. Testimony prepared for these hearings may be accessed on our website at www.oig.dhs.gov.

We provided testimony at the following hearings:

- October 14, 2014 – U.S. House of Representatives Committee on Oversight and Government Reform, Subcommittee on Government Operations concerning, “Gym Memberships, Gift Cards, and Hair Salons: Examining the Misuse of Government-Supplied Credit Cards.”
- October 24, 2014 – U.S. House of Representatives Committee on Oversight and Government Reform concerning, “The Ebola Crisis: Coordination of a Multi-Agency Response.”
- February 24, 2015 – U.S. Senate Committee on Homeland Security and Governmental Affairs concerning, “Improving the Efficiency, Effectiveness, and Independence of Inspectors General.”
- February 26, 2015 – U.S. House of Representatives Committee on Homeland Security, Subcommittee on Oversight and Management Efficiency concerning, “Assessing DHS’

Performance: Watchdog Recommendations to Improve Homeland Security.”

- March 25, 2015 – U.S. House of Representatives Committee on Homeland Security, Subcommittee on Transportation Security concerning, “Risk-Based Security: Assessing the Path Forward for TSA Pre✓®.”
- March 26, 2015 – U.S. House of Representatives Committee on Homeland Security concerning, “Leadership Challenges at the Department of Homeland Security.”

We briefed congressional members and their staffs frequently throughout the reporting period. Our office conducted more than 20 briefings for congressional members and staff on the results of our work, including: U.S. Customs and Border Protection’s Unmanned Aircraft System Program Does Not Achieve Intended Results or Recognize All Costs of Operations (OIG-15-17), Major Management and Performance Challenges Facing the Department of Homeland Security (OIG-15-09), Evaluation of DHS’ Information Security Program for Fiscal Year 2014 (OIG-15-16), and Allegation of Granting Expedited Screening through TSA Pre✓® Improperly (OIG-15-45).

APPENDIXES



Appendix 1

Reports with Monetary Findings*

Questioned Costs^(a)

| Report Category | Number | | Total Questioned Costs | Unsupported Costs ^(b) |
|--|-----------|-----------------|------------------------|----------------------------------|
| | Reports | Recommendations | | |
| A. Reports pending management decision at the start of reporting period | 13 | 30 | \$60,632,214 | \$344,785 |
| B. Reports issued/processed during reporting period with questioned costs | 12 | 21 | \$182,841,310 | \$7,254,326 |
| Total (A+B) | 25 | 51 | \$243,473,524 | \$7,599,111 |
| C. Reports for which a management decision was made during reporting period | 15 | 37 | \$74,037,302 | \$7,215,110 |
| D. Reports put into appeal status during reporting period | 0 | 0 | \$0 | \$0 |
| E. Reports pending a management decision at the end of reporting period | 10 | 14 | \$169,436,222 | \$384,001 |
| F. Reports for which no management decision was made within 6 months of issuance | 1 | 1 | \$3,912,772 | \$0 |

Notes and Explanations:

*The *Inspector General Act* requires Inspectors General and agency heads to report cost data on management decisions and final actions on audit reports. The current method of reporting at the “report” level, rather than at the individual audit “recommendation” level, results in incomplete reporting of cost data. Under the Act, an audit “report” does not have a management decision or final action until all questioned cost items or other recommendations have a management decision. Under these circumstances, the use of the report-based rather than the recommendation-based method of reporting distorts the actual agency efforts to resolve and complete action on audit recommendations. For example, although management may have taken timely action on all but one of many recommendations in an audit report, the current “all or nothing” reporting format does not recognize their efforts. To resolve this issue, we present DHS management decisions on reports and recommendations.

(a) **Questioned Costs** – The term “questioned cost” means a cost auditors question because of: an alleged violation of a provision of law, regulation, grant, cooperative agreement, or contract; a finding that, at the time of the audit, is not supported by adequate documentation; or a finding that the expenditure is unnecessary or unreasonable. 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. Our amounts in the Total Questioned Costs column represent only the Federal share of questioned costs. The Federal share is the portion of a grant award funded by the Federal Government. The Federal Government does not always provide 100 percent funding for a grant. The grantee (usually a state) or the subgrantee (usually a local government or nonprofit entity)

may be responsible for funding the non-Federal share. In this report, we report only the Federal share of questioned costs as a monetary benefit to the Federal Government because funds provided by the grantee or subgrantee would not be returned to the Federal Government. These questioned costs include ineligible and unsupported costs.

- (b) **Unsupported Costs** – These costs are a subset of Total Questioned Costs and are also shown separately under the Unsupported Costs column as required by the Act. These costs were not supported by adequate documentation at the time of the audit.

Appendix 1

Reports with Monetary Findings (continued) Funds to be Put to Better Use^(c)

| Report Category | Number | | Amount |
|--|-----------|-----------------|------------------------|
| | Reports | Recommendations | |
| A. Reports pending management decision at the start of reporting period | 7 | 8 | \$822,139,326 |
| B. Reports issued during reporting period | 7 | 9 | \$1,456,649,051 |
| Total (A+B) | 14 | 17 | \$2,278,788,377 |
| C. Reports for which a management decision was made during reporting period ^(d) | 8 | 10 | \$470,731,137 |
| (1) Value of recommendations agreed to by management for deobligation/avoidance | 7 | 9 | \$27,658,383 |
| (2) Value of recommendations not agreed to by management (allowed by management) | 2 | 2 | \$443,072,754 |
| D. Reports put into the appeal status during reporting period | 0 | 0 | \$0 |
| E. Reports pending a management decision at the end of reporting period | 6 | 7 | \$1,808,057,240 |
| F. Reports for which no management decision was made within 6 months of issuance | 1 | 1 | \$812,238,776 |

Notes and Explanations:

(c) **Funds to be Put to Better Use** – Auditors can identify ways to improve the efficiency, effectiveness, and economy of programs, resulting in cost savings over the life of the program. Unlike questioned costs, the auditor recommends methods for making the most efficient use of Federal dollars, such as reducing outlays, deobligating funds, or avoiding unnecessary expenditures.

(d) The sum of numbers and dollars in Section C lines (1) and (2) will not always equal the total in Section C because some reports contain both accepted and disallowed costs, and recommendations may be resolved by DHS OIG before DHS determines the final disposition on the funds to be put to better use. Also, resolution may result in values different from the original recommendations.

Appendix 2⁴**Compliance – Resolution of Reports and Recommendations**

| MANAGEMENT DECISION IS PENDING | |
|--|------------------|
| 09/30/2014 | |
| Reports open and unresolved more than 6 months | 29 |
| Recommendations open and unresolved more than 6 months | 94 |
| 03/31/2015 | |
| Reports open and unresolved more than 6 months | 19 |
| Recommendations open and unresolved more than 6 months | 40 |
| CURRENT INVENTORY | |
| Open reports at the beginning of the period | 215 ⁵ |
| Reports issued to DHS this period | 61 |
| Reports closed this period | 107 |
| Open reports at the end of the period | 169 |
| ACTIVE RECOMMENDATIONS | |
| Open recommendations at the beginning of the period | 738 ⁶ |
| Recommendations issued this period | 244 |
| Recommendations reopened this period | 0 |
| Recommendations closed this period | 352 |
| Open recommendations at the end of the period | 630 |

⁴ This appendix excludes investigative reports.

⁵ Our report on an Office of Special Counsel allegation titled *Use of Risk Assessment with Secure Flight* was inadvertently excluded from our September 2014, semiannual report. The report contains three recommendations; two of which were open at the end of the previous reporting period.

⁶ See footnote 4 above.

Appendix 3**Reports with Unresolved Recommendations Over 6 Months Old**

| | Date Issued | Report No. | Report Title | Reco. Numbers | DHS Component | No. of Unresolved Recommendations Over 6 Months Old |
|-----------|--------------------|-------------------|---|----------------------|----------------------|--|
| 1 | 6/24/2008 | OIG-08-71 | Management of Department Homeland Security International Activities and Interests (formerly titled DHS Management of Overseas Operations) | 6,18 | PLCY | 2 |
| 2 | 9/9/2009 | OIG-09-100 | DHS' Strategy and Plans to Counter Small Vessel Threats Need Improvement | 2 | USCG, CBP, PLCY | 1 |
| 3 | 11/29/2010 | OIG-11-16 | Customs and Border Protection's Implementation of the Western Hemisphere Travel Initiative at Land Ports of Entry | 2,3,4 | CBP | 3 |
| 4 | 3/28/2011 | OIG-11-62 | Management of Mental Health Cases in Immigration Detention | 13,14,15 | ICE | 3 |
| 5 | 5/10/2011 | OIG-11-81 | Supervision of Aliens Commensurate with Risk | 2 | ICE | 1 |
| 6 | 11/2/2012 | OIG-13-06 | DHS' Oversight of Interoperable Communications | 1 | Management | 1 |
| 7 | 11/2/2012 | OIG-13-07 | The Visa Waiver Program | 3 | PLCY | 1 |
| 8 | 2/28/2013 | OIG-13-44 | Massachusetts' Management of Homeland Security Grant Program Awards for Fiscal Years 2008 Through 2011 | 4,5 | FEMA | 2 |
| 9 | 5/29/2013 | OIG-13-93 | USCG Must Improve the Security and Strengthen the Management of Its Laptops | 2,3 | USCG | 2 |
| 10 | 8/15/2013 | OIG-13-107 | Implementation of L-1 Visa Regulations | 9 | USCIS | 1 |
| 11 | 8/28/2013 | OIG-13-110 | DHS Needs To Strengthen Information Technology Continuity and Contingency Planning Capabilities | 6,7,9 | Management | 3 |
| 12 | 1/7/2014 | OIG-14-25 | Hawaii's Management of Homeland Security Grant Program Awards for Fiscal Years 2009 Through 2011 | 24,26 | FEMA | 2 |

Appendix 3**Reports with Unresolved Recommendations Over 6 Months Old
(continued)**

| | Date Issued | Report No. | Report Title | Reco. Numbers | DHS Component | No. of Unresolved Recommendations Over 6 Months Old |
|-----------|--------------------|----------------------------|--|----------------------|----------------------|--|
| 13 | 3/27/2014 | OIG-14-59 | Independent Auditors' Report on U.S. Customs and Border Protection's FY 2013 Financial Statements | Various | CBP | 8 |
| 14 | 4/10/2014 | OIG-14-IC Joint Report | Information Handling and Sharing Prior to the April 15, 2013 Boston Marathon Bombings | 1 | CBP | 1 |
| 15 | 9/3/2014 | OIG-14-131 | CBP Did Not Effectively Plan and Manage Employee Housing in Ajo, Arizona | 2,4 | CBP | 2 |
| 16 | 9/5/2014 | OIG-14-132 | Audit of Security Controls for DHS Information Technology Systems at Dallas/Fort Worth International Airport | 6 | TSA | 1 |
| 17 | 9/9/2014 | 14-No Report Number Issued | Use of Risk Assessment within Secure Flight | 3 | TSA | 1 |
| 18 | 9/16/2014 | OIG-14-142 | (U) Vulnerabilities Exist in TSA's Checked Baggage Screening Operations | 5 | TSA | 1 |
| 19 | 9/19/2014 | OIG-14-150-D | FEMA and the State of Louisiana Need to Accelerate the Funding of \$812 Million in Hazard Mitigation Grant Program Funds and Develop a Plan to Close Approved Projects | 1,2,3,4 | FEMA | 4 |
| | | | Total | | | 40 |

Appendix 4

Reports Issued

| Report Number | Date Issued | Report Title | Total Questioned Costs ^(a) | Unsupported Costs ^(b) | Funds to be Put to Better Use ^(c) |
|------------------|-------------|---|---------------------------------------|----------------------------------|--|
| 1. OIG-15-01-D | 10/14 | FEMA Should Recover \$13 Million of Grant Funds Awarded to The Administrators of the Tulane Educational Fund, New Orleans, Louisiana | \$12,988,064 | \$6,870,325 | \$0 |
| 2. OIG-15-02-D | 10/14 | FEMA Should Recover \$3 Million of Ineligible Costs and \$4.3 Million of Unneeded Funds from the Columbus Regional Hospital | \$2,260,937 | \$0 | \$3,200,000 |
| 3. OIG-15-03-D | 10/14 | The State of North Dakota Needs to Assist Ramsey County in Completing \$24 Million of FEMA Public Assistance Projects for Three Federally Declared Disasters that Occurred in 2009–2011 | \$0 | \$0 | \$17,830,587 |
| 4. OIG-15-04-IQO | 10/14 | Oversight Review of the Department of Homeland Security Federal Law Enforcement Training Center Office of Professional Responsibility | \$0 | \$0 | \$0 |
| 5. OIG-15-05 | 10/14 | U.S. Coast Guard Command, Control, Communication, Computers, Intelligence, Surveillance, and Reconnaissance Modernization | \$0 | \$0 | \$0 |
| 6. OIG-15-06-D | 10/14 | FEMA Needs to Track Performance Data and Develop Policies, Procedures, and Performance Measures for Long Term Recovery Offices | \$0 | \$0 | \$0 |
| 7. OIG-15-07 | 11/14 | Evaluation of Alleged AUO Misuse at U.S. Border Patrol, Ysleta Station (OSC File No. DI-14-0631) | \$0 | \$0 | \$0 |

Appendix 4

Reports Issued (continued)

| Report Number | Date Issued | Report Title | Total Questioned Costs ^(a) | Unsupported Costs ^(b) | Funds to be Put to Better Use ^(c) |
|-----------------|-------------|---|---------------------------------------|----------------------------------|--|
| 8. OIG-15-08 | 1/15 | Ohio's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 through 2012 (Revised) | \$3,620,566 | \$0 | \$0 |
| 9. OIG-15-09 | 2/15 | Major Management and Performance Challenges Facing the Department of Homeland Security (Revised) | \$0 | \$0 | \$0 |
| 10. OIG-15-10 | 11/14 | Independent Auditors' Report on DHS' FY 2014 Financial Statements and Internal Control over Financial Reporting | \$0 | \$0 | \$0 |
| 11. OIG-15-11 | 12/14 | Evaluation of Alleged AUO Misuse at U.S. Customs and Border Protection's National Targeting Center (OSC File No. DI-14-0581) | \$0 | \$0 | \$0 |
| 12. OIG-15-12-D | 11/14 | Gulfport School District, Mississippi, Properly Accounted for and Expended FEMA Public Assistance Grant Funds Awarded for Hurricane Katrina Damages | \$0 | \$0 | \$0 |
| 13. OIG-15-13 | 12/14 | Inspection of U.S. Customs and Border Protection Miami Field Office Ports of Entry | \$0 | \$0 | \$0 |
| 14. OIG-15-14 | 12/14 | Annual Report to Congress on States' and Urban Areas' Management of Homeland Security Grant Programs Fiscal Year 2014 | \$0 | \$0 | \$0 |
| 15. OIG-15-15-D | 12/14 | Gulf Coast Mental Health Center, Mississippi, Generally Accounted for and Expended FEMA Public Assistance Grant Funds According to Federal Requirements | \$61,200 | \$0 | \$0 |
| 16. OIG-15-16 | 12/14 | Evaluation of DHS' Information Security Program for Fiscal Year 2014 | \$0 | \$0 | \$0 |

Appendix 4

Reports Issued (continued)

| Report Number | Date Issued | Report Title | Total Questioned Costs ^(a) | Unsupported Costs ^(b) | Funds to be Put to Better Use ^(c) |
|-----------------|-------------|--|---------------------------------------|----------------------------------|--|
| 17. OIG-15-17 | 12/14 | U.S. Customs and Border Protection's Unmanned Aircraft System Program Does Not Achieve Intended Results or Recognize All Costs of Operations | \$0 | \$0 | \$443,000,000 |
| 18. OIG-15-18 | 1/15 | Audit of Security Controls for DHS Information Systems at John F. Kennedy International Airport (Redacted) (Revised) | \$0 | \$0 | \$0 |
| 19. OIG-15-19-D | 12/14 | FEMA Insurance Reviews of Applicants Receiving Public Assistance Grant Funds for 2004 and 2005 Florida Hurricanes Were Not Adequate | \$159,461,055 | \$0 | \$961,230,799 |
| 20. OIG-15-20 | 1/15 | Evaluation of Alleged AUO Misuse by U.S. Border Patrol Agents Engaged as CrossFit Instructors (OSC File No. DI-14-0539) | \$0 | \$0 | \$0 |
| 21. OIG-15-21 | 2/15 | The United States Secret Service Has Adequate Oversight and Management of Its Acquisitions (Revised) | \$0 | \$0 | \$0 |
| 22. OIG-15-22 | 2/15 | U.S. Immigration and Customs Enforcement's Alternatives to Detention (Revised) | \$0 | \$0 | \$0 |
| 23. OIG-15-23 | 1/15 | Review of U.S. Immigration and Customs Enforcement's FY 2014 Drug Control Performance Summary Report | \$0 | \$0 | \$0 |
| 24. OIG-15-24 | 1/15 | Review of U.S. Immigration and Customs Enforcement's FY 2014 Detailed Accounting Submission | \$0 | \$0 | \$0 |
| 25. OIG-15-25 | 1/15 | Review of U.S. Customs and Border Protection's FY 2014 Detailed Accounting Submission | \$0 | \$0 | \$0 |

Appendix 4

Reports Issued (continued)

| Report Number | Date Issued | Report Title | Total Questioned Costs ^(a) | Unsupported Costs ^(b) | Funds to be Put to Better Use ^(c) |
|-----------------|-------------|---|---------------------------------------|----------------------------------|--|
| 26. OIG-15-26 | 1/15 | Review of U.S. Customs and Border Protection's FY 2014 Drug Control Performance Summary Report | \$0 | \$0 | \$0 |
| 27. OIG-15-27 | 1/15 | Review of U.S. Coast Guard's FY 2014 Drug Control Performance Summary Report | \$0 | \$0 | \$0 |
| 28. OIG-15-28 | 1/15 | Review of U.S. Coast Guard's FY 2014 Detailed Accounting Submission | \$0 | \$0 | \$0 |
| 29. OIG-15-29 | 1/15 | Security Enhancements Needed to the TSA PreCheck™ Initiative | \$0 | \$0 | \$0 |
| 30. OIG-15-30-D | 1/15 | The City of Loveland, Colorado, Could Benefit from Additional Assistance in Managing Its FEMA Public Assistance Grant Funding | \$382,897 | \$382,897 | \$12,596,336 |
| 31. OIG-15-31 | 2/15 | The U.S. Coast Guard Travel to Obtain Health Care Program Needs Improved Policies and Better Oversight | \$0 | \$0 | \$0 |
| 32. OIG-15-32 | 2/15 | United States Coast Guard's Alteration of the Burlington Bridge Project | \$0 | \$0 | \$0 |
| 33. OIG-15-33 | 2/15 | (U) Fiscal Year 2014 Evaluation of DHS' Compliance with Federal Information Security Management Act Requirements for Intelligence Systems | \$0 | \$0 | \$0 |
| 34. OIG-15-34-D | 2/15 | Larimer County, Colorado, Needs Assistance to Ensure Compliance with FEMA Public Assistance Grant Requirements | \$0 | \$0 | \$16,905,571 |

Appendix 4

Reports Issued (continued)

| Report Number | Date Issued | Report Title | Total Questioned Costs ^(a) | Unsupported Costs ^(b) | Funds to be Put to Better Use ^(c) |
|-----------------|-------------|--|---------------------------------------|----------------------------------|--|
| 35. OIG-15-35-D | 2/15 | FEMA Should Recover \$6.2 Million of Ineligible and Unused Grant Funds Awarded to the Imperial Irrigation District, California | \$2,733,053 | \$1,105 | \$1,885,758 |
| 36. OIG-15-36 | 2/15 | Evaluation of Alleged AUO Misuse at U.S. Customs and Border Protection, Office of Internal Affairs (OSC File No. DI-14-0666) ⁷ | \$0 | \$0 | \$0 |
| 37. OIG-15-37-D | 2/15 | Gwinnett County, Georgia, Generally Accounted for and Expended FEMA Public Assistance Grant Funds According to Federal Requirements | \$65,406 | \$0 | \$0 |
| 38. OIG-15-38 | 2/15 | Science and Technology Directorate Needs to Improve Its Contract Management Procedures | \$0 | \$0 | \$0 |
| 39. OIG-15-39 | 3/15 | U.S. Customs and Border Protection Did Not Effectively Target and Examine Rail Shipments from Canada and Mexico | \$0 | \$0 | \$0 |
| 40. OIG-15-40-D | 3/15 | FEMA Needs to Ensure the Cost Effectiveness of \$945,640 that Los Angeles County, California Spent for Hazard Mitigation under the Public Assistance Program | \$709,230 | \$0 | \$0 |
| 41. OIG-15-41 | 3/15 | The Security Posture of the United States Coast Guard's Biometrics At Sea System Needs Improvements | \$0 | \$0 | \$0 |

⁷ This report has not been made public pending completion of the Office of Special Counsel's review. Once released, the full report will be posted on our public website.

Appendix 4

Reports Issued (continued)

| Report Number | Date Issued | Report Title | Total Questioned Costs ^(a) | Unsupported Costs ^(b) | Funds to be Put to Better Use ^(c) |
|-----------------|-------------|---|---------------------------------------|----------------------------------|--|
| 42. OIG-15-42 | 3/15 | Information Technology Management Letter for the Immigration and Customs Enforcement Component of the FY 2014 Department of Homeland Security Financial Statement Audit | \$0 | \$0 | \$0 |
| 43. OIG-15-43 | 3/15 | Information Technology Management Letter for the U.S. Citizenship and Immigration Services Component of the FY 2014 Department of Homeland Security Financial Statement Audit | \$0 | \$0 | \$0 |
| 44. OIG-15-44 | 3/15 | Management Letter for the FY 2014 DHS Financial Statements and Internal Control over Financial Reporting Audit | \$0 | \$0 | \$0 |
| 45. OIG-15-45 | 3/15 | Allegations of Granting Expedited Screening through TSA PreV [®] Improperly (Redacted) | \$0 | \$0 | \$0 |
| 46. OIG-15-46 | 3/15 | Information Technology Management Letter for the Transportation Security Administration Component of the FY 2014 Department of Homeland Security Financial Statement Audit | \$0 | \$0 | \$0 |
| 47. OIG-15-47 | 3/15 | Information Technology Management Letter for the United States Coast Guard Component of the FY 2014 Department of Homeland Security Financial Statement Audit | \$0 | \$0 | \$0 |
| 48. OIG-15-48-D | 3/15 | FEMA Should Recover \$395,032 of Improper Contracting Costs from \$14.3 Million Grant Funds Awarded to East Jefferson General Hospital, Metairie, Louisiana | \$395,032 | \$0 | \$0 |

Appendix 4

Reports Issued (continued)

| Report Number | Date Issued | Report Title | Total Questioned Costs ^(a) | Unsupported Costs ^(b) | Funds to be Put to Better Use ^(c) |
|----------------------|-------------|---|---------------------------------------|----------------------------------|--|
| 49. OIG-15-49-D | 3/15 | Palm Beach County School District, Florida, Effectively Managed FEMA Public Assistance Grant Funds Awarded for Hurricane Frances Damages | \$0 | \$0 | \$0 |
| 50. OIG-15-50-D | 3/15 | Florida and Palm Beach County School District Did Not Properly Administer \$9.2 Million of FEMA Grant Funds Awarded for Hurricane Wilma Damages | \$130,631 | \$0 | \$0 |
| 51. OIG-15-51-D | 3/15 | Florida and the Palm Beach County School District Did Not Properly Administer \$7.7 Million of FEMA Grant Funds Awarded for Hurricane Jeanne Damages | \$33,239 | \$0 | \$0 |
| 52. OIG-15-52 | 3/15 | National Flood Insurance Program's Management Letter for DHS' FY 2014 Financial Statements Audit (Redacted) | \$0 | \$0 | \$0 |
| 53. OIG-15-53 | 3/15 | CBP's Oversight of Its Non-Intrusive Inspection Equipment Maintenance Contracts Needs Improvement | \$0 | \$0 | \$0 |
| 54. OIG-15-54 | 3/15 | Information Technology Management Letter for the Federal Emergency Management Agency Component of the FY 2014 Department of Homeland Security Financial Statement Audit | \$0 | \$0 | \$0 |
| 55. OIG-15-55 | 3/15 | United States Coast Guard Has Taken Steps to Address Insider Threats, but Challenges Remain | \$0 | \$0 | \$0 |
| 56. No Report Number | 10/14 | Oversight of Unaccompanied Alien Children (#3) | \$0 | \$0 | \$0 |

Appendix 4

Reports Issued (continued)

| Report Number | Date Issued | Report Title | Total Questioned Costs ^(a) | Unsupported Costs ^(b) | Funds to be Put to Better Use ^(c) |
|----------------------|-------------|---|---------------------------------------|----------------------------------|--|
| 57. No Report Number | 10/14 | Allegations of Misuse of United States Secret Service Resources | \$0 | \$0 | \$0 |
| 58. No Report Number | 12/14 | ICE San Pedro Service Processing Center Management Alert | \$0 | \$0 | \$0 |
| 59. No Report Number | 1/15 | Investigative Summary - GEO Group Incorporated Detention Facility, Karnes City, Texas | \$0 | \$0 | \$0 |
| 60. No Report Number | 1/15 | U.S. Customs and Border Protection's Management of National Aviation Maintenance Activities | \$0 | \$0 | \$0 |
| 61. No Report Number | 3/15 | IG Investigation of Employee Complaints Regarding Management of USCIS' EB-5 Program | \$0 | \$0 | \$0 |
| | | Total | \$182,841,310 | \$7,254,327 | \$ 1,456,649,051 |

Report Number Abbreviations:

A report number ending with a 'D' is a disaster relief fund report.

A report number ending with "IQO" is an Integrity and Quality Oversight special report.

Notes and Explanations:

- (a) DHS OIG reports the Federal share, which ranged from 75 to 100 percent, of costs it questions. The Total Questioned Costs column includes the Federal share of all ineligible and unsupported costs reported.
- (b) The Unsupported Costs column is a subset of Total Questioned Costs and is shown separately as required by the *Inspector General Act*.
- (c) The Funds to be Put to Better Use column only includes the Federal share, which ranged from 75 to 100 percent, of our cumulative reported findings or recommendations.

Appendix 5**Schedule of Amounts Due and Recovered/Deobligated**

| Report Number | Date Issued | Report Title | OIG Recommended Recovery (Federal Share) | Amount DHS Agreed to Recover (Disallow) | Amount DHS Will Not Recover (Allowed) | Amount DHS Recovered/Deobligated |
|----------------------|--------------------|--|---|--|--|---|
| 1. DA-12-08 | 2/17/2012 | FEMA Public Assistance Grant Funds Awarded to the Kentucky National Guard | \$318,100 | \$318,100 | \$0 | \$318,100 |
| 2. DA-13-20 | 6/18/2013 | FEMA Should Recover \$3.8 Million of Public Assistance Grant Funds Awarded to Kenergy Corporation, Henderson, Kentucky | \$573,210 | \$573,210 | \$0 | \$573,210 |
| 3. DA-13-22 | 7/10/2013 | FEMA Should Recover \$1.6 Million of Public Assistance Grant Funds Awarded to Palm Beach County, Florida - Hurricane Frances | \$1,176,211 | \$1,176,211 | \$0 | \$1,176,211 |
| 4. DA-13-23 | 7/10/2013 | FEMA Should Recover \$4.9 Million of Public Assistance Grant Funds Awarded to Palm Beach County, Florida - Hurricane Wilma | \$4,172,620 | \$4,172,620 | \$0 | \$4,172,620 |
| 5. DA-13-26 | 9/5/2013 | FEMA Should Recover \$234,034 of Public Assistance Grant Funds Awarded to City of Daytona Beach, Florida - Hurricane Charley | \$219,252 | \$54,408 | \$164,844 | \$54,408 |
| 6. DA-13-27 | 9/5/2013 | FEMA Should Recover \$209,170 of Public Assistance Grant Funds Awarded to City of Daytona Beach, Florida - Hurricane Frances | \$153,099 | \$2,069 | \$151,030 | \$2,069 |

Appendix 5**Schedule of Amounts Due and Recovered/Deobligated (continued)**

| Report Number | Date Issued | Report Title | OIG Recommended Recovery (Federal Share) | Amount DHS Agreed to Recover (Disallow) | Amount DHS Will Not Recover (Allowed) | Amount DHS Recovered/Deobligated |
|----------------------|--------------------|---|---|--|--|---|
| 7. DD-10-16 | 8/31/2010 | Lamar University, Beaumont, Texas | \$26,849,169 | \$2,561,980 | \$24,287,189 | \$2,561,980 |
| 8. DS-10-08 | 6/7/2010 | FEMA's Practices for Evaluating Insurance Coverage for Disaster Damage and Determining Project Eligibility and Costs | \$345,195,054 | \$345,195,054 | \$0 | \$345,195,054 |
| 9. OIG-14-07-D | 11/20/2013 | FEMA Should Recover \$154,143 of Public Assistance Grant Funds Awarded to Brevard County, Florida, under Hurricane Wilma | \$75,495 | \$67,815 | \$7,680 | \$67,815 |
| 10. OIG-14-15-D | 12/11/2013 | The City of Chattanooga, Tennessee Properly Accounted for and Expended FEMA Public Assistance Grant Funds | \$20,015 | \$20,015 | \$0 | \$20,015 |
| 11. OIG-14-26-D | 1/24/2014 | George County, Mississippi, Successfully Managed FEMA's Hazard Mitigation Grant Funds - Hurricane Katrina | \$146,617 | \$146,617 | \$0 | \$146,617 |
| 12. OIG-14-44-D | 2/15/2014 | FEMA Should Recover \$5.3 Million of the \$52.1 Million of Public Assistance Grant Funds Awarded to the Bay St. Louis Waveland School District in Mississippi - Hurricane Katrina | \$181,618 | \$181,618 | \$0 | \$181,618 |

Appendix 5

Schedule of Amounts Due and Recovered/Deobligated (continued)

| Report Number | Date Issued | Report Title | OIG Recommended Recovery (Federal Share) | Amount DHS Agreed to Recover (Disallow) | Amount DHS Will Not Recover (Allowed) | Amount DHS Recovered/Deobligated |
|-----------------|-------------|---|--|---|---------------------------------------|----------------------------------|
| 13. OIG-14-51-D | 3/19/2014 | The City of Jacksonville, Florida, Successfully Accounted for and Expended FEMA Public Assistance Grant Funds Awarded for Tropical Storm Fay | \$39,959 | \$39,959 | \$0 | \$39,959 |
| 14. OIG-14-54-D | 3/21/2014 | FEMA Should Recover \$3.7 Million in Unneeded Funds and Review the Eligibility of \$344,319 of \$5.84 Million in Public Assistance Grant Funds Awarded to the Borough of Beach Haven, New Jersey, for Hurricane Sandy Debris Removal Activities | \$972,821 | \$948,734 | \$24,087 | \$948,734 |
| 15. OIG-14-57-D | 3/24/2014 | FEMA Should Review the Eligibility of \$689,138 of \$5.57 Million in Public Assistance Grant Funds Awarded to Little Egg Harbor, Township, New Jersey, for Hurricane Sandy Debris Removal Activities | \$638,631 | \$384,203 | \$254,428 | \$384,203 |
| 16. OIG-14-63-D | 4/15/2014 | FEMA Should Recover \$1.7 Million of Public Assistance Grant Funds Awarded to the City of Waveland, Mississippi-Hurricane Katrina | \$1,440,440 | \$1,391,655 | \$48,785 | \$1,391,655 |

Appendix 5**Schedule of Amounts Due and Recovered/Deobligated (continued)**

| Report Number | Date Issued | Report Title | OIG Recommended Recovery (Federal Share) | Amount DHS Agreed to Recover (Disallow) | Amount DHS Will Not Recover (Allowed) | Amount DHS Recovered/Deobligated |
|-------------------------|--------------------|---|---|--|--|---|
| 17. OIG-14-72-D | 4/22/2014 | FEMA Should Review the Eligibility of \$523,007 of \$5.4 Million in Public Assistance Grand Funds Awarded to the Borough of Belmar, New Jersey, for Hurricane Sandy Debris Removal Activities | \$166,325 | \$166,325 | \$0 | \$166,325 |
| 18. OIG-14-95-D | 5/22/2014 | FEMA Should Recover \$8.0 Million of \$26.6 Million in Public Assistance Grant Funds Awarded to St. Stanislaus College Preparatory in Mississippi - Hurricane Katrina | \$8,012,665 | \$21,350 | \$7,991,315 | \$21,350 |
| 19. OIG-14-107-D | 6/17/2014 | FEMA Should Recover \$1.3 Million of Public Assistance Grant Funds Awarded to Desire Street Ministries, New Orleans, Louisiana, for Hurricane Katrina | \$1,597 | \$1,597 | \$0 | \$1,597 |
| 20. OIG-14-114-D | 7/21/2014 | FEMA Should Recover \$3.9 Million of Public Assistance Grand Funds Awarded to Jefferson County, Alabama, as a Result of Severe Storms in April 2011 | \$1,096,215 | \$1,096,215 | \$0 | \$1,096,215 |

Appendix 5

Schedule of Amounts Due and Recovered/Deobligated (continued)

| Report Number | Date Issued | Report Title | OIG Recommended Recovery (Federal Share) | Amount DHS Agreed to Recover (Disallow) | Amount DHS Will Not Recover (Allowed) | Amount DHS Recovered/Deobligated |
|--------------------------|------------------|---|--|---|---------------------------------------|----------------------------------|
| 21. OIG-14-124-D | 8/7/2014 | FEMA Should Recover \$985,887 of Ineligible and Unneeded Public Assistance Grant Funds Awarded to Cobb County, Georgia, as a Result of Severe Storms and Flooding | \$739,415 | \$739,415 | \$0 | \$739,415 |
| 22. OIG-14-125-D | 8/14/2014 | City of Flagstaff, Arizona, Generally Accounted for and Expended FEMA Grant Funds Properly, But FEMA Should Disallow \$124,443 and Deobligate \$57,941 of Public Assistance Grant Funds | \$43,456 | \$43,456 | \$0 | \$43,456 |
| 23. OIG-14-149-D | 9/19/2014 | East St. Tammany Events Center Generally Followed Regulations for Spending FEMA Public Assistance Funds | \$111,335 | \$38,581 | \$72,754 | \$38,581 |
| Investigative Recoveries | 10/2014 - 3/2015 | | | | | \$5,889,120 |
| | | Totals | \$392,343,319 | \$359,341,207 | \$33,002,112 | \$365,230,327 |

Report Number Abbreviations:

- OIG-XX-XX- D Disaster Relief Fund Report
- OIG-XX-XX-IQO Integrity and Quality Oversight Special Report
- DA Disaster Assistance Audit, Atlanta Office
- DD Disaster Assistance Audit, Dallas Office
- DS Disaster Assistance Audit, Oakland Office
- INV Recoveries, other than administrative cost savings, which resulted from investigative efforts

Appendix 6⁸

Contract Audit Reports

| Report Category | Questioned Costs | Unsupported Costs | Disallowed Costs |
|--|------------------|-------------------|------------------|
| We processed no contract audit reports meeting the criteria of the <i>National Defense Authorization Act for FY 2008</i> during the reporting period October 1, 2014–March 31, 2015. | N/A | N/A | N/A |

⁸ The *National Defense Authorization Act for FY 2008* requires that we list all contract audit reports issued during the reporting period containing significant audit findings; briefly describe the significant audit findings in the report; and specify the amounts of costs identified in the report as unsupported, questioned, or disallowed. This act defines significant audit findings as unsupported, questioned, or disallowed costs in excess of \$10 million or other findings that the Inspector General determines to be significant. It defines contracts as a contract, an order placed under a task or delivery order contract, or a subcontract.

Appendix 7

Peer Review Results

Section 5(a) (14)-(16) of the *Inspector General Act of 1978*, as amended, requires OIGs to include in their semiannual reports certain information pertaining to peer reviews conducted by or of an OIG during and prior to the current reporting period.

Although DHS OIG was not the subject of another OIG's peer review during this reporting period, nor did it conduct a peer review of another OIG, this report includes information, as required, relating to outstanding recommendations from previous peer reviews conducted by other OIGs. There are no outstanding recommendations from previous peer reviews by DHS OIG of other OIGs.

Outstanding Recommendations from Previous Peer Reviews

Peer Review Conducted of DHS OIG Audit Operations

Our audit offices received a peer review rating of "pass" as a result of our latest peer review completed by the United States Postal Service (USPS) OIG in June 2012, for the FY ending September 30, 2011. We implemented all but one recommendation made by USPS OIG regarding Audit Manual training. Audit Manual training was on hold pending updates to our Audit Manual scheduled for fiscal year 2015. DHS OIG issued an updated Audit Manual in November 2014, and training is ongoing.

Peer Review Conducted of DHS OIG Investigative Operations

Our Office of Investigations received a peer review rating of "compliant" in September 2013, as a result of a review completed by the Department of Defense OIG. We continue to work toward final implementation of all recommended policies and procedures.

Appendix 8

Acronyms and Abbreviations

| | |
|-------|--|
| AUO | administratively uncontrollable overtime |
| BASS | Biometrics at Sea |
| BPA | Border Patrol Agent |
| CBP | U.S. Customs and Border Protection |
| CBPO | U.S. Customs and Border Protection Officer |
| CISO | Chief Information Security Officer |
| DHS | Department of Homeland Security |
| DNDO | Domestic Nuclear Detection Office |
| EMO | Office of Emergency Management Oversight |
| FBI | U.S. Federal Bureau of Investigation |
| FEMA | Federal Emergency Management Agency |
| FLETC | Federal Law Enforcement Training Center |
| FY | fiscal year |
| GAO | U.S. Government Accountability Office |
| I&A | Office of Intelligence and Analysis |
| ICE | U.S. Immigration and Customs Enforcement |
| IDENT | Automated Biometric Identification System |
| INV | Office of Investigations |
| IQO | Office of Integrity and Quality Oversight |
| ISP | Office of Inspections |
| IT | information technology |
| ITA | Office of Information Technology Audits |
| KPMG | KPMG LLP |
| NII | non-intrusive inspection |
| NPPD | National Protection and Programs Directorate |
| OA | Office of Audits |
| OIG | Office of Inspector General |
| OSC | Office of Special Counsel |
| PARM | Program Accountability and Risk Management |
| PLCY | Office of Policy |
| S&T | Science and Technology |
| TSA | Transportation Security Administration |
| TSO | Transportation Security Officer |
| (U) | Unclassified |
| UAC | unaccompanied alien children |
| U.S. | United States |
| USCG | United States Coast Guard |
| USCIS | U.S. Citizenship and Immigration Services |
| USPS | U.S. Postal Service |
| USSS | U.S. Secret Service |

Appendix 9

OIG Contacts and Locations

Headquarters Mailing Address:

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| John Roth | Inspector General |
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| Laurel Rimon | Counsel to the Inspector General |
| Mark Bell | Assistant Inspector General/Audits |
| John V. Kelly | Assistant Inspector General/Emergency Management Oversight |
| Sondra McCauley | Assistant Inspector General/Information Technology Audits |
| Anne L. Richards | Assistant Inspector General/Inspections |
| John McCoy | Assistant Inspector General/Integrity & Quality Oversight |
| Andrew Oosterbaan | Assistant Inspector General/Investigations |
| Louise McGlathery | Assistant Inspector General/Management |

Appendix 10

Index to Reporting Requirements

The specific reporting requirements described in the *Inspector General Act*, including Section 989C of the *Dodd-Frank Wall Street and Consumer Protection Act of 2010*, are listed below with a reference to the pages on which they appear.

| Requirement: | Pages |
|---|------------------------|
| Review of Legislation and Regulations | 28-29 |
| Significant Problems, Abuses, and Deficiencies | 6-27 |
| Recommendations with Significant Problems | 6-27 |
| Prior Recommendations Not Yet Implemented | 36-38 |
| Matters Referred to Prosecutive Authorities | Statistical Highlights |
| Summary of Instances Where Information Was Refused | N/A |
| List of Audit Reports | 39-46 |
| Summary of Significant Audits | 6-27 |
| Reports with Questioned Costs | 33, 39-46 |
| Reports Recommending that Funds Be Put to Better Use | 35, 39-46 |
| Summary of Reports in which No Management Decision Was Made | 33, 35 |
| Revised Management Decisions | N/A |
| Management Decision Disagreements | N/A |
| Peer Review Results | 53 |

Additional Information:

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www.oig.dhs.gov.

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To expedite the reporting of alleged fraud, waste, abuse or mismanagement, or any other kinds of criminal or noncriminal misconduct relative to Department of Homeland Security (DHS) programs and operations, please visit our website at www.oig.dhs.gov and click on the red tab titled "Hotline" to report. You will be directed to complete and submit an automated DHS OIG Investigative Referral Submission Form. Submission through our website ensures that your complaint will be promptly received and reviewed by DHS OIG.

Should you be unable to access our website, you may submit your complaint in writing to: DHS Office of Inspector General, Attention: Office of Investigations Hotline, 245 Murray Lane SW, Mail Stop 0305, Washington, DC 20528 0305; or you may call 1 (800) 323 8603; or fax it directly to us at (202) 254 4297.

The OIG seeks to protect the identity of each writer and caller.