

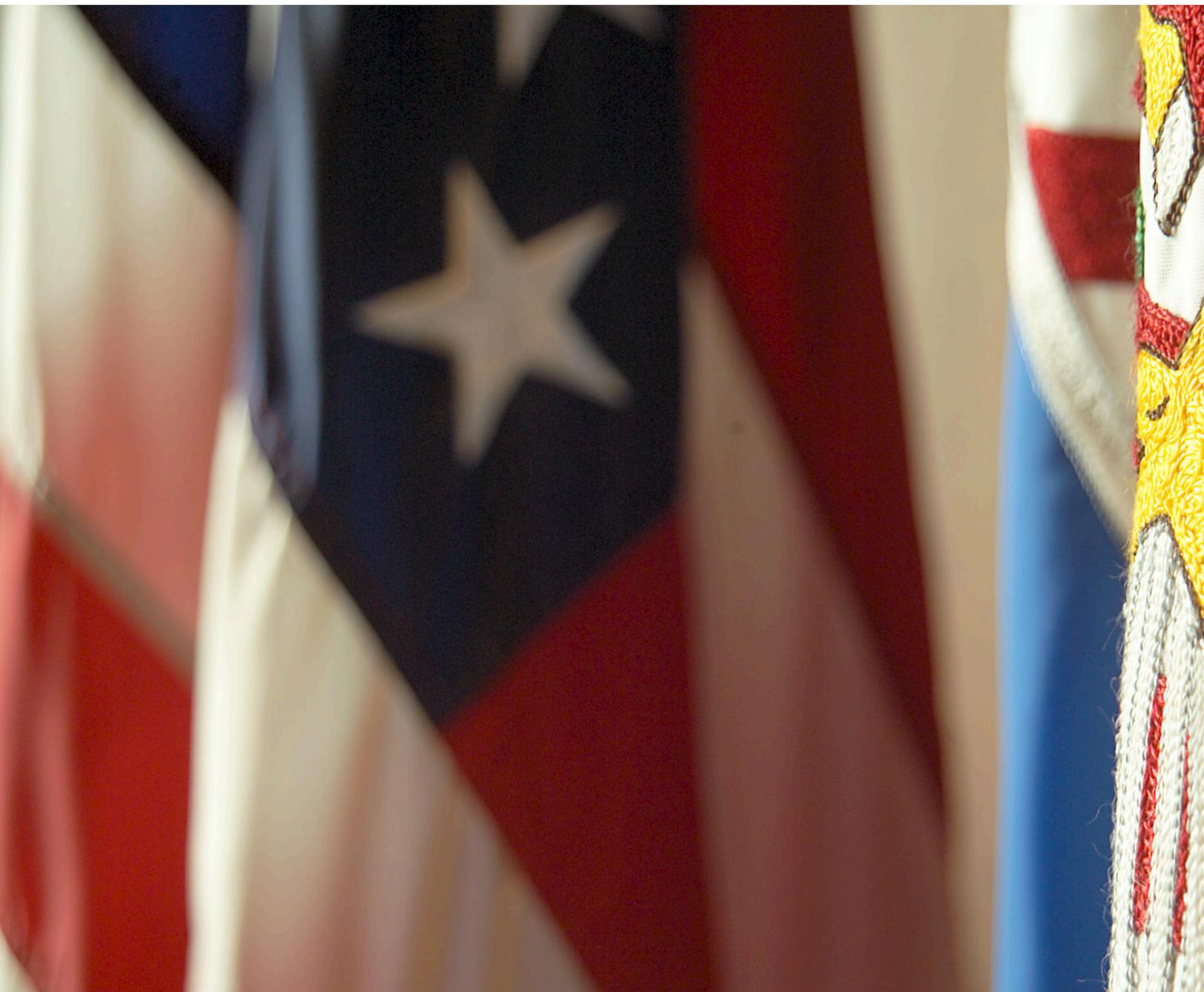
**U.S. Department of Justice  
Office of the Inspector General**



# **SEMIANNUAL REPORT TO CONGRESS**

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**OCTOBER 1, 2013 - MARCH 31, 2014**



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## Message from the Inspector General

I am pleased to submit this Semiannual Report on the operations of the Office of the Inspector General (OIG), which covers the period from October 1, 2013, through March 31, 2014.

This month marks the 25th Anniversary of the founding of the Department of Justice (Department) OIG. With hard work, persistence, and dedication across the years, the extraordinary individuals who have contributed to our work over the past quarter century have helped to shape the Department for the better. Together, we have improved the Department's efficiency and accountability, prevented and deterred misconduct among Department employees, and helped to ensure that the American public continues to trust the Department to serve as the guardian of our system of justice. We have also held ourselves to the same high standards to which we hold the Department by consistently searching for ways to improve our own operations.

This Semiannual Report amply demonstrates the superb work our office is capable of. In just the past six months, we completed important reviews assessing, for example, the Federal Bureau of Investigation's efforts to improve the terrorist watchlisting system since the failed terrorist attack of December 25, 2009; the Department's efforts to address mortgage fraud; the disciplinary process used by U.S. Attorney's Offices and the Executive Office for U.S. Attorneys; and the operations of the Organized Crime Drug Enforcement Task Forces' Fusion Center. In addition, the OIG's Investigations Division closed 184 criminal or administrative misconduct cases, and its work resulted in 38 convictions or pleas and 89 terminations, administrative disciplinary actions, and resignations.

I would like to express my deepest admiration and gratitude to everyone who has contributed to our work during the last 6 months, and over the last 25 years. In particular, I would like to thank my predecessor Inspectors General, as well as the Attorneys General, Department officials, and Members of Congress who have given our office strong support over the years. Above all, I would like to thank the past and current employees of the OIG, who have worked so hard to make this office the extraordinary institution it is today, and to ensure that we are well positioned to continue our record of success for years to come.

A handwritten signature in blue ink that reads "Michael E. Horowitz".

Michael E. Horowitz  
Inspector General  
April 30, 2014

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# Highlights of OIG Activities



The following summaries highlight some of the OIG's audits, evaluations, inspections,

special reviews, and investigations, which are discussed further in this report. As the highlights illustrate, the OIG continues to conduct wide-ranging oversight of Department of Justice (Department) programs and operations.

## Statistical Highlights

October 1, 2013 - March 31, 2014	
Allegations Received by the Investigations Division <sup>1</sup>	5,898
Investigations Opened	195
Investigations Closed	184
Arrests	32
Indictments/Informations	33
Convictions/Pleas	38
Administrative Actions	89
Monetary Recoveries <sup>2</sup>	\$2,161,314
Audit Reports Issued	35
Questioned Costs	\$3,606,195
Funds for Better Use	\$555,561
Recommendations for Management Improvements	137
Single Audit Act Reports Issued	116
Questioned Costs	\$3,360,677
Recommendations for Management Improvements	259

<sup>1</sup> These figures represent allegations entered into the OIG's complaint tracking system. They do not include the approximate 34,000 additional hotline e-mail and phone contacts that were processed and deemed non-jurisdictional and outside the purview of the federal government.

<sup>2</sup> Includes civil, criminal and non-judicial fines, restitutions, recoveries, assessments, penalties, and forfeitures.

## Audits, Evaluations, Inspections, and Special Reviews Highlights

Examples of OIG audits, evaluations, inspections, and special reviews completed during this semiannual reporting period are:

- **Terrorist Watchlist Nominations.**

The OIG evaluated the impact on the Federal Bureau of Investigation's (FBI) watchlisting system of the failed terrorist attack on December 25, 2009, and assessed the effectiveness of FBI initiatives, implemented between 2009 and 2012. Although the perpetrator of the failed terrorist attack was known to the U.S. government, he was not on the consolidated terrorist watchlist. The OIG report details that, as a result, the Watchlist Community took a series of actions to address immediate threats and improve the watchlist process. Specifically, the Terrorist Screening Center (TSC) was directed to make a series of temporary modifications to the watchlist status of several groups of individuals. The OIG found that the TSC responded commendably to the attempted terrorist attack and worked diligently to overcome policy weaknesses that arose. However, the OIG also determined that the TSC's watchlist modifications were not communicated and documented effectively and the TSC was unable to readily identify individuals who met the threat-based watchlist criteria. The OIG also found that under the FBI's guidelines, up to 17 business days could elapse between the date a case agent receives supervisory approval to open a terrorism case and the date the subject is nominated to the watchlist. The OIG believes that the timeliness guidelines for the submission of such watchlist actions could be reduced. The OIG also identified continued weaknesses in the database used by the

# Highlights of OIG Activities

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FBI to submit, monitor, and track non-investigative subject nominations. The OIG made 12 recommendations to assist the FBI in strengthening its watchlist related operations and practices. The FBI agreed with the recommendations.

- **Department's Efforts to Address Mortgage Fraud.** The OIG issued an audit of the Department's approach to and enforcement efforts in addressing mortgage fraud between fiscal years 2009 and 2011. The OIG found that the Department did not uniformly ensure that mortgage fraud was prioritized at a level commensurate with the Department's public statements about the importance of pursuing financial frauds cases in general, and mortgage fraud cases in particular. The OIG further found significant deficiencies in the Department's ability to report accurately on its mortgage fraud efforts. Specifically, the OIG found that the FBI ranked mortgage fraud as the lowest ranked criminal threat in its lowest crime category and the Department could not provide readily verifiable data related to its criminal enforcement efforts because of underreporting and misclassification of mortgage fraud cases in the Executive Office for U.S. Attorneys' (EOUSA) case management system. The OIG also found there was no established methodology for obtaining and verifying the criminal mortgage fraud statistics announced during the Department's highly publicized October 2012 press conference regarding the Distressed Homeowner Initiative. Although the Department was aware that the statistics were seriously flawed no later than November 2012, it did not inform the public that the reported statistics were flawed until August 2013, and it cited the flawed statistics in numerous press releases during the intervening 10 months. The OIG made seven recommendations to help the Department improve its understanding, coordination, and

reporting of its efforts to address mortgage fraud. The Department agreed with the recommendations.

- **USAO and EOUSA Discipline Process.** The OIG examined the consistency, timeliness, and outcomes of the discipline process of the U.S. Attorneys' Offices (USAO) and EOUSA and found that, overall, some aspects of the process worked well, but improvement is needed in several critical areas. Case file documentation on misconduct cases is incomplete, and as a result, EOUSA is hampered in fully evaluating the disciplinary process and ensuring that decisions are consistent and reasonable. The OIG found that, where enough documentation existed to reach a conclusion, the reporting, inquiry, adjudication, and penalties for misconduct were generally consistent and timely, and did not appear unreasonable. However, the USAOs and EOUSA lack specific timeliness standards to measure the performance of the disciplinary process. The OIG made four recommendations to improve the management of the process. EOUSA agreed with the recommendations.
- **OCDETF Fusion Center.** The OIG examined the operations of the Organized Crime Drug Enforcement Task Forces (OCDETF) Fusion Center (OFC) and its process for sharing its analytical products and found deficiencies that could limit its contribution to the OCDETF Program's effectiveness in dismantling significant drug trafficking and money laundering organizations. During the review, OFC management took actions that created difficulties for the OIG in obtaining information and in ensuring that interview responses were candid and complete. The results of the review reflect the findings and conclusions that the OIG was able to reach based on the information that was

# Highlights of OIG Activities

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made available to the OIG. The OIG made 10 recommendations to the Department and the OFC to improve the efficiency and effectiveness of the OFC's operations and the usefulness of its products. The Department and the OFC agreed with the recommendations.

## Investigative Highlights

As shown in the statistics at the beginning of this section and in the chart on the following page, the OIG investigates many allegations of misconduct involving Department employees, or contractors and grantees who receive Department funds. Examples of such investigations are:

- On November 14, 2013, Boston gangster James "Whitey" Bulger was sentenced to two consecutive life terms plus 5 years and to pay \$19.5 million in restitution. He was convicted by a jury on August 12, 2013, of 31 of 32 charged counts (11 murders, racketeering, money laundering, extortion, conspiracy, and unlawful weapons possession) following an 8-week trial. Nine of the 11 murders occurred during the approximately 15 years that former FBI Special Agent John Connolly operated Bulger as an FBI informant in Boston. The OIG's assistance was requested for the Bulger prosecution because the OIG had previously investigated and was significantly involved in the prosecution of Connolly in Florida, where he was convicted in November 2008 of second degree murder and sentenced to a 40-year prison term. The murder for which Connolly was convicted, and several other murders previously investigated during the OIG's investigation of Connolly, were RICO predicate acts in Bulger's federal prosecution. The OIG's Boston Area Office provided investigative support on this case to the USAO for the District of Massachusetts.
- On March 31, 2014, a BOP correctional officer previously assigned to the United States Medical Center for Federal Prisoners (USMCFP) in Springfield, Missouri, was sentenced pursuant to his guilty plea in the Western District of Missouri on a charge of use of interstate commerce facilities in the commission of murder-for-hire. According to the criminal complaint and indictment filed in this case, the correctional officer contacted an inmate at the USMCFP and asked him for assistance in hiring a hit man to murder his wife's ex-husband. The cooperating inmate provided the correctional officer with a telephone number for a supposed hit man, who was actually an undercover FBI agent. At the arranged meeting, the correctional officer told the undercover agent that he would pay him \$1,500 to murder the ex-husband, and then provided the agent with a photograph of the ex-husband, his home address, and \$1,500 in cash. At the conclusion of the meeting, the correctional officer was arrested. He was sentenced to six years' incarceration and two years' supervised release. He was terminated from his position with the BOP. The investigation was conducted by the OIG's Chicago Field Office, the FBI, and the USMCFP Special Investigative Supervisor's office.
- On March 6, 2014, a Deputy U.S. Marshal (DUSM) was arrested pursuant to a 13-count indictment charging him with aggravated identity theft, false statements, and wire fraud. According to the indictment, the DUSM filed numerous fraudulent claims for medical services with an insurance company under a personal accident-only insurance policy. The indictment alleges that the DUSM submitted the fraudulent claims by falsely representing that a physician had examined him for covered injuries and by using the physician's signature and tax identification number without the

# Highlights of OIG Activities

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physician's knowledge or consent. This investigation is being conducted jointly by the OIG's Dallas Field Office and the FBI's McAllen office.

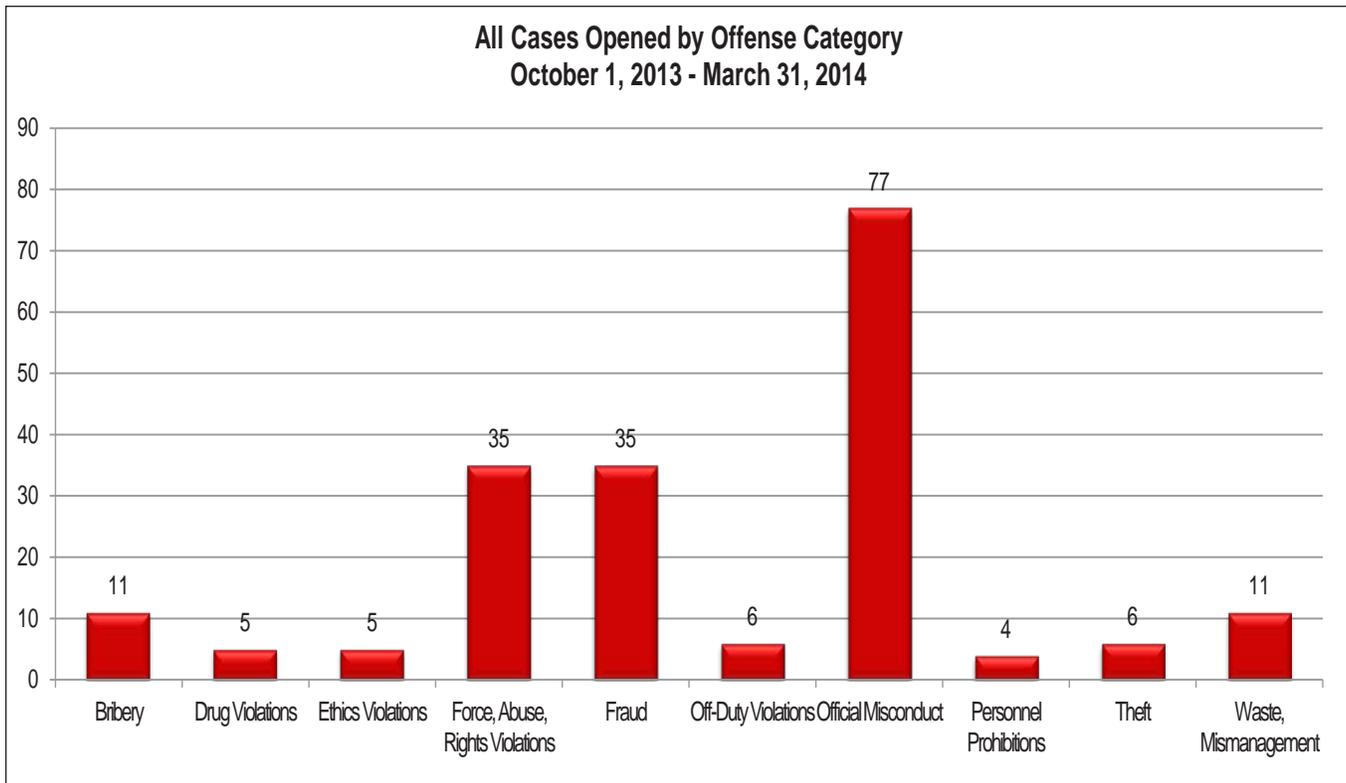
- On March 10, 2014, a former secretary and grant administrator of the Central Illinois Enforcement Group, a drug task force, was sentenced in the Central District of Illinois to 12 months and 1 day of incarceration and 36 months' supervised release pursuant to her guilty plea to charges of wire fraud and embezzlement. She was also ordered to pay restitution of \$42,186 to the task force. According to the information and plea agreement, over a 6-year period beginning in 2005, the former secretary stole in excess of \$42,000 from the task force by falsifying invoices, using the task force's credit cards for non-official purchases, and depositing task force checks into her personal checking account. The monies stolen included Edward Byrne Memorial Justice Assistance Grant Program funds, federal and state forfeiture funds, and state court fine funds. The former secretary used the stolen funds for personal expenditures, such as mortgage payments, concert tickets, and clothing. As part of her guilty plea, the former secretary agreed not to contest federal debarment proceedings, which are pending. The former secretary was terminated from her position after her criminal activity was discovered by the Illinois State Police during an audit. The investigation was conducted by the OIG's Chicago Field Office, FBI, and the Illinois State Police.
- On March 3, 2014, an FBI Supervisory Special Agent (SSA) was sentenced in the Eastern District of California pursuant to his guilty plea to a criminal information charging him with structuring financial transactions. According to the facts supporting the guilty plea, from about January 7, 2008, through February 4, 2013, the SSA knowingly, and for the purpose of evading financial institution reporting requirements, made cash deposits of his gambling proceeds in amounts of \$10,000 or less to attempt to prevent his bank from filing Currency Transaction Reports on his deposits. The SSA structured the deposits in an attempt to conceal his gambling from the FBI. In total, the SSA made structured cash deposits into his account of more than \$488,600. The SSA resigned from his position with the FBI after being charged. This investigation was conducted jointly by the OIG's San Francisco Area Office and the Internal Revenue Service.
- On March 12, 2014, three contract BOP correctional officers were charged in a 7-count indictment for making false statements and aiding and abetting the making of false statements. According to the indictment, the three correctional officers, including a supervisory officer responsible for oversight of the special housing unit where the other two correctional officers were assigned, placed their initials on official forms indicating they had conducted rounds in the housing unit, knowing they were falsifying the forms and did not conduct the rounds, which include inmate counts, resulted in an inmate's suicide being undiscovered for several hours. The supervisory officer and one correctional officer were terminated from their employment, and the third correctional officer resigned from the contract facility during the investigation. Previously, two other former contract correctional officers, who were also on duty in the BOP facility's special housing unit during the inmate's suicide, pled guilty to charges related to falsifying forms. This investigation is being conducted by the OIG's Dallas Field Office.
- On February 26, 2014, an ATF group supervisor pled guilty in the Western District of Washington to making a materially false statement. The group

# Highlights of OIG Activities

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- supervisor admitted that he falsified the signature of a Special Agent under his supervision on forms reflecting the payment of \$700 to a confidential source while knowing that the Special Agent did not make the payment to the confidential source. He resigned from his position with ATF as a result of the investigation. The investigation is being conducted by the OIG's San Francisco Area Office.
- On February 11, 2014, the Department's Suspending and Debarring Official debarred the Educational Advancement Alliance, Inc. (EAA) from contracting with any agency of the Executive Branch of the federal government for a period of 12 months. This decision was based on EAA's violation of an administrative agreement between EAA and the Department, and on an OIG audit and subsequent investigation that found EAA had used OJP grant funds to pay two consultants \$137,000 and \$107,000, respectively, for purposes not authorized by the grants, including endowment fundraising and lobbying. In EAA's written and oral responses to the Department, the Executive Director admitted that EAA paid little or no attention to the work performed by these consultants. The investigation was conducted by the OIG's Fraud Detection Office.
  - On January 17, 2014, the executive director of an OVW grantee was arrested on a charge of embezzlement. On January 23, 2014, a former employee of the same grantee was arrested on one count of theft. According to the charges, the executive director embezzled at least \$5,000 from the Department grant and the former employee stole property in excess of \$1,000. The former employee resigned a few months before the OIG investigation began. The investigation is being conducted by the OIG's Denver Field Office and the FBI's Aberdeen, South Dakota, Resident Agency.
  - On December 4, 2013, a DEA task force officer (TFO) was arrested and pled guilty to a criminal information filed in the Western District of Louisiana charging him with exceeding authorized computer access. According to the information, the TFO intentionally exceeded his authorized computer access by retrieving criminal histories from a database maintained by the FBI. This investigation disclosed that the TFO was a private investigator and was operating a recovery business, and he was using the criminal histories to locate and repossess vehicles on behalf of financial institutions that contracted for his services. The TFO resigned from his DEA position following the initiation of this investigation. The investigation is being conducted by the OIG's Houston Area Office.
  - On November 1, 2013, a DUSM and a Housing and Urban Development (HUD) OIG Special Agent were arrested and pled guilty in the Southern District of California to a criminal information charging both with bank fraud and making false statements. The DUSM and HUD OIG Special Agent entered into a deferred prosecution agreement in which they each voluntarily resigned their law enforcement positions and agreed not to seek another position as a law enforcement officer during the 12-month deferral period. According to the information, the defendants applied to Wells Fargo Bank for approval of the short sale of a property owned by the DUSM to the HUD OIG Special Agent and falsely informed Wells Fargo Bank that they had no relationship to one another, which is a condition for approval of a short sale. In fact, however, they were engaged to be married, expecting a child, and planned to live together in the property thereafter. The DUSM and HUD OIG Special Agent admitted to knowingly and willfully providing false statements to the financial

# Highlights of OIG Activities



Source: Investigations Data Management System

- institution and to the investigating special agents. The investigation was conducted jointly by the OIG's Los Angeles Field Office and the HUD OIG.
- On February 14, 2014, a BOP correctional officer was arrested pursuant to an indictment charging him with mail fraud and theft of government funds. The indictment alleges that the correctional officer was on temporary total disability status for a BOP work-related injury and receiving approved rehabilitation therapy, but did not travel to therapy sites on at least 1,380 occasions for which he submitted claims for mileage expenses over approximately 6.5 years. As a result of his fraudulent travel expense claims, the correctional officer obtained over \$87,289 in reimbursements to which he was not entitled. The investigation is being conducted by the OIG's Chicago Field Office and the DOL.
  - On January 22, 2014, Deloitte Consulting LLP (Deloitte) agreed to pay \$1,293,534.64 to settle allegations that it overbilled the Department on labor contracts. The OIG's investigation found that, in reports mandated by the Federal Acquisition Regulation, Deloitte had improperly categorized individuals performing work under the contracts, placing them in labor categories for which they did not have the required education or experience. This practice affected amounts billed in invoices submitted to the OJP, the International Criminal Investigative Training Assistance Program, and the Executive Office for U.S. Attorneys. The OIG further found that Deloitte continued to submit incorrect invoices to the Department for 5 months after the labor mischarges were first brought to its attention. The U.S. Attorney's Office for the District of Columbia negotiated and agreed to the settlement. This investigation was conducted by the OIG's Fraud Detection Office.

# Highlights of OIG Activities

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## Ongoing Work

The OIG's ongoing work consists of numerous important audits, evaluations, inspections, and special reviews, including:

- The U.S. government's handling of intelligence information leading up to the Boston Marathon bombings; the Inspectors General for the Intelligence Community, the Department of Homeland Security, and the Central Intelligence Agency also are participating in the review.
- The activities and processes of a task force formed by the Criminal Division in 1996 to address issues arising at the FBI Laboratory.
- The Department's and the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) implementation of recommendations in the OIG's September 2012 report, *A Review of Operation Fast and Furious and Related Matters*.
- ATF's investigation of Jean Baptiste Kingery, an individual suspected of smuggling thousands of grenade components from the United States to Mexico where it is believed he was building live grenades for use by drug cartels.
- The FBI's implementation of its Next Generation Cyber Initiative, which is intended to enhance the FBI's ability to combat cyber intrusions.
- The efforts of the Office of Justice Programs (OJP), Bureau of Prisons (BOP), U.S. Marshals Service (USMS), and FBI to comply with the *Prison Rape Elimination Act of 2003* since the Department published its related national standards.
- National Instant Criminal Background Check System, which will evaluate processes related to the FBI's referral of denials to ATF, ATF's initial screening and referral of denials to its field offices for investigation, and the prosecution of crimes associated with denials.
- The Department's handling of sex offenders admitted into the federal Witness Security (WITSEC) Program.
- The Drug Enforcement Administration's (DEA) management and oversight of its Confidential Source Program, including its compliance with rules and regulations associated with the use of confidential sources, and oversight of payments to confidential sources.
- The DEA's use of administrative subpoenas to obtain broad collections of data or information, including the existence and effectiveness of any policies and procedural safeguards established with respect to the collection, use, and retention of the data.
- The FBI's progress in responding to the OIG's past recommendations related to the use of National Security Letters (NSL) and orders for business records under the *Foreign Intelligence Surveillance Act (FISA)*, and an examination of the FBI's use of these authorities and the pen register and trap-and-trace authority under FISA from 2007 to 2009.
- The Department's use of the material witness warrant statute, with a particular focus on post-September 11 terrorism cases.
- Pre-trial Diversion and Drug Court Programs to evaluate the design and implementation of the programs, variances in the usage of the programs among the USAOs, and cost savings associated with successful program participants.

# Highlights of OIG Activities

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- The Department's progress in more effectively managing the International Prisoner Transfer Program.
- The interdiction activities involving DEA-initiated encounters and consent searches of travelers in airports.
- The Department's and ATF's, Criminal Division's, DEA's, FBI's, and USMS's policies and training governing the off-duty conduct of employees on official travel or assignment in foreign countries.
- The nature, frequency, reporting, investigation, and adjudication of sexual misconduct made against employees from ATF, DEA, FBI, and USMS.
- Management of International Fugitive Investigations and Extraditions, which will evaluate the Department's oversight of international fugitive removal activities, including its role in the removal decision making process; and the USMS's management of removal-related activities associated with international fugitives.
- ATF's investigation of subjects involved in trafficking firearms that were used in an attack on U.S. Immigration and Customs Enforcement agents in Mexico in 2011.
- ATF's oversight of certain of its storefront operations that continued or began after the inception of the Monitored Case Program.

## Special Tribute

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**The OIG often benefits from the assistance of other Department components and employees. This tribute honors a Department employee who has had a significant impact on the OIG's work.**

In February 2014, Inspector General Michael Horowitz honored Assistant U.S. Attorney (AUSA) Fred M. Wyshak, Jr., with the Inspector General's Collaboration Award. AUSA Wyshak serves as the Chief of the Public Corruption and Special Investigations Unit of the USAO for the District of Massachusetts.

AUSA Wyshak received this award in recognition of his outstanding dedication and professionalism in bringing to justice retired FBI Special Agent John Connolly for a murder that he caused 26 years ago in Florida, and for his recent successful prosecution in Boston of former FBI informant James "Whitey" Bulger for 11 murders, extortion, money laundering, drug dealing, and firearms possession. In the latter case, AUSA Wyshak, in concert with the OIG and other actively participating law enforcement agencies, led a 2-month trial in Boston during the summer of 2013 during which the government proved that Bulger committed 9 of the murders while he was a documented FBI informant being operated by Connolly in Boston from 1975 - 1990.

AUSA Wyshak's commitment to integrity and his tenacity in pursuing this case for nearly 3 decades exemplified values that serve as touchstones for the OIG. The OIG is grateful to him for his dedicated service and to all Department employees who contribute to ensuring the integrity and accountability of the nation's justice system.



Source: 2014 OIG Awards Ceremony. Left to Right: Deputy Inspector General Cynthia Schnedar; AUSA Fred Wyshak; Inspector General Michael E. Horowitz



# OIG Profile

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The OIG is a statutorily created, independent entity whose mission is to detect and deter waste, fraud, abuse, and misconduct involving Department programs and personnel and promote economy and efficiency in Department operations. The OIG investigates alleged violations of criminal and civil laws, regulations, and ethical standards arising from the conduct of Department employees in their numerous and diverse activities. The OIG also audits and inspects Department programs and assists management in promoting integrity, economy, efficiency, and effectiveness. The OIG has jurisdiction to review the programs and personnel of the FBI, ATF, BOP, DEA, USAO, USMS, and all other organizations within the Department, as well as contractors of the Department and organizations receiving grant money from the Department.

The OIG consists of the Immediate Office of the Inspector General and the following divisions and office:

- **Audit Division** is responsible for independent audits of Department programs, computer systems, and financial statements. The Audit Division has regional offices in the Atlanta, Chicago, Denver, Philadelphia, San Francisco, and Washington, D.C., areas. Its Financial Statement Audit Office and Computer Security and Information Technology Audit Office are located in Washington, D.C., along with Audit Headquarters. Audit Headquarters consists of the immediate office of the Assistant Inspector General for Audit, Office of Operations, Office of Policy and Planning, and Advanced Audit Techniques.
- **Investigations Division** is responsible for investigating allegations of bribery, fraud, abuse, civil rights violations, and violations of other criminal laws and

administrative procedures governing Department employees, contractors, and grantees. The Investigations Division has field offices in Chicago, Dallas, Denver, Los Angeles, Miami, New York, and Washington, D.C. The Investigations Division has smaller, area offices in Atlanta, Boston, Detroit, El Paso, Houston, New Jersey, San Francisco, and Tucson. The Fraud Detection Office and the Digital Forensic and Technology Investigations Unit are co-located with the Washington Field Office. This unit includes personnel in the Dallas and Los Angeles Field Offices. Investigations Headquarters in Washington, D.C., consists of the immediate office of the Assistant Inspector General for Investigations and the following branches: Operations I, Operations II, Investigative Support, and Administrative Support.

- **Evaluation and Inspections Division** conducts program and management reviews that involve on-site inspection, statistical analysis, and other techniques to review Department programs and activities and makes recommendations for improvement.
- **Oversight and Review Division** blends the skills of attorneys, investigators, program analysts, and paralegals to conduct special reviews and investigations of sensitive allegations involving Department employees and operations.
- **Management and Planning Division** provides advice to OIG senior leadership on administrative and fiscal policy and assists OIG components in the areas of budget formulation and execution, security, personnel, training, travel, procurement, property management, information technology, computer network communications, telecommunications, records management, quality assurance, internal controls, and general support.

# OIG Profile

- **Office of General Counsel** provides legal advice to OIG management and staff. It also drafts memoranda on issues of law; prepares administrative subpoenas; represents the OIG in personnel, contractual, and legal matters; and responds to Freedom of Information Act requests.

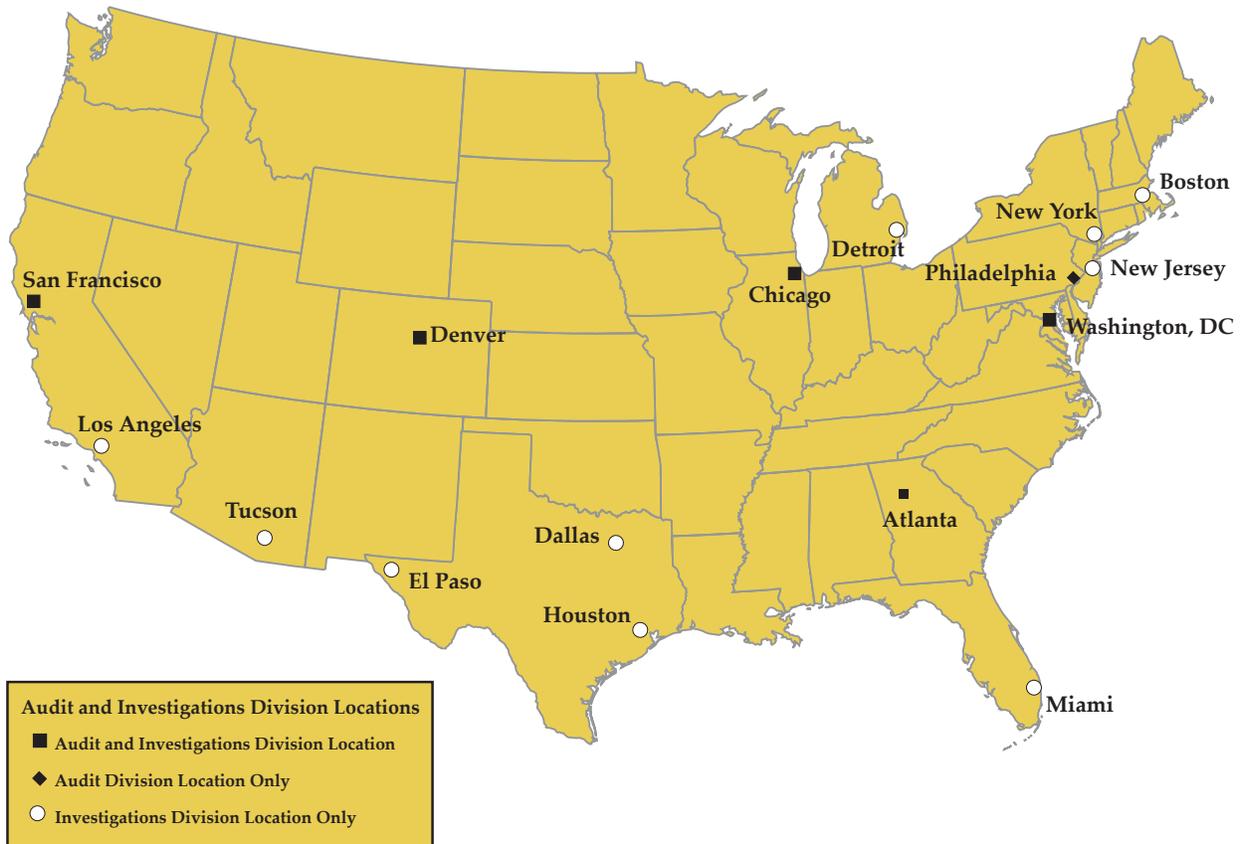
The map below shows the locations for the Audit and Investigations Divisions.

The OIG has a nationwide workforce of more than 400 special agents, auditors, inspectors, attorneys, and support staff. For Fiscal Year

(FY) 2014, the OIG direct appropriation is approximately \$86.4 million, and the OIG expects to earn an additional \$3.7 million in reimbursements.

As required by Section 5 of the *Inspector General Act of 1978* (IG Act), as amended, this Semiannual Report to Congress is reviewing the accomplishments of the OIG for the 6-month period of October 1, 2013, through March 31, 2014.

Additional information about the OIG and full-text versions of many of its reports are available at [www.justice.gov/oig](http://www.justice.gov/oig).



# Multicomponent

While many of the OIG's activities are specific to a particular component of the Department, other work covers more than one component and, in some instances, extends to Department contractors and grant recipients. The following describes OIG audits, evaluations, inspections, special reviews, and investigations that involve more than one Department component.



## Reports Issued

### Mortgage Fraud

The OIG examined the Department's approach to and enforcement efforts in addressing mortgage fraud generally between FYs 2009 and 2011. The OIG found that the Department did not uniformly ensure that mortgage fraud was prioritized at a level commensurate with the Department's public statements about the importance of pursuing financial fraud cases in general, and mortgage fraud cases in particular. The OIG further found significant deficiencies in the Department's ability to report accurately on its mortgage fraud efforts.

Specifically, the OIG found that the FBI ranked mortgage fraud as the lowest ranked criminal threat in its lowest crime category and that the Department could not provide readily verifiable data related to its criminal enforcement efforts because of underreporting and misclassification of mortgage fraud cases in the case management system used by EOUSA. Further, EOUSA was unable to provide any data related to the Department's civil enforcement efforts because the EOUSA case management system is unable to specifically identify civil mortgage fraud cases.

The OIG also assessed the Department's October 2012 release of significantly flawed information during a highly publicized press conference about the success of the Distressed Homeowner Initiative, and found there was no established methodology for obtaining and verifying the

criminal mortgage fraud statistics announced during the press conference. The OIG found that although the Department was aware that the statistics were seriously flawed no later than November 2012, it did not inform the public that the reported statistics were flawed until August 2013, and it cited the flawed statistics in numerous press releases during the intervening 10 months.

The report made seven recommendations to help the Department improve its understanding, coordination, and reporting of its efforts to address mortgage fraud. The Department agreed with the recommendations.

### OCDETF Fusion Center

The OIG examined the operations of the OFC and its process for sharing its analytical products and found deficiencies that could limit its contribution to the OCDETF Program's effectiveness in dismantling significant drug trafficking and money laundering organizations.

During the review, OFC management took actions that created difficulties for the OIG in obtaining information from OFC employees and in ensuring that interview responses were candid and complete. The OIG had issues in obtaining documents directly from OFC personnel, and two FBI employees detailed to the OFC, who met with the OIG to describe their concerns about the OFC's operations, thereafter told the OIG that they had been subjected

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to retaliation by the OFC Director. The OIG recently completed its separate review of these retaliation allegations and concluded there were reasonable grounds to believe that actions were taken against the FBI employees in reprisal for making protected disclosures, and those matters have been referred to the appropriate office within the Department for adjudication and resolution. Given this troubling conduct, the OIG cannot be sure it obtained complete information from or about the OFC, or that other OFC employees may not have been deterred from coming forward and speaking candidly with the OIG. The results of this review therefore reflect the findings and conclusions that the OIG was able to reach based on the information that was made available to the OIG.

The deficiencies the review found included disagreements and tensions between OFC leadership and FBI employees that were allowed to negatively affect operations; a lack of prioritization for product requests from investigations linked to key targeted criminal organizations; coordination problems between the OFC and a related DEA group involved in issuing OFC products; and problems that have affected the OFC's staffing resources, product approval process, and product feedback mechanisms, all of which can inhibit the OFC's operational effectiveness.

The OIG made 10 recommendations to the Department and the OFC to improve the efficiency and effectiveness of the OFC's operations and the usefulness of its products. The Department and the OFC agreed with the recommendations.

## **The Department's Financial Statement Audits**

The *Chief Financial Officers Act of 1990* and the *Government Management Reform Act of 1994* require annual financial statement audits of the Department. The OIG oversees and issues the reports based on the work performed by independent public accountants. During this

reporting period, the OIG issued the audit report for the Department's Annual Financial Statements for FY 2013.

The Department received an unmodified opinion on its FYs 2013 and 2012 financial statements.<sup>1</sup> The independent public accountants also issued reports on internal control over financial reporting and on compliance and other matters. The auditors did not identify any material weaknesses, nor did they report any significant deficiencies in the FY 2013 *Independent Auditors' Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. During FYs 2009 through 2013, the Department made measurable progress toward implementing the Unified Financial Management System. However, the Department still does not have a unified financial management system to readily support ongoing accounting operations and preparation of financial statements. As discussed in past years, the OIG believes the most important challenge facing the Department in its financial management is to successfully implement an integrated financial management system to replace the two remaining major non-integrated legacy accounting systems used by Department components.

No instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* were identified during the audit in the FY 2013 *Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. Additionally, the independent public accountant's tests disclosed no instances in which the Department's financial management systems did not substantially comply with the *Federal Financial Management Improvement Act of 1996*.

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<sup>1</sup> An unmodified opinion results when the financial statements present fairly, in all material respects, the financial position and results of operations of the reporting entity, in accordance with U.S. generally accepted accounting principles.

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## **Federal Information Security Management Act Audits**

The *Federal Information Security Management Act* (FISMA) requires the Inspector General for each agency to perform an annual independent evaluation of the agency's information security programs and practices. The evaluation includes testing the effectiveness of information security policies, procedures, and practices of a representative subset of agency systems. The Office of Management and Budget (OMB) is responsible for the submission of the annual FISMA report to Congress. The Department of Homeland Security prepares the FISMA metrics and provides reporting instructions to agency Chief Information Officers, Inspectors General, and Senior Agency Officials for Privacy. The FY 2013 FISMA results were due to OMB by December 2, 2013. The OIG provided OMB with this submission within the deadline.

The OIG issued separate reports this reporting period for its FY 2013 reviews of the information security programs for three Department components: Justice Management Division (JMD), the Executive Office for Immigration Review (EOIR), and the Antitrust Division (ATR). In addition, the OIG issued separate reports for three sensitive but unclassified systems from these components: JMD's Single Authentication System, EOIR's JCON-IIA/CASE System, and ATR's Management Information System. The OIG is finalizing its FY 2013 reviews of the individual information security programs for two other Department components: the FBI and USMS. The OIG selected for review two classified systems within the FBI and one sensitive but unclassified system: the USMS's Decision Support System. The OIG is finalizing reviews for these systems and plans to issue reports evaluating each of these systems as well as reports on each component's information security program.

## **Reviews of the Annual Accounting of Drug Control Funds and Related Performance FY 2013**

The OIG is required to perform annual attestation reviews of detailed accounting of funds obligated by each drug control program and related performance summary by 21 U.S.C. § 1704(d), as implemented by the Office of National Drug Control Policy Circular, *Drug Control Funding and Performance Summary*, dated January 18, 2013. The Department components reviewed reported approximately \$7.5 billion of drug control obligations and 19 related performance measures for FY 2013.

The OIG prepared the attestation review reports in accordance with attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. An attestation review is substantially less in scope than an examination and, therefore, does not result in the expression of an opinion. However, nothing came to the OIG's attention that caused the OIG to believe the submissions were not presented, in all material respects, in accordance with the requirements of the Office of National Drug Control Policy Circular, and as otherwise agreed to with the Office of National Drug Control Policy.

## **Single Audit Act Reports**

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is OMB's implementing guidance to federal agencies for the *Single Audit Act*, as amended. OMB A-133 establishes audit requirements for state and local governments, colleges and universities, and nonprofit organizations receiving federal financial assistance. Entities that expend \$500,000 or more in federal financial assistance in one year must have a "single audit" performed annually covering all federal funds expended that year. Single audits are conducted by state and local government auditors, as well as independent public accounting firms. The OIG reviews these audit reports when

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they pertain to Department funds in order to determine whether the single audit reports meet the requirements of OMB Circular A-133 and generally accepted government auditing standards. In addition, the OIG reviews single audit reports to determine if they contain audit findings related to Department grants. As a result of the OIG's review of the single audits, during this semiannual period the OIG issued to OJP 116 single audit reports encompassing over 921 contracts, grants, and other agreements totaling more than \$322 million. The OIG also monitors these audits through the resolution and closure process.

The single audits disclosed that costs charged to Department grants were not always related to the grant programs or properly allocated. In addition, some required financial and program reports were inaccurate or not filed in a timely manner, if at all. The state and local government auditors and independent public accounting firms who conducted the single audits also found examples of incomplete or missing records, inadequate segregation of duties, failure to conduct physical inventories of assets purchased with federal funds, failure to submit timely single audit reporting packages to the Federal Audit Clearinghouse (an office operating on behalf of the OMB that facilitates federal oversight of entities expending federal money), and failure to reconcile significant accounting records with the general ledger and subsidiary ledgers. They also reported that grantees did not adequately monitor their grant sub-recipients to ensure that the sub-grantees were properly accounting for the grant funds and ensuring compliance with the terms and conditions of the grant. To address these deficiencies, the auditors recommended 259 management improvements and questioned costs in excess of \$3.3 million.

## **Civil Rights and Civil Liberties**

Section 1001 of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act* (Patriot Act) directs the OIG to receive and review complaints

of civil rights and civil liberties abuses by Department employees, to publicize how people can contact the OIG to file a complaint, and to send a semiannual report to Congress discussing the OIG's implementation of these responsibilities. In March 2014, the OIG issued its 24th such report, which summarized the OIG's Section 1001 activities from July 1 through December 31, 2013. The report described the number of complaints the OIG received under this section and the status of investigations conducted by the OIG and Department components in response to those complaints.

## **Ongoing Work**

### **Use of Material Witness Warrants**

The OIG is reviewing the Department's use of the material witness warrant statute, 18 U.S.C. § 3144, which provides for the arrest and detention of a person if their testimony "is material in a criminal proceeding, and if it is shown that it may become impracticable to secure the presence of the person by subpoena." With a particular focus on post-September 11 terrorism cases, the OIG is evaluating whether the statute has been used in an arbitrary, overbroad, or otherwise abusive manner. The OIG is also examining whether the information presented to the courts to justify the detention of particular witnesses fairly reflected the underlying information known to the Department and the FBI at the time; whether procedural safeguards have provided meaningful protections to detained witnesses; and whether the conditions under which selected witnesses were confined were consistent with relevant statutes, regulations, and rules.

### **Follow-up to the Fast and Furious Report**

The OIG is reviewing the Department's and ATF's implementation of recommendations in the OIG's September 2012 report, *A Review of Operation Fast and Furious and Related Matters*. The OIG made six recommendations in that report designed to increase oversight of ATF

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operations, improve coordination among the Department's law enforcement components, and enhance the Department's wiretap application review and authorization process.

## **Overseas Professional Conduct**

The OIG is examining the Department's and five components' policies, guidance, and training governing the off-duty conduct of employees on official travel or assignment in foreign countries. The five components in the review are ATF, Criminal Division, DEA, FBI, and USMS.

## **Department's Handling of Sex Offenders Admitted into the Federal Witness Security Program**

The OIG is reviewing the Department's handling of sex offenders admitted into the WITSEC Program. The preliminary objectives are to evaluate the Department's admission and vetting of sex offenders into the WITSEC Program; the handling, tracking, and monitoring of sex offenders who were admitted into the WITSEC Program; and the procedures for notifying states, local municipalities, and other law enforcement agencies regarding the relocation of sex offenders.

## **Disbursements from the Crime Victims Fund to the FBI and EOUSA**

The Crime Victims Fund (CVF), administered by the Office for Victims of Crimes (OVC), was established by the *Victims of Crime Act of 1984* and is a major funding source for victim services throughout the United States. The current audit objectives are to assess EOUSA's accounting and financial reporting of the CVF funds for FYs 2009 through 2011, and evaluate the FBI's, EOUSA's, and USAOs victim-witness services supported by CVF funding.

## **Fees and Expenses of Expert Witnesses**

The OIG is examining the Fees and Expenses of Witnesses appropriation, which, among other things, provides funding for costs associated

with the provision of testimony on behalf of the federal government, largely for expert witness testimony. Expert witness funds are centrally managed by JMD's budget staff and allocated to the General Legal Activities account and EOUSA for the administration of the expert's fees and expenses. Expert witness compensation rates are evaluated and agreed upon by the responsible Department attorney. The audit will determine the Department's compliance with applicable laws, regulations and Department guidance, and assess internal controls over the expert witness expenditures.

## **ATF's Investigation of Jean Baptiste Kingery**

In September 2012, the OIG issued its report about Operations Fast and Furious and Wide Receiver, two firearms trafficking investigations conducted by ATF. We found in that review that those investigations were seriously flawed in several respects, most significantly in their failure to adequately consider the risk to public safety in the United States and Mexico that resulted from a strategy of not taking overt enforcement action against individuals making unlawful firearms purchases. During that review, the OIG received information about an ATF investigation involving a U.S. citizen named Jean Baptiste Kingery that allegedly used a strategy and tactics similar to those employed in these two operations. The OIG is examining ATF's investigation of Kingery, an individual suspected of smuggling thousands of grenade components from the United States to Mexico where it is believed that he was building live grenades for use by drug cartels. The OIG's review is also examining the role of the U.S. Attorney's Office in the investigation and prosecution of Kingery.

## **Management of International Fugitive Removal Activities**

The OIG previously initiated an audit of the USMS's management of international fugitive removal activities. During the audit work, the

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OIG determined that, due to the Department's oversight role, it was necessary to expand the scope of the review to include the activities of the Office of the Deputy Attorney General. The current objectives of the audit are to evaluate: (1) the Department's oversight of international fugitive removal activities, including its role in the removal decision making process; and (2) the USMS's management of removal-related activities associated with international fugitives, including strategic data management; coordination with federal, state, and local law enforcement entities; and the cost effectiveness and efficiency of removal-related activities.

## **Denials from the National Instant Criminal Background Check System**

The OIG is auditing the National Instant Criminal Background Check System, which provides criminal background checks in support of the *Brady Handgun Violence Prevention Act of 1993*. The OIG will evaluate the effectiveness of processes related to the FBI's referral of denials to ATF; ATF's initial screening and referral of denials to its field offices for investigation; ATF field offices' investigation of denials; and the USAOs prosecution of crimes associated with denials.

## **Sexual Misconduct in Law Enforcement Components**

The OIG is examining the nature, frequency, reporting, investigation, and adjudication of sexual misconduct (including the transmission of sexually explicit text messages and images) where the conduct potentially affected the workplace or the security of operations within ATF, DEA, FBI, and USMS. The OIG is also reviewing whether these law enforcement components can effectively address allegations of sexual misconduct in a consistent manner.

## **Law Enforcement Components' Use of Non-Department Unmanned Aircraft Systems**

The OIG previously issued an interim report on the Department's use and support of unmanned aircraft systems (UAS). Stemming from that report, the OIG is auditing the Department's use of or participation in operations using non-Department owned or controlled UAS from 2010 through 2013.

## **Treaty Transfer Follow-up**

The OIG is examining the progress made by the Department to more effectively manage the International Prisoner Transfer Program, which allows selected foreign national inmates to serve the remainders of their sentences in their home countries' prison systems. The review will also further evaluate factors that limit the number of inmates ultimately transferred.

## **Status of Cloud-Computing Environments within the Department**

In response to a Council of the Inspectors General on Integrity and Efficiency (CIGIE) government-wide initiative, the OIG is evaluating agency efforts to adopt cloud-computing technologies and reviewing executed contracts between agencies and cloud service providers for compliance with applicable standards.

## **Prison Rape Elimination Act Compliance**

The OIG is examining the efforts of OJP, BOP, USMS, and FBI to comply with the *Prison Rape Elimination Act of 2003* since publication of the Department's National Standards to Prevent, Detect, and Respond to Prison Rape.

## **The Department's Use of Extended Temporary Duty Travel**

The OIG is auditing the Department's Use of Extended Temporary Duty Travel (TDY). The preliminary objectives of the audit are to

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evaluate whether the Department, specifically the FBI, Criminal Division, USAOs and EOUSA's, and National Security Division: (1) are making appropriate use of extended TDY, (2) have sound extended TDY policies and practices that promote cost effectiveness, and (3) have adequate tracking systems and documentation for extended TDY expenditures.



# Federal Bureau of Investigation

The FBI seeks to protect the United States against terrorist and foreign intelligence threats, enforces the criminal laws of the United States, and provides criminal justice services to federal, state, municipal, and international agencies and partners. FBI headquarters in Washington, D.C., coordinates activities of more than 35,000 employees in 56 field offices located in major cities throughout the United States and Puerto Rico, nearly 380 resident agencies in smaller cities and towns across the nation, and more than 60 international offices in U.S. embassies worldwide.



## Reports Issued

### Management of Terrorist Watchlist Nominations

The OIG issued a report evaluating the impact on the FBI's watchlisting system of the failed terrorist attack on December 25, 2009, and assessing the effectiveness of FBI initiatives implemented between 2009 and 2012. Overall, the OIG found that the TSC responded commendably to the attempted terrorist attack and worked diligently to overcome policy weaknesses that the attack had exposed, as well as associated technical and procedural problems that arose.

However, the OIG also determined that requests to modify the watchlist status of several groups of individuals were not communicated and documented effectively, and that the TSC was unable to readily identify individuals who met certain threat-based criteria or easily generate a listing of all of the watchlist records that were modified. In July 2010, the TSC and the Watchlist Community (which consists of multiple agencies) developed new policies and procedures to cover a similar event in the future.

The audit also found that certain FBI watchlist policies provided case agents with guidance that was inconsistent with the Watchlist Community's Watchlist Guidance, and that

the FBI policy unduly restricted the FBI's nominations to the watchlist. When the OIG made this concern known to the FBI during the course of this audit, the FBI revised its watchlisting nomination guidelines but the OIG believes that the policy still provides FBI personnel with inconsistent directions that could cause terrorism information to not be available to the Watchlist Community.

The OIG also found that the FBI's time requirements for the submission of watchlist actions could be strengthened, and that the FBI's database for submitting, monitoring, and tracking non-investigative subject nominations could be improved. The OIG made 12 recommendations to assist the FBI in strengthening its watchlist-related operations and practices. The FBI agreed with the recommendations and reported that it has begun corrective action.

### Follow-up Review Examining the FBI's Response to the Leung Report Recommendations

The OIG conducted a follow-up review of the FBI's progress in carrying out the recommendations contained in the OIG's May 2006 report, "A Review of the FBI's Handling and Oversight of FBI Asset Katrina Leung."

# Federal Bureau of Investigation

The OIG's May 2006 report described the FBI's handling and oversight of Katrina Leung, one of the FBI's highest paid counterintelligence assets who allegedly also worked for the People's Republic of China. Leung had a longtime intimate relationship with her FBI handler, Special Agent James J. Smith. The OIG found that the FBI was aware of serious counterintelligence concerns about Leung, but did little to follow up on the warning signals. As a result of these findings, the OIG made 11 recommendations to address systemic issues in the FBI's asset handling and vetting procedures that enabled Smith and Leung to escape detection for more than 20 years.

In its October 2013 report, the OIG concluded that six recommendations from the original report are resolved, but not closed. The first of these is the recommendation that the FBI continue its FBI headquarters managed asset validation review process and provide sufficient resources for this function. In September 2013, FBI officials told the OIG that due to budgetary constraints and other considerations, the FBI proposed a reorganization that will substantially change the validation process that the OIG reviewed in its follow-up report. The FBI is conducting a pilot implementation of the reorganization. Because this is a significant reorganization that has yet to be implemented, the OIG could not determine whether the proposed changes will adequately address its recommendation.

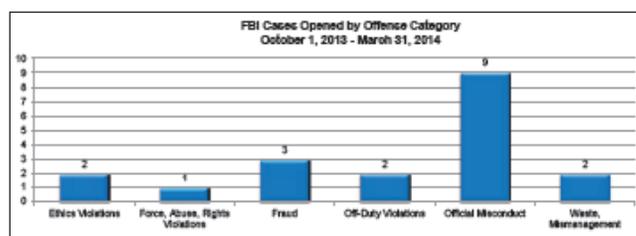
The other remaining recommendations that have not been fully implemented include creating a new subsection in the asset file for red flags, derogatory reporting, anomalies, and analyses; requiring alternate case agents to meet with assets on a frequent basis; limiting the time an agent can handle an asset; requiring that agents record any documents passed and all matters discussed with the asset; and requiring that supervisors responsible for assets signify that they have reviewed the subsection on derogatory reporting. The FBI stated that it agreed with the steps outlined in the report to

close the six remaining recommendations. The OIG will continue to monitor the FBI's progress in implementing the recommendations.

## Investigations

During this reporting period, the OIG received 744 complaints involving the FBI. The most common allegations made against FBI employees were official misconduct, and waste and mismanagement. Most of the complaints received during this period were considered management issues and were provided to FBI management for its review and appropriate action.

During this reporting period, the OIG opened 19 investigations and referred 57 allegations to the FBI's Inspection Division for action or investigation. At the close of the reporting period, the OIG had 75 open criminal or administrative investigations of alleged misconduct related to FBI employees. The criminal investigations covered a wide range of offenses, off-duty violations, and fraud. The administrative investigations involved serious allegations of misconduct.



Source: Investigations Data Management System

The following are examples of cases involving the FBI that the OIG investigated during this reporting period:

- On November 14, 2013, Boston gangster James "Whitey" Bulger was sentenced to two consecutive life terms plus 5 years and to pay \$19.5 million in restitution. He was convicted by a jury on August 12, 2013, of 31 of 32 charged counts (11 murders, racketeering, money laundering, extortion,

# Federal Bureau of Investigation

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conspiracy, and unlawful weapons possession) following an 8-week trial. Nine of the 11 murders occurred during the approximately 15 years that former FBI Special Agent John Connolly operated Bulger as an FBI informant in Boston. The OIG's assistance was requested for the Bulger prosecution because the OIG had previously investigated and was significantly involved in the prosecution of Connolly in Florida, where he was convicted in November 2008 of second degree murder and sentenced to a 40-year prison term. The murder for which Connolly was convicted, and several other murders previously investigated during the OIG's investigation of Connolly, were RICO predicate acts in Bulger's federal prosecution. The OIG's Boston Area Office provided investigative support on this case to the USAO for the District of Massachusetts.

- On March 3, 2014, an FBI Supervisory Special Agent (SSA) was sentenced in the Eastern District of California pursuant to his guilty plea to a criminal information charging him with structuring financial transactions. According to the facts supporting the guilty plea, from about January 7, 2008, through February 4, 2013, the SSA knowingly, and for the purpose of evading financial institution reporting requirements, made cash deposits of his gambling proceeds in amounts of \$10,000 or less to attempt to prevent his bank from filing Currency Transaction Reports on his deposits. The SSA structured the deposits in an attempt to conceal his gambling from the FBI. In total, the SSA made structured cash deposits into his account of more than \$488,600. The SSA resigned from his position with the FBI after being charged. This investigation was conducted jointly by the OIG's San Francisco Area Office and the Internal Revenue Service.

- In the *Semiannual Report to Congress, April 1, 2013 – September 30, 2013*, the OIG reported that a former FBI Assistant Director was charged in a criminal information with violating a federal ethics law that prohibits senior executive branch personnel from making professional contacts with the agency in which they were employed for one year after leaving government service. On December 17, 2013, the former FBI Assistant Director was ordered to pay a \$10,000 fine pursuant to his October 3, 2013, guilty plea to the information. The investigation was conducted by the OIG's Boston Area Office.

## Ongoing Work

### **A Review of the U.S. Government's Handling of Intelligence Information Leading Up to the Boston Marathon Bombings**

The OIG is participating in a coordinated review of the U.S. government's handling of intelligence information leading up to the Boston Marathon bombings. The review will examine the information available to the U.S. government before the Boston Marathon bombings and the information sharing protocols and procedures followed between and among the intelligence and law enforcement agencies. The Inspectors General for the Intelligence Community, the Department of Homeland Security, and the Central Intelligence Agency also are participating in the review.

### **FBI Laboratory**

In response to a congressional request, the OIG is reviewing the activities and processes of a task force formed by the Criminal Division in 1996 to address issues arising at the FBI Laboratory. The issues the task force addressed related largely to a review the OIG conducted of allegations of wrongdoing and improper practices within certain units of the FBI Laboratory. The OIG's

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findings were described in a 1997 report, “The FBI Laboratory: An Investigation into Laboratory Practices and Alleged Misconduct in Explosives-Related and Other Cases.”

## **Use of National Security Letters, Section 215 Orders, and Pen Register and Trap-and-Trace Authorities under FISA from 2007 through 2009**

The OIG is again examining the FBI’s use of NSLs and Section 215 orders for business records. This review is assessing the FBI’s progress in responding to the OIG’s recommendations in its first and second reports on the FBI’s use of NSLs and its report on the FBI’s improper use of exigent letters and other informal means to obtain telephone records. A focus of this review is the NSL subsystem, an automated workflow system for NSLs that all FBI field offices and headquarters divisions have been required to use since January 1, 2008, and the effectiveness of the subsystem in reducing or eliminating noncompliance with applicable authorities. The current review is also examining the number of NSLs issued and Section 215 applications filed by the FBI between 2007 and 2009, and any improper or illegal uses of these authorities. In addition, the review is examining the FBI’s use of its pen register and trap-and-trace authority under FISA.

## **Bulk Telephony Review**

The OIG is reviewing the FBI’s use of information derived from the National Security Agency’s collection of telephony metadata obtained from certain telecommunications service providers under Section 215 of the Patriot Act. The review will examine the FBI’s procedures for receiving, processing, and disseminating leads the National Security Agency develops from the metadata, and any changes that have been made to these procedures over time. The review will also examine how FBI field offices respond to leads, and the scope and type of information field offices collect as a result of any investigative

activity that is initiated. In addition, the review will examine the role the leads have had in FBI counterterrorism efforts.

## **Sentinel**

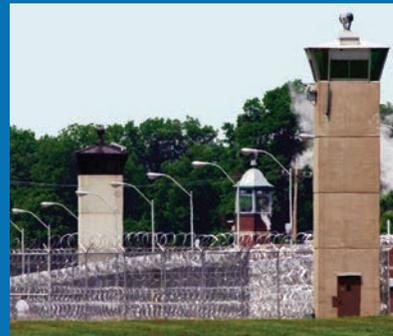
The OIG is continuing its audit of the FBI’s implementation of the Sentinel information technology project, which was made available to all FBI employees on July 1, 2012. The OIG will evaluate Sentinel’s user experience and project costs, and enhancements made to Sentinel.

## **Review of the FBI’s Next Generation Cyber Initiative**

The OIG is evaluating the FBI’s implementation of its Next Generation Cyber Initiative, which is intended to enhance the FBI’s ability to combat cyber intrusions.

# Federal Bureau of Prisons

The BOP operates a nationwide system of prisons and detention facilities to incarcerate individuals imprisoned for federal crimes and detain those awaiting trial or sentencing in federal court. The BOP has more than 39,000 employees and operates 116 institutions, 6 regional offices, a central office (headquarters), and community corrections offices that oversee residential reentry centers and home confinement programs. The BOP is responsible for the custody and care of approximately 216,600 federal offenders. Approximately, 173,900 of these inmates are confined in BOP-operated facilities, while the remainder is confined in privately managed or community-based facilities and local jails.



## Reports Issued

### **Efforts to Improve Acquisition through Strategic Sourcing**

The OIG examined the BOP's efforts to improve acquisition through strategic sourcing. The audit reviewed the procurement practices in the BOP from October 2010 through March 2013, during which time the BOP awarded almost \$9 billion in contracts. The OIG found that while the BOP had established national contracts and blanket purchase agreements to help reduce costs and achieve the goals of strategic sourcing, it had not established a program to implement and oversee the General Services Administration's (GSA) Federal Strategic Sourcing Initiative or other federal strategic sourcing initiatives. The audit also found that purchasing operations are largely de-centralized, with institutions making procurement decisions locally, and that the procurement personnel at the BOP institutions were uncertain about whether the use of the national contracts and blanket purchase agreements was mandatory or optional.

In that regard, while the BOP has established national contracts and blanket purchase agreements, participated in other GSA and Department cost-savings initiatives, and encouraged the institutions to use the national contracts and blanket purchase agreements, it typically did not make the use of these cost-savings efforts mandatory. The audit also found the BOP does not track participation in

the national contracts and other cost-savings initiatives, and does not require documentation of cost savings achieved through participation in such programs. As a result, the BOP is not fully leveraging its buying power to reduce procurement costs.

The OIG made three recommendations to improve the BOP's procurement practices, and the BOP agreed with all three.

### **Contract with Medical Development International**

The OIG audited the BOP's administration of contracts awarded to Medical Development International (MDI) to provide medical services at the Federal Correctional Complex (FCC) in Butner, North Carolina. The OIG determined that the BOP's actions were only partially effective in addressing deficiencies identified in a prior OIG audit in 2007.

The OIG's November 2013 report confirmed information provided by members of Congress that MDI received payment from the BOP for health care services provided to inmates by its primary subcontractor, Duke University Health System (DUHS), but that MDI did not reimburse DUHS for over \$16 million, including penalties, for such services. MDI's failure to make payment resulted in DUHS refusing to provide non-emergency services to Butner inmates in the

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spring of 2011. The follow-up audit concluded that the BOP became aware of this non-payment issue in November 2010, but did not take prompt action to address the problem.

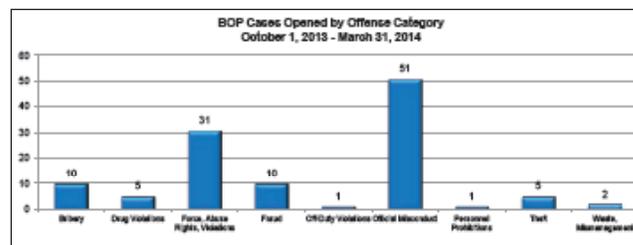
Moreover, in May 2011, another BOP correctional facility made a determination with regard to a separate contract that MDI was a non-responsible contractor, but the OIG found that the BOP failed to send an agency-wide announcement about MDI's problems until approximately 9 months later, in February 2012. The BOP also referred two issues relating to MDI to the OIG at the beginning of 2011 relating, respectively, to MDI's failures to pay subcontractors and to issues with certain contract proposals submitted to the BOP, one of which involved MDI. The audit found, however, that the BOP never recommended MDI for suspension or debarment from future government contracts and did not report these problems in the government-wide system for tracking contractor performance and integrity. These actions would have alerted other government contracting officers to MDI's financial and performance issues.

The audit also found that the BOP had recovered the total amount of \$1.3 million in questioned costs from the OIG's prior audit by withholding payment for invoices owed to MDI. The OIG made seven recommendations to the BOP to help improve its contract management practices, and the BOP agreed with the recommendations.

## Investigations

During this reporting period, the OIG received 3,809 complaints involving the BOP. The most common allegations made against BOP employees included official misconduct; and force, abuse, and rights violations. The majority of complaints dealt with non-criminal issues that the OIG referred to the BOP's Office of Internal Affairs for its review.

During this reporting period, the OIG opened 116 cases. At the close of the reporting period, the OIG had 218 open cases of alleged misconduct against BOP employees. The criminal investigations covered a wide range of allegations, including official misconduct; and force, abuse, and rights violations.



Source: Investigations Data Management System

The following are examples of cases involving the BOP that the OIG investigated during this reporting period:

- On March 31, 2014, a BOP correctional officer previously assigned to the United States Medical Center for Federal Prisoners (USMCFP) in Springfield, Missouri, was sentenced pursuant to his guilty plea in the Western District of Missouri on a charge of use of interstate commerce facilities in the commission of murder-for-hire. According to the criminal complaint and indictment filed in this case, the correctional officer contacted an inmate at the USMCFP and asked him for assistance in hiring a hit man to murder his wife's ex-husband. The cooperating inmate provided the correctional officer with a telephone number for a supposed hit man, who was actually an undercover FBI agent. At the arranged meeting, the correctional officer told the undercover agent that he would pay him \$1,500 to murder the ex-husband, and then provided the agent with a photograph of the ex-husband, his home address, and \$1,500 in cash. At the conclusion of the meeting, the correctional officer was arrested. He was sentenced to six years'

# Federal Bureau of Prisons

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incarceration and two years' supervised release. He was terminated from his position with the BOP. The investigation was conducted by the OIG's Chicago Field Office, the FBI, and the USMCFP Special Investigative Supervisor's office.

- On March 12, 2014, three contract BOP correctional officers were charged in a 7-count indictment for making false statements and aiding and abetting the making of false statements. According to the indictment, the three correctional officers, including a supervisory officer responsible for oversight of the special housing unit where the other two correctional officers were assigned, placed their initials on official forms indicating they had conducted rounds in the housing unit, knowing they were falsifying the forms and did not conduct the rounds, which include inmate counts, resulted in an inmate's suicide being undiscovered for several hours. The supervisory officer and one correctional officer were terminated from their employment, and the third correctional officer resigned from the contract facility during the investigation. Previously, two other former contract correctional officers, who were also on duty in the BOP facility's special housing unit during the inmate's suicide, pled guilty to charges related to falsifying forms. This investigation is being conducted by the OIG's Dallas Field Office.
- On February 14, 2014, a BOP correctional officer was arrested pursuant to an indictment charging him with mail fraud and theft of government funds. The indictment alleges that the correctional officer was on temporary total disability status for a BOP work-related injury and receiving approved rehabilitation therapy, but did not travel to therapy sites on at least 1,380 occasions for which he submitted claims for mileage expenses over approximately 6.5 years. As a result of his fraudulent travel expense claims, the correctional officer obtained over \$87,289 in reimbursements to which he was not entitled. The investigation is being conducted by the OIG's Chicago Field Office and the DOL.
- On February 28, 2014, a BOP correctional officer previously assigned to the FCC in Coleman, Florida, was arrested and pled guilty in the Middle District of Florida to a criminal information charging him with accepting bribes as a public official. In pleading guilty, the correctional officer admitted that he received payment of monies in return for smuggling contraband into the FCC. Specifically, the correctional officer admitted to providing an inmate with 10 packs of cigarettes, smokeless tobacco, one cellular phone, one cell phone charger, one cell phone SIM card, and one pre-paid phone card. He also admitted to receiving a total of \$4,200 in return. The correctional officer resigned his position with the BOP after his OIG interview. This investigation is being conducted by the OIG's Miami Field Office.
- On October 25, 2013, a correctional officer previously assigned to the Giles W. Dalby Correctional Facility, a BOP contract facility in Post, Texas, was sentenced to 14 months' incarceration pursuant to his guilty plea in the Northern District of Texas to charges of bribery of public officials and aiding and abetting. The contract correctional officer admitted that in December 2011, he smuggled a small amount of cocaine into the prison for an inmate to sample and had further agreed to bring more cocaine into the prison in exchange for bribe payments. The contract correctional officer resigned from his position following an OIG interview on February 15, 2012. The investigation was conducted by the OIG's El Paso Area Office.

# Federal Bureau of Prisons

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- On October 7, 2013, a BOP correctional officer previously assigned to the Metropolitan Correctional Center in Chicago, Illinois, was sentenced to 24 months' incarceration followed by 12 months' supervised release pursuant to his guilty plea in the Northern District of Illinois to charges of bribery of a public official. He also was ordered to pay a fine of \$5,000. According to the indictment and plea agreement in this case, the correctional officer accepted more than \$5,000 in cash over a 4-month period to provide contraband items including tobacco to inmates and to allow them to possess contraband. The BOP terminated the correctional officer's employment as a result of this investigation. The investigation was conducted by the OIG's Chicago Field Office.
- In the *Semiannual Report to Congress, April 1, 2013 – September 30, 2013*, the OIG reported that a BOP correctional officer assigned to the Metropolitan Detention Center, Brooklyn, New York, had pled guilty in the Eastern District of New York to an indictment charging her with sexual abuse of a ward. On February 19, 2014, the correctional officer was sentenced to 12 months and 1 day of incarceration followed by 3 years' supervised release. In pleading guilty, the correctional officer admitted to having engaged in a sexual relationship with an inmate who was convicted of murdering two New York Police Department detectives and has since been sentenced to the death penalty. DNA tests confirmed the inmate's paternity of the correctional officer's baby. The BOP terminated the correctional officer's employment as a result of this investigation. The case was investigated by the OIG's New York Field Office.

## Ongoing Work

### BOP Aging Inmates

The OIG is examining the impact of the BOP's aging inmate population on inmate and custody management, including programming, housing, and costs. The review will also assess the recidivism rate of inmates aged 50 and older that were released from FY 2006 through FY 2013.

### Private Contract Prisons

The OIG is examining how the BOP manages its private prison contracts, whether contract prisons are in compliance with BOP requirements, and how contract facilities compare with similar BOP facilities in terms of inmate safety, security, and cost.

### Usage and Effectiveness of X-ray Equipment

The OIG is auditing the BOP's procurement of 65 x-ray machines in FY 2011. The objectives are to assess the usage of equipment purchased by contract and evaluate the effectiveness of the equipment.

### Metropolitan Detention Center, Brooklyn

The OIG is examining the management and security controls the BOP has in place for operating the Metropolitan Detention Center in Brooklyn, New York.

# U.S. Marshals Service

The USMS is responsible for ensuring the safe and secure conduct of judicial proceedings; protecting more than 2,000 federal judges and approximately 10,000 other court officials at more than 400 court facilities; arresting federal, state, and local fugitives; protecting federal witnesses; transporting federal prisoners; managing assets seized from criminal enterprises; and responding to major national events, terrorism, and significant high-threat trials. The USMS Director and Deputy Director work with 94 U.S. Marshals to direct approximately 5,431 employees at 315 domestic and international locations.



## Reports Issued

### Use of Appropriated Funds to Purchase Promotional Items

The OIG issued a report examining the USMS's use of appropriated funds to purchase promotional items. This review was initiated in response to an anonymous letter to the OIG alleging that senior USMS managers had spent excess end of year funding on promotional items, including, among other things, silk ties, pillows, and various items bearing the USMS name and seal.

The OIG found that the USMS Investigative Operations Division spent at least \$793,118 on promotional items during fiscal years 2005 to 2010 and that these expenditures were excessive and, in some instances, in contravention of Department policies and Government Accountability Office decisions and guidance. For example, the OIG found that in 6 years the Investigative Operations Division branches spent \$155,081 on USMS challenge coins and \$13,605 on USMS-themed Christmas ornaments. The significant growth in spending on promotional items was the result of the absence of internal controls and accountability within the USMS, and the failure by USMS personnel who were given purchasing responsibilities to exercise good judgment.

The report notes that, on January 21, 2011, the Attorney General issued a directive to all Department components to reduce expenditures

to only mission-essential programs, projects, and activities. Following the issuance of this directive, the Department and the USMS issued policies that provided explicit guidance on the purchase and use of promotional items in the future. The USMS thereafter dramatically reduced its spending on items such as those described in the OIG's report. The OIG found that the new policies will encourage restraint and enhance accountability with respect to the purchase of these types of items. However, the OIG also found that the USMS policy contained flaws that the USMS should rectify. The OIG made three recommendations to assist the USMS in this area; the USMS agreed with all the recommendations.

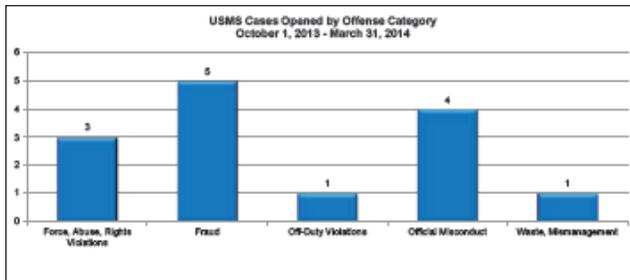
## Investigations

During this reporting period, the OIG received 308 complaints involving the USMS. The most common allegations made against USMS employees were official misconduct; and force, abuse, and rights violations. The majority of the complaints were considered management issues and were provided to the USMS's Office of Internal Affairs for its review and appropriate action.

During this reporting period, the OIG opened 14 cases. At the close of the reporting period, the OIG had 29 open cases of alleged misconduct against USMS employees. The most common

# U.S. Marshals Service

allegations were official misconduct; and force, abuse, and rights violations.



Source: Investigations Data Management System

The following are examples of cases involving the USMS that the OIG investigated during this reporting period:

- On March 6, 2014, a Deputy U.S. Marshal (DUSM) was arrested pursuant to a 13-count indictment charging him with aggravated identity theft, false statements, and wire fraud. According to the indictment, the DUSM filed numerous fraudulent claims for medical services with an insurance company under a personal accident-only insurance policy. The indictment alleges that the DUSM submitted the fraudulent claims by falsely representing that a physician had examined him for covered injuries and by using the physician's signature and tax identification number without the physician's knowledge or consent. This investigation is being conducted jointly by the OIG's Dallas Field Office and the FBI's McAllen office.
- On November 1, 2013, a DUSM and a Housing and Urban Development (HUD) OIG Special Agent were arrested and pled guilty in the Southern District of California to a criminal information charging both with bank fraud and making false statements. The DUSM and HUD OIG Special Agent entered into a deferred prosecution agreement in which they each voluntarily resigned

their law enforcement positions and agreed not to seek another position as a law enforcement officer during the 12-month deferral period. According to the information, the defendants applied to Wells Fargo Bank for approval of the short sale of a property owned by the DUSM to the HUD OIG Special Agent and falsely informed Wells Fargo Bank that they had no relationship to one another, which is a condition for approval of a short sale. In fact, however, they were engaged to be married, expecting a child, and planned to live together in the property thereafter. The DUSM and HUD OIG Special Agent admitted to knowingly and willfully providing false statements to the financial institution and to the investigating special agents. The investigation was conducted jointly by the OIG's Los Angeles Field Office and the HUD OIG.

- In the *Semiannual Report to Congress, October 1, 2012 – March 31, 2013*, the OIG reported that a contracting officer's technical representative (COTR) with the USMS was arrested on charges of conflict of interest. The indictment alleged that in 2011, while serving as the COTR, the COTR negotiated employment with a contractor without notifying the USMS as required by federal conflict of interest laws. On October 24, 2013, the COTR entered into a pre-trial diversion agreement in the District of Arizona under which he immediately resigned his position with the USMS and agreed not to obtain employment in a position which oversees contracts. This investigation was conducted by the OIG's Tucson Area Office.

# Drug Enforcement Administration

The DEA enforces federal laws and regulations related to the growth, production, or distribution of controlled substances. In addition, the DEA seeks to reduce the supply of and demand for illicit drugs, both domestically and internationally. The DEA has approximately 10,000 employees staffing its 222 domestic offices in the United States and 86 foreign offices in 67 countries.



## Reports Issued

### Permanent Change of Station Transfers

The DEA routinely transfers personnel among its domestic and international offices through permanent change of station (PCS) transfers, which often involve numerous expenses, including air travel for the transferee and dependents, shipment and storage of household goods, compensation for the sale or purchase of a residence, and temporary housing costs. The OIG audited the DEA's accounting for PCS transfers and found that the DEA had established sound practices for the management of transfer activities and appeared to have adequate controls over resources expended on PCS transfers.

As of January 23, 2013, the DEA's PCS expenditures for transfers initiated in FY 2010 – the most recent year for which PCS-related expenses were generally complete and available – amounted to \$35,745,853. On average, each PCS transfer that year cost the DEA \$45,015, with a median cost of \$34,455. The OIG tested PCS-related documents that included expenditure records totaling more than \$2 million and identified only five discrepancies totaling \$1,656; the DEA has taken appropriate steps to address all five discrepancies. The remaining PCS expenditures the OIG tested were all allowable and in accordance with the GSA's Federal Travel Regulation. The audit also noted that, in addition to appropriately

monitoring its primary GSA-approved contractors, the DEA appeared to have taken initiative in its management of PCS transfer activities, potentially resulting in significant monetary savings.

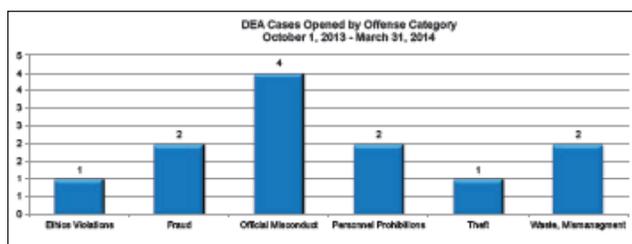
The audit did not include an evaluation of the justifications for the transfers or their appropriateness, and it did not assess the DEA's use of, or expenses relating to, other mechanisms federal agencies use to transfer personnel, such as temporary duty assignments. The report contained no recommendations.

## Investigations

During this reporting period, the OIG received 347 complaints involving the DEA. The most common allegations made against DEA employees included official misconduct, and waste and mismanagement. The majority of the complaints were considered management issues and were provided to the DEA for its review and appropriate action.

During this reporting period, the OIG opened 12 cases and referred 26 allegations to the DEA's Office of Professional Responsibility for action or investigation. At the close of the reporting period, the OIG had 33 open cases of alleged misconduct against DEA employees. The most common allegations were official misconduct and ethics violations.

# Drug Enforcement Administration



Source: Investigations Data Management System

The following are examples of cases involving the DEA that the OIG investigated during this reporting period:

- On December 4, 2013, a DEA task force officer (TFO) was arrested and pled guilty to a criminal information filed in the Western District of Louisiana charging him with exceeding authorized computer access. According to the information, the TFO intentionally exceeded his authorized computer access by retrieving criminal histories from a database maintained by the FBI. This investigation disclosed that the TFO was a private investigator and was operating a recovery business, and he was using the criminal histories to locate and repossess vehicles on behalf of financial institutions that contracted for his services. The TFO resigned from his DEA position following the initiation of this investigation. The investigation is being conducted by the OIG's Houston Area Office.
- On January 8, 2014, a DEA account technician was arrested and pled guilty to a criminal information filed in the District of New Jersey charging him with theft of government property. The account technician resigned his position with the DEA on the same date. In his guilty plea, the defendant, who had served as the Imprest Fund Cashier, admitted that he stole \$33,225 from a DEA Imprest Fund between September 2011 and September 2013. The investigation is being conducted by the OIG's New Jersey Area Office.

- In the *Semiannual Report to Congress, October 1, 2012 – March 31, 2013*, the OIG reported that a DEA Special Agent was arrested on 44 counts of making false statements and entries. According to the indictment, the Special Agent submitted documents falsely representing that he was entitled to hazard pay. On November 27, 2013, the Special Agent was sentenced in the District of Colorado to one year of probation based on his guilty plea to one count of making false statements to the government, and ordered to pay restitution to the DEA of \$4,368. The Special Agent resigned from the DEA on August 15, 2013, as a result of the OIG's investigation. The investigation was conducted by the OIG's Denver Field Office.

## Ongoing Work

### Administrative Subpoenas

The OIG is examining the DEA's use of administrative subpoenas to obtain broad collections of data or information. The review will address the legal authority for the acquisition or use of these data collections; the existence and effectiveness of any policies and procedural safeguards established with respect to the collection, use, and retention of the data; the creation, dissemination, and usefulness of any products generated from the data; and the use of "parallel construction" or other techniques to protect the confidentiality of these programs.

### Registrant Actions

The OIG is examining the DEA's adjudication of registrant actions it has taken against businesses or health care practitioners found to have violated the Controlled Substances Act of 1970. The review will assess the DEA's registrant action process and the timeliness of its decisions.

# Drug Enforcement Administration

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## **Confidential Source Program**

The DEA uses confidential sources – individuals who provide information to the DEA regarding criminal activities – to aid in its enforcement of U.S. controlled substance laws and regulations, and investigations of those involved in the growing, manufacturing, or distribution of controlled substances. The audit will assess the DEA’s management and oversight of its Confidential Source Program, including compliance with rules and regulations associated with the use of confidential sources, and oversight of payments to confidential sources.

## **Passenger Interdiction**

The OIG is examining interdiction activities involving DEA-initiated encounters and consent searches of travelers in airports. The review will cover the policies, practices, documentation, and outcomes of DEA-initiated encounters, searches, and seizures, and how the DEA oversees these activities.



# Bureau of Alcohol, Tobacco, Firearms and Explosives

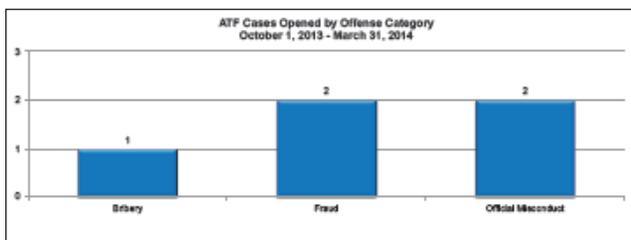
ATF's more than 4,500 employees enforce federal criminal laws and regulate the firearms and explosives industries. ATF investigates violent crimes involving firearms and explosives, acts of arson, and illegal trafficking of alcohol and tobacco products. ATF also provides training and support to its federal, state, local, and international law enforcement partners and works in 25 field divisions with representation throughout the United States, Puerto Rico, U.S. Virgin Islands, and Guam. International offices are located in Mexico, Canada, Colombia, the Caribbean, and El Salvador.



## Investigations

During this reporting period, the OIG received 116 complaints involving ATF personnel. The most common allegation made against ATF employees were official misconduct, and waste and mismanagement. The majority of the complaints were considered management issues and were provided to ATF for its review and appropriate action.

During this reporting period, the OIG opened 5 cases. At the close of the reporting period, the OIG had 12 open criminal or administrative investigations of alleged misconduct related to ATF employees. The most common allegation was official misconduct.



Source: Investigations Data Management System

The following are examples of cases involving ATF that the OIG investigated during this reporting period:

- On February 26, 2014, an ATF group supervisor pled guilty in the Western District of Washington to making a materially false statement. The group supervisor admitted that he falsified the signature of a Special Agent under his supervision on forms reflecting the payment of \$700 to a confidential source while knowing that the Special Agent did not make the payment to the confidential source. He resigned from his position with ATF as a result of the investigation. The investigation is being conducted by the OIG's San Francisco Area Office.
- Following an inquiry to ATF by Senator Charles Grassley and Congressman Darryl Issa, the OIG initiated an investigation of ATF's decision to permit William McMahon, then Deputy Assistant Director of ATF's Office of Professional Responsibility and Security Operations, to engage in full-time outside employment with JPMorgan Chase (JPMorgan) while still employed full-time by ATF. McMahon is no longer an ATF employee. The OIG reviewed ATF's approval of McMahon's outside employment, as well as the

# Bureau of Alcohol, Tobacco, Firearms and Explosives

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approval of his proposed use of sick leave and annual leave for a period of several months through the date of his retirement eligibility.

The OIG found that McMahan's direct supervisor exercised poor judgment and failed to responsibly perform her duties when she approved McMahan's written request to engage in outside employment, and when she separately approved McMahan's written request to use sick leave during July 2012 after having already approved his written request to engage in full-time employment with JPMorgan beginning in July 2012. Among other reasons, approving McMahan's use of extensive leave knowing that it was being done in order to gain sufficient tenure to obtain law enforcement retirement benefits and that McMahan planned to retire at the end of the leave period violated an ATF order that prohibits the use of "terminal leave." In addition, the supervisor should not have approved the use of sick leave without reconciling the obvious conflict between McMahan's written outside employment request and his sick leave request.

The OIG found that ATF's Deputy Director was not made aware of McMahan's intention to use sick leave for the entire month of July, the same period McMahan was seeking approval to engage in outside employment. Nevertheless, he knew of McMahan's intention to use an extended period of annual leave for the several months leading up to his retirement in December. The OIG found that the Deputy Director should have recognized the significant issues raised by McMahan's outside employment request, regardless of the type of leave he intended to use, particularly given that McMahan's conduct in Operation Fast and Furious was under review by the OIG.

The OIG found that ATF's Deputy Chief Counsel and Deputy Designated Agency Ethics Official, who is no longer an ATF employee, exercised poor judgment and failed to responsibly perform her duties by approving McMahan's outside employment request. The approval letter did not analyze or address in any substantive way, as required by federal regulation and ATF order, whether McMahan's proposed position in JPMorgan's Global Security and Investigations Division conducting internal investigations presented a conflict with Department financial investigations and asset seizure matters. Moreover, the approval letter did not address the clear violation of the ATF order prohibiting the use of terminal leave.

The OIG completed its investigation and provided its Report of Investigation to ATF for appropriate action in March 2014.

- The OIG initiated an investigation following a complaint received from Senator Charles Grassley and Congressman Darryl Issa that ATF had reassigned two employees in 2012 who were whistleblowers in the investigation of Operation Fast and Furious under the command of Scot Thomasson, then an investigations division chief who had allegedly made statements in early 2011 encouraging retaliation against them. Thomasson is no longer an ATF employee, having retired from ATF during the course of the OIG investigation. According to the complaint, in early 2011, shortly after the allegations about Operation Fast and Furious became public, Thomasson allegedly stated, "[w]e need to get whatever dirt we can on these guys [the whistleblowers] and take them down. All these whistleblowers have axes to grind. ATF needs to [expletive] these guys." At the time of these alleged statements in 2011, Thomasson was the Chief of ATF's

# Bureau of Alcohol, Tobacco, Firearms and Explosives

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Public Affairs Division. The allegations were later made public in a May 2012 memorandum from Congressman Issa to members of the House Committee on Oversight and Government Reform.

Thomasson denied making the alleged statements about the whistleblowers and denied making any anti-whistleblower statements. However, the OIG determined that Thomasson made other inappropriate remarks about the whistleblowers in two open meetings while he was the Public Affairs Chief. In a February 2011 meeting, he stated that the whistleblowers were “do-nothing scumbag agents” with “axes to grind against ATF,” and commented further that the whistleblowers “had not shown their faces” during their media disclosures. In an April 2011 meeting, Thomasson said words to the effect of, “[m]ake no mistake, they all have axes to grind [with ATF].”

The OIG further found that the two whistleblowers were in fact reassigned a year later to an investigative division then under the command of Thomasson, who was no longer head of the Public Affairs Division. However, the OIG found no evidence that the purpose of the reassignments was to place the whistleblowers under the supervision of Thomasson, or that were made with an intention to retaliate against the whistleblowers. The ATF officials involved in making the reassignments told the OIG that they were unaware of the allegations regarding these statements at the time the reassignments were made. The OIG found that ATF officials responded appropriately and in a timely and effective manner to concerns expressed about the reassignments.

The OIG has completed its investigation and provided its Report of Investigation to ATF for its review in March 2014.

## Ongoing Work

### ATF’s Investigation of the Osorio and Barba Firearms Trafficking Rings

The OIG is reviewing allegations that ATF failed to timely investigate and arrest subjects involved in trafficking firearms that were used in an attack on U.S. Immigration and Customs Enforcement agents in Mexico in 2011. One of the agents, Jaime Zapata, died from injuries he sustained during the attack. The OIG investigation is examining the information that was available to ATF about the firearms traffickers prior to Agent Zapata’s death.

### ATF’s Oversight of Certain Storefront Operations

The OIG is reviewing ATF’s oversight of certain of its storefront operations. One of the key findings of the OIG’s September 2012 report, *A Review of ATF’s Operation Fast and Furious and Related Matters*, was that ATF failed to exercise sufficient oversight of activities that posed a danger to the public or otherwise presented special risks. ATF recognized this problem and established a Monitored Case Program to improve its oversight capabilities. The OIG’s review will examine four storefront operations that continued or began after the inception of the Monitored Case Program, and evaluate the effectiveness of the Monitored Case Program as an oversight tool.



# Office of Justice Programs

OJP manages the majority of the Department's grant programs and is responsible for developing initiatives to address crime at the state and local levels. OJP has six bureaus and program offices – Bureau of Justice Assistance (BJA), Bureau of Justice Statistics (BJS), National Institute of Justice (NIJ), Office of Juvenile Justice and Delinquency Prevention (OJJDP), OVC, and the Office of Sex Offender Sentencing, Monitoring, Apprehending, Registering, and Tracking. In this section, the report discusses OJP's oversight of grant funds and OIG reviews of grant recipients.



## Reports Issued

The OIG conducts audits of various grants and other financial assistance provided by OJP to recipients outside of the Department. These recipients include state and local governments, universities, non-profit agencies, and for-profit agencies. During this reporting period, the OIG audited nine external OJP grant recipients. Summaries of findings from some of these audits follow.

- The OIG audited two cooperative agreements totaling \$920,353 that NIJ awarded to the Jackson County, Missouri, Prosecutor's Office (Jackson County) under the Solving Cold Cases with DNA Program. Overall, the OIG found that Jackson County did not comply with essential award conditions in the areas of expenditures, reporting, and performance. Specifically, at least 34 percent of the cases that Jackson County reviewed using award-funded positions were not eligible under the program. Because Jackson County used grant funds to review a significant percentage of cases that were not eligible under the program, materially deviated from the purpose of the award as stated in its application, and did not have support for the amount of award funds used to review potentially eligible cases, the audit questioned all \$504,524 of award expenditures and found that Jackson County did not meet the program goals. The OIG also identified \$415,829 in award funds that had not been drawn down as funds to better use. Further, the audit found that Jackson County reported inaccurate program performance data to the NIJ. The OIG made two recommendations to OJP to address the dollar-related findings and one recommendation to improve the management of Department cooperative agreements. OJP agreed with the recommendations.
- The OIG audited a cooperative agreement totaling \$452,293, that OJP's NIJ awarded to the Kansas City, Missouri, Board of Police Commissioners (Kansas City) under the Solving Cold Cases with DNA Program. Overall, the OIG found that Kansas City did not comply with essential award conditions in the areas of expenditures, reporting, and performance. Specifically, 95 percent of the cases that Kansas City reviewed using award-funded positions were not eligible under the program; as a result, the audit identified \$440,232 in award expenditures related to these positions as unallowable and found that Kansas City did not meet the program goals. The audit also found that Kansas City reported to the NIJ program performance data that did not match the supporting documentation and was not accurate. The OIG made one

# Office of Justice Programs

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recommendation to address the dollar-related finding and one recommendation to improve the management of Department cooperative agreements. OJP agreed with the recommendations.

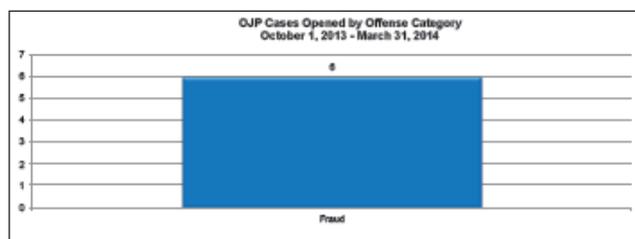
- The OIG audited \$771,137 in OJP grant funding awarded to the non-profit Philadelphia Safety Net (PSN), to support PSN's "Goods for Guns" gun buyback initiative and provide safety workshops for seniors. The audit identified \$479,183 in questioned expenses, representing 62 percent of total grant funds, which were unallowable, unsupported, or unreasonable. These questioned costs included \$346,394 for the PSN Executive Director's compensation and associated fringe benefits, which exceeded that approved by the PSN Board of Directors, were not based on the value of services rendered, were not adequately supported, and were used in support of fundraising activities in violation of grant rules. The questioned costs also included \$43,697 in rent and utilities paid for an underutilized building and unsupported costs, 363 unaccounted grocery store gift cards totaling \$36,300 which did not result in collected guns, and \$52,792 in payments to a consultant hired noncompetitively in violation of grant rules. The OIG made 11 recommendations to OJP to address these deficiencies. OJP agreed with the recommendations.
- The OIG audited three BJA grants totaling \$1,554,914 awarded to the Father's Day Rally Committee (FDRC) located in Philadelphia, Pennsylvania, to support a violence reduction initiative intended to encourage and support strong, stable family relationships. The audit concluded that FDRC did not fully comply with the essential grant requirements and questioned \$146,436 in grant funds, including \$103,092 in payments to a contractor that could not be supported with any verifiable documentation and \$43,344 out of \$186,894 in subgrants to PSN that were used for unallowable purposes. The OIG made nine recommendations to OJP to address these deficiencies and OJP agreed with each.
- The OIG audited a cooperative agreement totaling \$894,629 awarded to the Regents of the University of Colorado. The award was for the University's research of bacterial and fungal communities associated with corpse decomposition for criminal justice needs. The audit revealed payments to research assistants who were not approved by OJP, as well as unsupported salary payments to project personnel. As a result of the audit the OIG identified \$29,429 in questioned costs. OJP agreed with the OIG's recommendations and will work with the grantee to remedy the funds.
- The OIG audited four grants totaling \$1,556,291 awarded to the Cherokee Nation, Tahlequah, Oklahoma. Although the Cherokee Nation appeared to have adequate internal controls over grant financial and accounting activities, the OIG found that grant activities were initiated under one contract prior to being signed by the Cherokee Nation or the contractor. In addition, the Cherokee Nation incurred two unallowable transactions totaling \$2,662 and had expenditures in two unbudgeted categories totaling \$2,193. The OIG made two recommendations to address dollar-related findings and two recommendations to improve the management of Department grants. OJP agreed with the recommendations.

# Office of Justice Programs

## Investigations

During this reporting period, the OIG received 16 complaints involving OJP. The most common allegation made against OJP employees, contractors, or grantees was fraud.

During this reporting period, the OIG opened 6 cases. At the close of the reporting period, the OIG had 26 open criminal or administrative investigations of alleged misconduct related to OJP employees, contractors, or grantees. The majority of these criminal investigations were related to grantee fraud.



Source: Investigations Data Management System

The following are examples of cases involving OJP that the OIG investigated during this reporting period:

- On February 11, 2014, the Department's Suspending and Debarring Official debarred the Educational Advancement Alliance, Inc. (EAA) from contracting with any agency of the Executive Branch of the federal government for a period of 12 months. This decision was based on EAA's violation of an administrative agreement between EAA and the Department, and on an OIG audit and subsequent investigation that found EAA had used OJP grant funds to pay two consultants \$137,000 and \$107,000, respectively, for purposes not authorized by the grants, including endowment fundraising and lobbying. In EAA's written and oral responses to the Department, the Executive Director admitted that EAA paid little or no attention to the work performed by

these consultants. The investigation was conducted by the OIG's Fraud Detection Office.

- On January 22, 2014, Deloitte Consulting LLP (Deloitte) agreed to pay \$1,293,534.64 to settle allegations that it overbilled the Department on labor contracts. The OIG's investigation found that, in reports mandated by the Federal Acquisition Regulation, Deloitte had improperly categorized individuals performing work under the contracts, placing them in labor categories for which they did not have the required education or experience. This practice affected amounts billed in invoices submitted to the OJP, the International Criminal Investigative Training Assistance Program, and the Executive Office for U.S. Attorneys. The OIG further found that Deloitte continued to submit incorrect invoices to the Department for 5 months after the labor mischarges were first brought to its attention. The U.S. Attorney's Office for the District of Columbia negotiated and agreed to the settlement. This investigation was conducted by the OIG's Fraud Detection Office.
- On March 10, 2014, a former secretary and grant administrator of the Central Illinois Enforcement Group, a drug task force, was sentenced in the Central District of Illinois to 12 months and 1 day of incarceration and 36 months' supervised release pursuant to her guilty plea to charges of wire fraud and embezzlement. She was also ordered to pay restitution of \$42,186 to the task force. According to the information and plea agreement, over a 6-year period beginning in 2005, the former secretary stole in excess of \$42,000 from the task force by falsifying invoices, using the task force's credit cards for non-official purchases, and depositing task force checks into her personal checking account. The monies stolen

# Office of Justice Programs

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included Edward Byrne Memorial Justice Assistance Grant Program funds, federal and state forfeiture funds, and state court fine funds. The former secretary used the stolen funds for personal expenditures, such as mortgage payments, concert tickets, and clothing. As part of her guilty plea, the former secretary agreed not to contest federal debarment proceedings, which are pending. The former secretary was terminated from her position after her criminal activity was discovered by the Illinois State Police during an audit. The investigation was conducted by the OIG's Chicago Field Office, FBI, and the Illinois State Police.

- In the *Semiannual Report to Congress, October 1, 2012 – March 31, 2013*, the OIG reported that a former OJP employee was arrested on charges of conspiracy. According to the indictment and subsequent plea agreement and statement of facts, the former OJP employee conspired with others in a mortgage fraud scheme in which the employee agreed to make false representations to lenders when applying for real estate loans in return for secretly receiving a portion of the real estate proceeds. On December 4, 2013, the former OJP employee was sentenced in the District of Maryland pursuant to his guilty plea to a charge of making false statements on a loan application. He was sentenced to 3 months' imprisonment, to be followed by 24 months' supervised release, and ordered to pay \$404,596 in restitution. The other participants in the conspiracy have pled guilty and are awaiting sentencing. This investigation was conducted by the OIG's Washington Field Office in conjunction with the Maryland Mortgage Fraud Task Force, including the FBI, U.S. Secret Service, Howard County Police Department, and Howard County State's Attorney's Office.

## Ongoing Work

### Public Safety Officers' Benefits Programs

Public Safety Officers' Benefits (PSOB) Programs provide education and death benefits to eligible survivors of federal, state, or local public safety officers, and disability benefits to eligible public safety officers, as the direct result of death or catastrophic personal injury sustained in the line of duty. The audit will assess the process used by the PSOB to make determinations for death and disability claims, paying particular attention to claims for which no initial determination had been made within 1 year of the claim's initiation.

### Solving Cold Cases with DNA Grant Program

The NIJ established the Solving Cold Cases with DNA Grant Program to encourage the analysis of DNA samples from unsolved crimes once thought to be unsuitable for testing. The audit will evaluate the NIJ's implementation and oversight of this program.

### John R. Justice Grant Program

Pursuant to the *John R. Justice Prosecutors and Defenders Incentive Act*, the BJA launched the John R. Justice Grant Program in FY 2010 to provide loan repayment assistance for local, state, and federal public defenders, and local and state prosecutors, in exchange for a 3-year service commitment. The OIG is reviewing the program to assess its cost and its impact on the hiring and retention of prosecutors and public defenders, as well as the BJA's oversight of the program.

## Other Department Components

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### Office of Community Oriented Policing Services

#### Reports Issued

##### Audits of COPS Grants

The Office of Community Oriented Policing Services (COPS) provides funding to state, local, territory, and tribal law enforcement agencies to hire and train community policing professionals, acquire and deploy crime-fighting technologies, and develop and test policing strategies. During this reporting period, the OIG audited the COPS grant summarized below:

- The OIG audited a \$3,505,446 COPS Hiring Recovery Program (CHRP) grant awarded to the City of Tulsa, Oklahoma, to retain 18 sworn officers. The audit identified \$248,226 in dollar-related findings, which included \$139,732 in funds to better use and \$108,494 in questioned costs related to deficiencies in the City of Tulsa's grant management. The audit also found discrepancies in the financial information reported in the CHRP application and noted that supporting documents were not maintained for all of the information submitted. In addition, the OIG identified discrepancies with the number of full time equivalent positions that the City of Tulsa reported in certain Recovery Act Reports and determined that the City of Tulsa did not use a consistent methodology for its full time equivalent computations. While the City of Tulsa Federal Financial Report that the OIG reviewed were submitted in a timely manner, each of these reports included inaccurate information about grant expenditures. The OIG made six recommendations to COPS to remedy the findings identified. COPS agreed with the recommendations.



### Criminal Division

#### Reports Issued

##### Equitable Sharing Audits

Under the Department's Asset Forfeiture Program, state and local law enforcement agencies receive equitable sharing assets when participating directly with the Department's law enforcement components in joint investigations that lead to the seizure or forfeiture of cash and property. Equitable sharing revenues represent a share of the proceeds from the forfeiture of assets seized in the course of certain criminal investigations.

During this reporting period, the OIG examined equitable sharing revenues received by the Lansing, Michigan, Police Department. The results of this audit follow:

- The OIG audited \$823,960 in Department equitable sharing revenues received by the Lansing, Michigan, Police Department (Lansing PD). The audit found that the Lansing PD commingled Department equitable sharing funds with state of Michigan asset forfeiture funds within its accounting system. The audit also determined that the Lansing PD used \$3,061 in equitable sharing funds to pay for unallowable overtime for a

## Other Department Components

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civilian employee, as well as \$12,563 in equitable sharing funds to pay for an unsupported uniform allowance for its officers. Additionally, the audit discovered inaccuracies in some of the annual reports the Lansing PD submitted and found that the Lansing PD failed to maintain a log of its equitable sharing request forms, in violation of equitable sharing guidelines. The OIG made six recommendations to the Criminal Division to remedy questioned costs, and to ensure Lansing PD account for Department equitable sharing funds separately from all other funds, accurately report its equitable sharing expenditures, and log and reconcile sharing requests with receipts. The Criminal Division agreed with the recommendations.

### Procedural Reform Recommendation

The OIG recently concluded an investigation that determined two small local law enforcement agencies, working together on a local task force, engaged in money laundering undercover operations with no oversight or control, and no meaningful coordination with federal law enforcement. From 2008 to 2012, the local task force laundered over \$56 million dollars of drug proceeds. The task force frequently called upon federal law enforcement agencies, particularly the DEA, to handle enforcement activities arising from its undercover money laundering transactions, and the results of the enforcement activities formed the basis for subsequent equitable sharing claims by the task force. However, the task force did not notify the federal agencies of its undercover money laundering, or provide information about the accounts to which the laundered funds were being transmitted. The task force deposited the funds into its undercover accounts and transmitted the laundered money to drug traffickers or cartels without notifying federal agencies to ensure that these actions were not in conflict with federal operations or national enforcement strategy.

The OIG therefore has recommended that the Department consider amending policies and procedures within the Department's equitable sharing program to ensure that the program is not abused as a revenue source for state or local law enforcement agencies engaged in undercover money laundering activities, as it was in the recent case investigated by the OIG. In addition, modified policies and procedures for the equitable sharing program can be used to enhance oversight and control by state and local authorities over their undercover money laundering activities, and to encourage improved coordination between federal law enforcement agencies and local law enforcement agencies involved in money laundering undercover operations.

### Ongoing Work

#### Witness Security Program

The OIG is examining whether the Criminal Division's Office of Enforcement Operations is complying with the statutory requirements found in 18 U.S.C. § 3521(d)(1) and (f) pertaining to the memoranda of understanding the Attorney General must enter into with participants in the Department's Witness Security Program, and to the removal of inmate participants from the program.

### Environment and Natural Resources Division

#### Reports Issued

##### Audit of Fiscal Years 2011 and 2012 Superfund Activities

- The OIG examined the Department's Superfund activities in the Environment and Natural Resources Division (ENRD) for FY 2011 through FY 2012. The *Comprehensive Environmental Response, Compensation and Liability Act of 1980* (known as CERCLA or Superfund),

## Other Department Components

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which was expanded by the *Superfund Amendments and Reauthorization Act of 1986*, established the Superfund program to clean up the nation's worst hazardous waste sites. The OIG conducted this audit and concluded that the cost allocation process used by the ENRD and its contractor provided an equitable distribution of total labor costs, other direct costs, and indirect costs to Superfund cases during FY 2011 through FY 2012. There were no recommendations.

### U.S. Attorneys' Offices

#### Reports Issued

##### **EOUSA Laptop Computers and Electronic Tablet Encryption**

The OIG issued an audit report on EOUSA's laptop computer and electronic tablet encryption program and practices and identified several weaknesses in EOUSA's efforts to safeguard sensitive and classified Department data on these devices.

Specifically, the audit found that 6 of the 120 EOUSA-owned laptops used for unclassified processing that the OIG tested were not encrypted and the OIG could not determine the encryption status for three others. In our review of EOUSA's encryption monitoring scans, the OIG found eight laptops that were identified as unencrypted and remained so for over a year after having been first identified as needing encryption. The audit also found that EOUSA's official equipment inventory was incomplete, and contained inaccurate data entries, and that EOUSA did not sufficiently track and monitor laptops used for classified processing, causing an increased risk of classified information loss.

In addition, the OIG determined that EOUSA did not fully comply with the Department's requirements for using electronic tablets under a waiver from otherwise applicable encryption requirements as part of a pilot program, and

it did not adequately monitor or put in place policies sufficient to minimize security risks from the use of such tablets. Finally, the audit found that EOUSA had allowed contractors to process Department data on unencrypted equipment after the Department's encryption requirement waiver had expired in 2011, that the oversight of these contractors was inconsistent among the USAOs, and that the use of Department data in general was not sufficiently monitored by the USAOs the OIG visited during its review, thereby increasing the risk of data loss.

The OIG made 13 recommendations to assist EOUSA in improving safeguards of Department data on laptops and electronic tablets, and in improving its management oversight to ensure compliance with Department policies. The OIG has closed one of these recommendations and EOUSA agreed with the remaining 12 recommendations.

##### **USAO and EOUSA Discipline Process**

The OIG examined the consistency, timeliness, and outcomes of the discipline process the USAOs and EOUSA use to address employee misconduct and found that, overall, some aspects of the discipline system worked well, but improvement is needed in several critical areas.

The OIG found that EOUSA is hampered in its ability to fully evaluate the disciplinary process and ensure that discipline decisions are consistent and reasonable, mainly because case file documentation on misconduct cases is incomplete. EOUSA has not delegated the responsibility or authority to maintain a complete, centralized case file and, as a result, it could not easily determine the actual number of misconduct cases, whether allegations were appropriately referred, or whether penalties were implemented. The lack of documentation also limited the ability of EOUSA's General Counsel's Office to conduct comprehensive searches and analyses for precedents that might be useful in other cases.

## Other Department Components

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In the cases for which there was sufficient documentation to permit us to reach a conclusion, the OIG found that the USAO and EOUSA reporting, inquiry, and adjudication of misconduct allegations, and the implementation of penalties, were generally consistent and did not appear to be unreasonable. Additionally, the USAOs and EOUSA were consistent in applying formal discipline for computer misuse cases, and they employed progressive discipline consistently.

Finally, while the USAOs and EOUSA were generally timely in processing misconduct cases, they had no specific timeliness standards to measure the performance of the disciplinary process, and EOUSA and the USAOs did not document the processing time.

The OIG made four recommendations to improve the USAOs' and EOUSA's management of the disciplinary process. EOUSA agreed with the recommendations.

### Investigations

The following is an example of a case that the OIG's Investigations Division investigated during this reporting period:

- In the *Semiannual Report to Congress, October 1, 2012 – March 31, 2013*, the OIG reported that the husband of an AUSA was arrested for disclosing that wire communications were subject to interception and making a false statement. On January 14, 2014, the defendant was sentenced to 12 months and one day of incarceration, to be followed by 12 months' supervised release, based on his conviction at trial on charges of disclosing that wire communications were subject to interception and making a false statement to OIG investigators. According to the indictment, the defendant gave notice to a person whose telephone was the subject of an interception authorization of the possible interception of a telephone

communication in order to obstruct, impede, and prevent such interception, and subsequently lied to OIG investigators about doing so. This investigation was conducted by the OIG's El Paso Area Office.

### Ongoing Work

#### USAO Debt Collection

The OIG is examining the efforts of the USAOs and EOUSA to collect criminal and civil debts. The OIG is reviewing the process for collecting criminal and civil debts, the process for classifying debts as uncollectible, and other activities associated with debt collection.

#### Pre-trial Diversion and Drug Court Programs

Pre-trial diversion and drug court programs are alternatives to incarceration that enable prosecutors, judges, and correctional officials to divert certain offenders from traditional criminal justice proceedings into programs designed to address the underlying cause for criminal behavior. This OIG audit will evaluate the design and implementation of the programs, variances in the usage of the programs among the USAOs, and costs savings associated with successful program participants.

### Office on Violence Against Women

#### Reports Issued

##### Audits of OVW Grants

The Office on Violence Against Women (OVW) administers financial and technical assistance to communities across the country for the development of programs, policies, and practices aimed at ending domestic violence, dating violence, sexual assault, and stalking. OVW recipients include state and local

## Other Department Components

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governments, universities, non-profit agencies, and for-profit agencies. During this reporting period, the OIG conducted four audits of OVW grant recipients. The results from these audits are summarized below:

- The OIG audited three grants and one cooperative agreement totaling \$4,061,104 awarded to the New Mexico Coalition of Sexual Assault Programs, Inc. (NMCSAP). The audit found that NMCSAP did not comply with essential grant conditions in the areas of internal controls, grant expenditures, and financial and progress reporting. Most significantly, NMCSAP charged unallowable and unsupported costs to the grants and cooperative agreement. In addition, the OIG was unable to evaluate program performance and goal accomplishment for one of the grants due to insufficient progress report information, as well as for the cooperative agreement because required staff training had not yet been completed prior to implementing the program. As a result, the OIG made five recommendations to address dollar-related findings totaling \$1,272,928 and nine recommendations to improve the management of OVW grants. The OVW agreed with the recommendations.
- The OIG audited a \$1,015,654 OVW grant awarded to the Mile High Ministries, Denver, Colorado, to provide legal assistance for victims. The audit found discrepancies in accounting records, missing timesheets, expenditures that were not properly authorized, and a lack of supporting documentation for training activities and volunteer services provided by grant-funded personnel resulting in net questioned costs of approximately \$366,000. The OIG made seven recommendations to remedy these findings. The OVW agreed with the recommendations.
- The OIG audited an OVW grant totaling \$570,000 awarded to Our Sister's Keeper Coalition (OSKC) in Durango, Colorado. The audit found that OSKC did not comply with essential grant conditions in the areas of internal controls, grant drawdowns, grant expenditures, budget management and control, grant reporting, and grant goals and accomplishments. Most significantly, OSKC commingled the OVW grant funds with funding from other sources, did not consistently identify funding sources for expenditures, made drawdowns in excess of grant expenditures, charged unallowable and unsupported costs to the grant, did not submit accurate or timely grant reports, and did not meet grant goals and objectives. The OIG made 5 recommendations to address \$201,647 in dollar-related findings and 14 recommendations to improve the management of Department grants. The OVW agreed with the recommendations.
- The OIG audited an OVW cooperative agreement totaling \$380,823 awarded to the city of Spokane, Washington, to support a multidisciplinary team that would respond to cases involving elder abuse. The audit revealed that elder abuse investigations actually decreased during the award period even though Spokane experienced an increase in reports of elder abuse during the same time period. The OIG also identified deficiencies regarding Spokane's internal controls, drawdowns, expenditures, accountable property records, and compliance with award requirements, and questioned \$17,368 of Spokane's award expenditures. The OIG made nine recommendations in the report. The auditee and the OVW agreed with the recommendations.

## Other Department Components

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### Investigations

The following are examples of cases that the OIG investigated during this reporting period:

- On January 17, 2014, the executive director of an OVW grantee was arrested on a charge of embezzlement. On January 23, 2014, a former employee of the same grantee was arrested on one count of theft. According to the charges, the executive director embezzled at least \$5,000 from the Department grant and the former employee stole property in excess of \$1,000. The former employee resigned a few months before the OIG investigation began. The investigation is being conducted by the OIG's Denver Field Office and the FBI's Aberdeen, South Dakota, Resident Agency.
- On December 12, 2013, the United States District Court for the Western District of North Carolina ordered a former employee of Shelter for Safety, a Native American nonprofit organization that established transitional housing for abused women and an OVW grantee, to repay \$5,392.39 in grant funds he had improperly converted for his personal use. The order was entered in a civil action against the former employee pursuant to the *False Claims Act*. The investigation determined that the defendant, in his position as the program administrator for the grant, wrote himself checks and converted the grant funds to his personal use. The investigation was conducted by the OIG's Fraud Detection Office.
- In the *Semiannual Report to Congress, April 1, 2013 – September 30, 2013*, the OIG reported that a former program director of the Family Resource Center (FRC) in Seminole, Oklahoma, was arrested and had pled guilty to an information charging him with federal program theft. In pleading guilty, the program director

admitted that from about February 2010 to about August 2012, she embezzled, stole, and intentionally misapplied program property worth \$90,486.14 from the FRC, which had received the funds from the Department's Office on Violence Against Women and the Office of Victims of Crime through several sub-grants administered by the State of Oklahoma. On December 17, 2013, the former program director was sentenced in the Eastern District of Oklahoma to 5 months' incarceration followed by 5 months' home confinement and 3 years' supervised release, and ordered to pay \$92,095.14 in restitution to the FRC. The investigation was conducted by the OIG's Dallas Field Office.

# Top Management and Performance Challenges

The OIG has created a list of top management and performance challenges in the Department annually since 1998. The list is based on the OIG's oversight work, research, and judgment. By statute this list is required to be included in the Department's Agency Financial Report.

This year's list identifies six challenges that the OIG believes represent the most pressing concerns for the Department. While the challenges are not prioritized, the OIG believes that one of the challenges highlighted this year, which also was identified in last year's top management challenges, represents an increasingly critical threat to the Department's ability to fulfill its mission. That challenge is *Addressing the Growing Crisis in the Federal Prison System*.

The crisis in the federal prison system is two-fold. First, the costs of the federal prison system continue to escalate, consuming an ever-larger share of the Department's budget with no relief in sight. In the current era of flat or declining budgets, the continued growth of the prison system budget poses a threat to the Department's other critical programs – including those designed to protect national security, enforce criminal laws, and defend civil rights. As stated in OIG testimony to Congress during the past year, the path the Department is on is unsustainable in the current budget environment. Second, federal prisons are facing a number of important safety and security issues, including, most significantly, that they have been overcrowded for years and the problem is worsening. Since 2006, Department officials have acknowledged the threat overcrowding poses to the safety and security of its prisons, yet the Department has not put in place a plan that can reasonably be expected to alleviate the problem.

Meeting this challenge will require a coordinated, Department-wide approach in which all relevant Department officials participate in reducing the costs and crowding in the federal prison system. The challenge



posed by the federal prison system is reflective of all of the challenges on top management challenges list: each is truly a challenge to be addressed by the Department as a whole, not just by individual Department components.

## Top Management and Performance Challenges in the Department of Justice – 2013

1. Addressing the Growing Crisis in the Federal Prison System
2. Safeguarding National Security Consistent with Civil Rights and Liberties
3. Protecting Taxpayer Funds from Mismanagement and Misuse
4. Enhancing Cybersecurity
5. Ensuring Effective and Efficient Law Enforcement
6. Restoring Confidence in the Integrity, Fairness, and Accountability of the Department

Detailed information about the Department's management and performance challenges can be found online at [www.justice.gov/oig/challenges/](http://www.justice.gov/oig/challenges/).



# Congressional Testimony/Legislation and Regulations

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## Congressional Testimony

During this reporting period, the Inspector General testified before Congress on four occasions, including before the U.S. Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on the Efficiency and Effectiveness of Federal Programs and the Federal Workforce on November 19, 2013, regarding the roles and effectiveness of oversight positions within the federal workforce; before the full U.S. Senate Committee on Homeland Security and Governmental Affairs on January 14, 2014, regarding conference and travel spending across the federal government; before the U.S. House of Representatives Committee on Oversight and Government Reform on January 15, 2014, regarding strengthening agency oversight by empowering the Inspectors General community; and before the U.S. House of Representatives Committee on the Judiciary, Subcommittee on Crime, Terrorism, Homeland Security, and Investigations on January 28, 2014, regarding the Department's management of grant programs.



## Legislation and Regulations

The *Inspector General Act* directs the OIG to review proposed legislation and regulations relating to the programs and operations of the Department. Although the Department's Office of Legislative Affairs reviews all proposed or enacted legislation that could affect the Department's activities, the OIG independently reviews proposed legislation that could affect its operations and legislation that relates to waste, fraud, or abuse in the Department's programs and operations. For example, during this period, the OIG reviewed legislation including the *Stop Unworthy Spending Act*, *FOIA Oversight and Implementation Act*, *Digital Accountability and Transparency Act*, *Intelligence Authorization Act for FY 2014*, and matters related to grants, cyber security, FISA authorities, drones, and federal sentencing regulations.



# Whistleblower Ombudsperson

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The OIG's Whistleblower Ombudsperson program continues to work to educate employees and managers within the Department as to how to report waste, fraud, abuse, and misconduct, and the rights and protections for whistleblowers under applicable federal laws. The OIG has maintained a leadership role within the IG community in this area, continuing to organize and host the periodic meetings of the CIGIE working group of federal Whistleblower Ombudspersons. The OIG helped launch this group in order to facilitate the sharing of information regarding developing issues and best practices in the area, and to support the establishment of strong and effective Whistleblower Ombudspersons across the federal government. Within the Department, the OIG has continued its efforts to expand its whistleblower rights and protections education and training by using the 2013 OIG-created video, "Reporting Wrongdoing: Whistleblowers and their Rights and Protections," and by developing such educational programs for other Department components. The OIG also has continued to enhance the content on its public website, [www.justice.gov/oig](http://www.justice.gov/oig), to be as visible and helpful as possible in providing relevant information for those who may wish to come forward to report wrongdoing or believe that they have been retaliated against for doing so, including a link to an e-mail account that the OIG created for the Whistleblower Ombudsperson Program that Department employees can use to communicate directly with its program regarding these issues. The OIG has continued to refine its internal mechanisms to ensure that the OIG is promptly reviewing whistleblower submissions and communicating with those who come forward with information in a timely fashion. Finally, the OIG has committed to ensuring that appropriate language reflecting whistleblower rights and protections is included in its non-disclosure agreements to further ensure that employees are fully aware that the OIG strongly encourages them to come forward with evidence of wrongdoing and that the OIG will work to ensure that their rights and protections are fully observed.



# Statistical Information

## Audit Overview

During this reporting period, the OIG's Audit Division issued 35 internal and external audit reports, which contained more than \$3.6 million in questioned costs, reported over \$550 thousand in funds to better use, and made 137 recommendations for management improvement.<sup>1</sup> Specifically, the Audit Division issued 20 internal audit reports of Department programs funded at more than \$252 million; 15 external audit reports of contracts, grants, and other agreements funded at over \$25.9 million; and 116 Single Audit Act audits of programs funded at more than \$322 million. In addition, the Audit Division issued one Notification of Irregularity and one other report.<sup>2</sup>

Questioned Costs <sup>3</sup>			
Reports	Number of Reports	Total Questioned Costs (including unsupported costs)	Unsupported Costs <sup>4</sup>
<b>Audits</b>			
No management decision made by beginning of period <sup>5</sup>	0	\$0	\$0
Issued during period	41 <sup>6</sup>	\$6,966,872	\$2,620,600
Needing management decision during period	41	\$6,966,872	\$2,620,600
Management decisions made during period:			
–Amount of disallowed costs <sup>7</sup>	38 <sup>8</sup>	\$6,881,486	\$2,541,662
–Amount of costs not disallowed	0	\$0	\$0
No management decision at end of period	3	\$85,386	\$78,938
<b>Evaluations</b>			
Nothing to report from the Evaluation and Inspections Division.			
<b>Special Reviews</b>			
Nothing to report from the Oversight and Review Division.			

<sup>1</sup> See glossary for definition of “Questioned Costs” and “Funds Recommended to Be Put to Better Use.”

<sup>2</sup> “Other Reports” are identified in Appendix 3. Notifications of Irregularity include instances of Audit Division referrals to the OIG Investigations Division. Management advisory memoranda are notifications to the auditee of significant issues identified during the audit, prior to completion of the audit and issuance of the audit report.

<sup>3</sup> See glossary for definition of “Questioned Costs.”

<sup>4</sup> See glossary for definition of “Unsupported Costs.”

<sup>5</sup> Includes reports previously issued for which no management decision has been made. See glossary for definition of “management decision.”

<sup>6</sup> Of the audit reports issued during this period with questioned costs, 27 were *Single Audit Act* reports.

<sup>7</sup> Includes instances in which management has taken action to resolve the issue and/or the matter is being closed because remedial action was taken. See glossary for definition of “disallowed costs.”

<sup>8</sup> Includes one instance where management agreed with all but one of the audit’s recommendations.

# Statistical Information

<b>Funds Recommended to Be Put to Better Use<sup>1</sup></b>		
<b>Reports</b>	<b>Number of Reports</b>	<b>Funds Recommended to Be Put to Better Use</b>
<b>Audits</b>		
No management decision made by beginning of period <sup>2</sup>	0	\$0
Issued during period	2	\$555,561
Needing management decision during period	2	\$555,561
Management decisions made during period:		
–Amounts management agreed to put to better use <sup>3</sup>	2	\$555,561
–Amounts management disagreed to put to better use	0	\$0
No management decision at end of period	0	\$0
<b>Evaluations</b>		
Nothing to report from the Evaluation and Inspections Division.		
<b>Special Reviews</b>		
Nothing to report from the Oversight and Review Division.		

<sup>1</sup> See glossary for definition of “Funds Recommended to Be Put to Better Use.”

<sup>2</sup> Reports previously issued for which no management decision has been made.

<sup>3</sup> Includes instances in which management has taken action to resolve the issue and/or the matter is being closed because remedial action was taken.

# Statistical Information

<b>Significant Recommendations for Which Corrective Actions Have Not Been Completed</b>			
<b>Report Number and Date</b>	<b>Report Title</b>	<b>Rec. No.</b>	<b>Recommendation</b>
<b>Audits</b>			
13-23 May 2013	Interim Report on the Department of Justice's Handling of Known or Suspected Terrorists Admitted into the Federal Witness Security Program	3	The text of this recommendation is law enforcement sensitive and not for public release.
13-37 September 2013	Interim Report on the Department of Justice's Use and Support of Unmanned Aircraft Systems	1	Convene a working group comprised of DOJ components using or with an interest in using unmanned aircraft systems (UAS) to: (1) determine whether UAS capabilities are sufficiently distinct from those of manned aircraft that they require a specific DOJ-level policy to address privacy and legal concerns; and (2) identify and address UAS policy concerns that are shared across components or require coordination among components and other federal agencies.
GR-70-13-006 June 2013	Audit of the Office of Justice Programs Office of Juvenile Justice and Delinquency Prevention Grants Awarded to Big Brothers Big Sisters of America	1	Remedy the \$19,462,448 in unsupported expenditures.
<b>Evaluations</b>			
I2013001 (October 2012)	Management of Immigration Cases and Appeals by the Executive Office for Immigration Review	3	EOIR develop immigration court case completion goals for non-detained cases.
I2014002 (March 2014)	Organized Crime Drug Enforcement Task Forces Fusion Center	2	The OFC establish procedures to identify and prioritize requests in investigations with a nexus to high-value drug trafficking and money laundering targets, such as targets linked to Consolidated Priority Organization Targets and their associates.
I2011001 (November 2010)	ATF's Project Gunrunner	4	Develop an automated process that enables ATF managers to track and evaluate the usefulness of investigative leads provided to firearms trafficking enforcement groups.
<b>Special Reviews<sup>1</sup></b>			
September 2012	A Review of ATF's Operation Fast and Furious and Related Matters	4	The Department should review the policies and procedures of its other law enforcement components to ensure that they are sufficient to address the concerns the OIG has identified in the conduct of Operations Wide Receiver and Fast and Furious, particularly regarding oversight of sensitive and major cases, the authorization and oversight of "otherwise illegal activity," and the use of informants in situations where the law enforcement component also has a regulatory function.
May 2006	A Review of the FBI's Handling of FBI Asset Katrina Leung	2	The OIG recommends that the FBI should require that any analytical products relating to the asset, together with red flags, derogatory reporting, anomalies, and other counterintelligence concerns be documented in a subsection of the asset's file.

<sup>1</sup> Special Reviews do not have report numbers.

# Statistical Information

Reports Without Management Decisions for More than 6 Months		
Report Number and Date	Report Title	Report Summary
<b>Audits</b>		
Nothing to report from the Audit Division.		
<b>Evaluations</b>		
I2013004 (April 2013)	Review of ATF's Explosives Inspection Program	The OIG made seven recommendations to help ATF improve its explosives inspection program. While ATF agreed in whole or in part with five of the recommendations and began taking steps to implement them, it disagreed with two recommendations addressing the analysis of inspection data and its use of telephone inspections for explosive pest control device users. OIG is working with ATF on two Unresolved Recommendations.
<b>Special Reviews</b>		
Nothing to report from the Oversight and Review Division.		

Description and Explanation of the Reasons for Any Significant Revised Management Decision Made During the Reporting Period			
Report Number and Date	Report Title	Rec. No.	Recommendation
<b>Audits</b>			
Nothing to report from the Audit Division.			
<b>Evaluations</b>			
Nothing to report from the Evaluation and Inspections Division.			
<b>Special Reviews</b>			
Nothing to report from the Oversight and Review Division.			

Significant Recommendations in Disagreement for More than 6 Months			
Report Number and Date	Report Title	Rec. No.	Recommendation
<b>Audits</b>			
Nothing to report from the Audit Division.			
<b>Evaluations</b>			
Nothing to report from the Evaluation and Inspections Division.			
<b>Special Reviews</b>			
Nothing to report from the Oversight and Review Division.			

# Statistical Information

## **National Defense Authorization Act Reporting**

### **OIG Reporting Required by the National Defense Authorization Act for FY 2008**

The *National Defense Authorization Act for FY 2008* requires all Inspectors General appointed under the IG Act to add an annex to their Semiannual Reports: (1) listing all contract audit reports issued during the reporting period containing significant audit findings; (2) briefly describing the significant audit findings in the report; and (3) specifying 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.

The OIG did not issue any audits that fit these criteria during this semiannual reporting period.

## **Audit Follow-up**

### **OMB Circular A-50**

OMB Circular A-50, *Audit Follow-up*, requires audit reports to be resolved within 6 months of the audit report issuance date. The Audit Division monitors the status of open audit reports to track the audit resolution and closure process. As of March 31, 2014, the OIG Audit Division was monitoring the resolution process of 331 open reports and closed 126 reports this reporting period.

## **Evaluation and Inspections Workload and Accomplishments**

The following chart summarizes the workload and accomplishments of the Evaluation and Inspections Division during the 6-month reporting period ending March 31, 2014.

<b>Workload and Accomplishments</b>	<b>Number of Reviews</b>
Reviews active at beginning of period	6
Reviews cancelled	0
Reviews initiated	7
Final reports issued	2
Reviews active at end of reporting period	11

# Statistical Information

## Investigations Statistics

The following chart summarizes the workload and accomplishments of the Investigations Division during the 6-month period ending March 31, 2014.

Source of Allegations <sup>1</sup>	
Hotline (telephone, mail and e-mail)	1,998
Other sources	3,900
Total allegations received	5,898
Investigative Caseload	
Investigations opened this period	195
Investigations closed this period	184
Investigations in progress as of 3/31/14	457
Prosecutive Actions	
Criminal indictments/informations	33
Arrests	32
Convictions/Pleas	38
Administrative Actions	
Terminations	20
Resignations	45
Disciplinary action	24
Monetary Results	
Fines/Restitutions/Recoveries/ Assessments/Forfeitures	\$862,387
Civil Fines/Restitutions/Recoveries/ Penalties/Damages/Forfeitures	\$1,298,927

## Investigations Division Briefing Programs

OIG investigators conducted 64 Integrity Awareness Briefings for Department employees throughout the country. These briefings are designed to educate employees about the misuse of a public official's position for personal gain and to deter employees from committing such offenses. The briefings reached 3,782 employees.

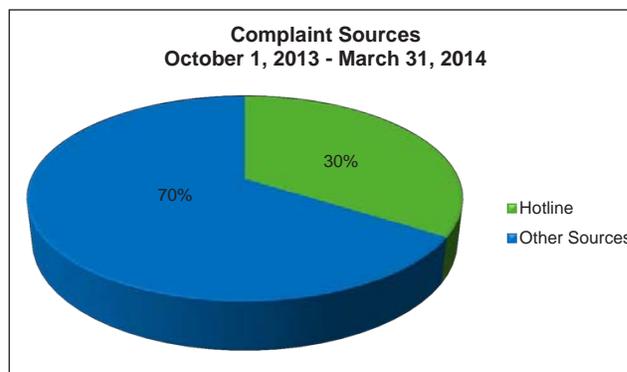
<sup>1</sup> These figures represent allegations entered into the OIG's complaint tracking system. They do not include the approximate 34,000 additional Hotline e-mail and phone contacts that were processed and deemed non-jurisdictional and outside the purview of the federal government.

## OIG Hotline

During FY 2014, the OIG received the majority of its Hotline complaints through its electronic complaint form located within the OIG website at [www.justice.gov/oig](http://www.justice.gov/oig).

In addition, Department employees and citizens are able to file complaints by telephone, fax, e-mail, and postal mail. The online access, e-mail, fax, and postal mail all provide the ability to file a complaint in writing to the OIG.

From all Hotline sources during the first half of FY 2014, 1,998 new complaints related to Department operations or other federal agencies were entered into the OIG's complaint tracking system. Of the new complaints, 1,401 were forwarded to various Department components for their review and appropriate action; 287 were filed for information; 248 were forwarded to other federal agencies, and 14 were opened by the OIG for investigation.



Source: Investigations Data Management System

Approximately, 34,000 additional Hotline e-mail and phone contacts were processed and deemed non-jurisdictional and outside the purview of the federal government and therefore were not entered into the OIG' complaint tracking system.

# Appendices

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## Appendix 1

### Acronyms and Abbreviations

ATF	Bureau of Alcohol, Tobacco, Firearms and Explosives
AUSA	Assistant U.S. Attorney
BJA	Bureau of Justice Assistance
BJS	Bureau of Justice Statistics
BOP	Federal Bureau of Prisons
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CODIS	Combined DNA Index System
COPS	Office of Community Oriented Policing Services
CHRP	COPS Hiring Recovery Program
CVF	Crime Victims Fund
DEA	Drug Enforcement Administration
Department	U.S. Department of Justice
DHS	U.S. Department of Homeland Security
DOL	U.S. Department of Labor
EOIR	Executive Office for Immigration Review
EOUSA	Executive Office for U.S. Attorneys
FBI	Federal Bureau of Investigation
FCC	Federal Correctional Complex
FISA	<i>Foreign Intelligence Surveillance Act of 1978</i>
FISMA	<i>Federal Information Security Management Act</i>
FY	Fiscal Year
GSA	General Services Administration
HUD	U.S. Department of Housing and Urban Development
IG Act	<i>Inspector General Act of 1978</i>
JMD	Justice Management Division
NIJ	National Institute of Justice
NSD	National Security Division
NSL	National Security Letter
OCDETF	Organized Crime Drug Enforcement Task Forces
ODAG	Office of the Deputy Attorney General
OIG	Office of the Inspector General
OJP	Office of Justice Programs
OJJDP	Office of Juvenile Justice and Delinquency Prevention
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OPR	Office of Professional Responsibility
OVC	Office for Victims of Crime
OVW	Office on Violence Against Women
Patriot Act	<i>Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act</i>
PSOB	Public Safety Officers' Benefits Programs
USAOs	U.S. Attorneys' Offices
USMS	U.S. Marshals Service

# Appendices

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## Appendix 2

### Glossary of Terms

The following are definitions of specific terms as they are used in this report.

**Combined DNA Index System:** A distributed database with three hierarchical levels that enables federal, state, and local forensic laboratories to compare DNA profiles electronically.

**Cooperative Agreement:** Term used to describe when the awarding agency expects to be substantially involved with the award's activities; often used interchangeably with "grant."

**Drawdown:** The process by which a grantee requests and receives federal funds.

**Disallowed Cost:** The IG Act defines "disallowed cost" as a questioned cost that management, in a management decision, has sustained or agreed should not be charged to the government.

**External Audit Report:** The results of audits and related reviews of expenditures made under Department contracts, grants, and other agreements. External audits are conducted in accordance with the Comptroller General's Government Auditing Standards and related professional auditing standards.

**Funds Recommended to Be Put to Better Use:** Recommendation by the OIG that funds could be used more efficiently if management of an entity took actions to start and complete the recommendation, including: (1) reductions in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the operations of the entity, a contractor, or grantee; (5) avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or (6) any other savings that specifically are identified.

**Internal Audit Report:** The results of audits and related reviews of Department organizations, programs, functions, computer security and information technology, and financial statements. Internal audits are conducted in accordance with the Comptroller General's Government Auditing Standards and related professional auditing standards.

**Management Decision:** The IG Act defines "management decision" as the evaluation by the management of an establishment of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary.

**Questioned Cost:** A cost that is questioned by the OIG because of: (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

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**Registrant Actions:** Under the *Controlled Substances Act of 1970* (Act), businesses or health care practitioners dealing in controlled substances must become registrants with the DEA. If a registrant is found to have violated the Act, the DEA may issue an order to show cause why the DEA should not revoke, suspend, or deny the registration. If the violation appears to pose an imminent threat to the public health, the DEA may issue an immediate suspension order, which deprives the registrant of the right to deal in controlled substances immediately. Collectively, orders to show cause and immediate suspension orders are known as “registrant actions.”

**Single Audit Act Audits:** *Single Audit Act* audits are performed by public accountants or a federal, state or local government audit organization in accordance with generally accepted government auditing standards. They are intended to determine whether the financial statements and schedule of expenditures of federal awards are presented fairly, to test internal controls over major programs, to determine whether the grant recipient is in compliance with requirements that may have a direct and material effect on each of its major programs, and to follow up on prior audit findings. These audits are required to be performed for organizations that expend \$500,000 or more in federal awards in accordance with the *Single Audit Act of 1984*, as amended, and OMB Circular A-133.

**Sole Source Contract:** Soliciting and negotiating with only one vendor.

**Supervised Release:** Court-monitored supervision upon release from incarceration.

**Supplanting:** For a state or unit of local government to reduce state or local funds for an activity specifically because federal funds are available (or expected to be available) to fund that same activity.

**Unsupported Cost:** A cost that is questioned by the OIG because the OIG found that, at the time of the audit, the cost was not supported by adequate documentation.

# Appendices

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## Appendix 3

### Audit Division Reports

#### Internal Audit Reports

##### *Multicomponent*

Audit of the Department of Justice's Efforts to Address Mortgage Fraud

Audit of the U.S. Department of Justice Annual Closing Package Financial Statements Fiscal Year 2013

Audit of the U.S. Department of Justice Annual Financial Statements Fiscal Year 2013

##### *Federal Bureau of Prisons*

Audit of the Federal Bureau of Prisons Annual Financial Statement Fiscal Year 2013

Audit of the Federal Bureau of Prisons' Efforts to Improve Acquisition Through Strategic Sourcing

Follow-up Audit of Medical Development International's Performance Under the Federal Correctional Complex Butner Medical Services Contract, Butner, North Carolina

##### *Drug Enforcement Administration*

Audit of the Drug Enforcement Administration's Accounting for Permanent Change of Station Transfers

##### *Federal Bureau of Investigation*

Audit of the Federal Bureau of Investigation Annual Financial Statements Fiscal Year 2013

Audit of the Federal Bureau of Investigation's Management of Terrorist Watchlist Nominations

##### *U.S. Marshals Service*

Audit of the United States Marshals Service Annual Financial Statements Fiscal Year 2013

##### *Other Department Components*

Audit of Superfund Activities in the Environment and Natural Resources Division for Fiscal Years 2011 and 2012

Audit of the Antitrust Division's Information Security Program Pursuant to the *Federal Information Security Management Act* Fiscal Year 2013

Audit of the Antitrust Division's Management Information System Pursuant to the *Federal Information Security Management Act* Fiscal Year 2013

Audit of the Assets Forfeiture Fund and Seized Asset Deposit Fund Annual Financial Statements Fiscal Year 2013

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Audit of the Executive Office for Immigration Review's Information Security Program Pursuant to the *Federal Information Security Management Act* Fiscal Year 2013

Audit of the Executive Office for Immigration Review's Justice Consolidated Office Network Case Access System Pursuant to the *Federal Information Security Management Act* Fiscal Year 2013

Audit of the Executive Office For United States Attorneys' Laptop Computer and Electronic Tablet Encryption Program and Practices

Audit of the Federal Prison Industries, Inc. Annual Financial Statements Fiscal Year 2013

Audit of the Justice Management Division's Information Security Program Pursuant to the *Federal Information Security Management Act* Fiscal Year 2013

Audit of the Justice Management Division's Single Authentication System Pursuant to the *Federal Information Management Act* Fiscal Year 2013

## **External Audit Reports**

### *Alabama*

Audit of National Institute of Justice DNA Backlog Reduction Program Grants Awarded to the Alabama Department of Forensic Sciences

### *Colorado*

Audit of the Office of Justice Programs, Basic Scientific Research to Support Forensic Science for Criminal Justice, Cooperative Agreement Awarded to the Regents of the University of Colorado, Boulder

Audit of the Office on Violence Against Women Legal Assistance for Victims Grant Awarded to the Mile High Ministries, Denver, Colorado

Audit of the Office on Violence Against Women Grants Awarded to Our Sister's Keeper Coalition, Durango, Colorado

### *District of Columbia*

Audit of the Office of Justice Programs Office of Juvenile Justice and Delinquency Prevention Award to the Institute for Educational Leadership, Washington, D.C.

### *Illinois*

Audit of the Office of Justice Programs Bureau of Justice Assistance Grant Awarded to the John Marshall Law School Veterans Legal Support Clinic, Chicago, Illinois

### *Michigan*

Audit of the Lansing Police Department's Equitable Sharing Program Activities, Lansing, Michigan

### *Missouri*

Audit of the National Institute of Justice Cooperative Agreement Award Under the Solving Cold Cases with DNA Program to the Kansas City, Missouri Board of Police Commissioners

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Audit of the National Institute of Justice Cooperative Agreement Awards Under the Solving Cold Cases with DNA Grant Program to the Jackson County, Missouri Prosecutor's Office, Kansas City, Missouri

## *New Mexico*

Audit of the Office on Violence Against Women Grants and Cooperative Agreement Awarded to the New Mexico Coalition of Sexual Assault Programs, Inc., Albuquerque, New Mexico

## *Oklahoma*

Audit of the Community Oriented Policing Services Hiring Recovery Program Grant Administered by the City of Tulsa, Oklahoma

Audit of Office of Justice Programs Grants Awarded to the Cherokee Nation, Tahlequah, Oklahoma

## *Pennsylvania*

Audit of the Office of Justice Programs Bureau of Justice Assistance Grants Awarded to the Father's Day Rally Committee, Philadelphia, Pennsylvania

Audit of the Office of Justice Programs Edward Byrne Memorial Justice Assistance Grants Awarded to Philadelphia Safety Net, Philadelphia, Pennsylvania

## *Washington*

Audit of the Office on Violence Against Women Cooperative Agreement Awarded to the City of Spokane, Washington

## **Single Audit Act Reports of Department Activities**

Ada County, Idaho FY 2012

Akiak Native Community, Akiak, Alaska FY 2011

City of Alton, Illinois FY 2012

American University, Washington, D.C. FY 2012

State of Arizona FY 2012

Asian Pacific Islander Legal Outreach, San Francisco, California FY 2011

AWARE, Incorporated, Jackson, Michigan FY 2012

City of Banning, California FY 2012

City of Bessemer, Alabama FY 2012

Big Brothers Big Sisters of New York City, Incorporated FY 2011

Bluegrass Domestic Violence Program, Lexington, Kentucky FY 2012

County of Bradford, Pennsylvania FY 2010

County of Bristol, Massachusetts FY 2011

Office of the Bronx County, New York District Attorney FY 2012

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City of Calumet City, Illinois FY 2010  
CASA of Los Angeles, California FY 2012  
Cherokee County Commission, Centre, Alabama FY 2011  
County of Chesterfield, Virginia FY 2012  
Chickasaw County, Mississippi FY 2011  
A Child is Missing, Incorporated, Fort Lauderdale, Florida FY 2011  
Clark County, Nevada FY 2012  
Commonwealth of Puerto Rico Office for Public Security FY 2012  
The Crisis Center for Domestic Abuse and Sexual Assault, Fremont, Nebraska FY 2012  
City of Dearborn, Michigan FY 2012  
Department of the Attorney General, State of Hawaii FY 2012  
City of Detroit, Michigan FY 2012  
City of Dover, Delaware FY 2012  
Downriver Mutual Aid, Southgate, Michigan FY 2012  
City of East Liverpool, Ohio FY 2011  
City of El Centro, California FY 2012  
City of El Monte, California FY 2012  
City of Elizabeth, New Jersey FY 2012  
City of Emeryville, California FY 2012  
Engility Corporation, Chantilly, Virginia CY 2011  
Fort Belknap Indian Community Governmental Services Department, Harlem, Montana FY 2011  
City of Glasgow, Kentucky FY 2012  
Grant County, New Mexico FY 2011  
City of Groton, South Dakota FYs 2011 and 2010  
City of Hallandale Beach, Florida FY 2012  
Heartly House, Frederick, Maryland FY 2012  
Helping Services of Northeast Iowa, Incorporated, Decorah, Iowa FY 2012  
Hennepin County, Minnesota FY 2012  
City of Homestead, Florida FY 2012

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City and County of Honolulu, Hawaii FY 2012

Housing Authority of Plainfield, New Jersey FY 2011

State of Illinois FY 2012

International Association of Forensic Nurses, Incorporated, Elkridge, Maryland FY 2012

City of Jackson, Mississippi FY 2012

Jo Daviess County, Illinois FY 2012

Jobs for Delaware Graduates, Dover, Delaware FY 2012

County of Kennebec, Maine FY 2011

King County, Washington FY 2011

City of La Verne, California FY 2012

City of Lansing, Michigan FY 2012

City of Lauderdale, Florida FY 2012

County of Lehigh, Pennsylvania FY 2012

County of Lincoln, Missouri FY 2010

Los Angeles Interagency Metropolitan Police Apprehension Crime Task Force FY 2012

City of Los Angeles, California FY 2012

Lutheran Social Services of South Dakota, Incorporated and Consolidated Affiliates, Sioux Falls, South Dakota FY 2012

City of Manteca, California FY 2012

City of Marietta, Georgia FY 2012

Marion County, Indiana FY 2011

The Maryland Coalition Against Sexual Assault, Incorporated, Silver Spring, Maryland FY 2012

National Center for Victims of Crime, Washington, D.C. FY 2012

State of Nebraska FY 2012

New Mexico Coalition of Sexual Assault Programs, Albuquerque, New Mexico FY 2012

The New York State Coalition Against Domestic Violence, Incorporated and Subsidiary, Albany, New York FY 2011

Office of Special Narcotics Prosecutor, New York, New York FY 2012

Okeechobee County, Florida FY 2012

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City of Ontario, California FY 2012

County of Orange, California FY 2012

Pauma Band of Mission Indians, Pauma Valley, California FY 2011

City of Portland, Oregon FY 2012

Prince George's County, Maryland FY 2012

Project Lifesaver, Incorporated, Chesapeake, Virginia FY 2010

Puerto Rico Women's Advocate Office of the Commonwealth of Puerto Rico FY 2012

City of Raton, New Mexico FY 2012

City of Redding, California FY 2012

City of Redlands, California FY 2012

Research Triangle Institute, Research Triangle Park, North Carolina FY 2012

Saginaw Chippewa Indian Tribe of Michigan, Mount Pleasant, Michigan FY 2012

City of Saint Louis, Missouri FY 2012

County of San Bernardino, California FY 2012

City of Sandy City, Utah FY 2012

City of Santa Fe, New Mexico FY 2012

Seward County, Nebraska FY 2012

County of Siskiyou, California FY 2011

City of St. Cloud, Minnesota FY 2012

State of New Mexico, Administrative Office of the Courts FY 2012

State of New Mexico, Department of Public Safety FY 2012

City of Stockton, California FY 2011

Strategic Applications International, LLC, Alexandria, Virginia FY 2011

Sumner County, Kansas FY 2011

Sun'aq Tribe of Kodiak, Alaska FY 2012

City of Sunbury, Pennsylvania FY 2011

Taylor County, Wisconsin FY 2011

City of Taylor, Michigan FY 2012

County of Tarrant, New Mexico FY 2012

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City of Trenton, New Jersey FY 2012

City of Tulare, California FY 2012

City of Union City, California FY 2012

United Way of Genesee County, Michigan FY 2012

Upshur County, Texas FY 2011

Washtenaw County, Michigan FY 2012

Webb County, Texas FY 2012

City of Weed, California FY 2011

City of West Columbia, South Carolina FY 2012

Western States Information Network, Incorporated, Sacramento, California FY 2012

White Buffalo Calf Woman Society, Incorporated, Mission, South Dakota FY 2010

County of Winnebago, Illinois FY 2012

Wyandotte Nation, Wyandotte, Oklahoma FY 2012

Wyoming Association of Sheriffs and Chiefs of Police, Douglas, Wyoming FY 2012

City of Youngstown, Ohio FY 2010

YWCA of Hawai'i, Hilo, Hawaii FY 2012

ZERO TO THREE: National Center for Infants, Toddlers, and Families, Washington, D.C. FY 2012

## **Other Reports**

Reviews of the Annual Accounting of Drug Control Funds and Related Performance Fiscal Year 2013

# Appendices

## Appendix 4

### Quantifiable Potential Monetary Benefits

Audit Report	Questioned Costs (including unsupported costs)	Unsupported Costs	Funds Put to Better Use
<b>Audits Performed by the DOJ OIG</b>			
Audit of the Office of Justice Programs, Basic Scientific Research to Support Forensic Science for Criminal Justice, Cooperative Agreement Awarded to the Regents of the University of Colorado, Boulder	\$26,141	\$13,021	\$0
Audit of the Office on Violence Against Women Grants Awarded to Our Sister's Keeper Coalition, Durango, Colorado	\$201,647	\$173,720	\$0
Audit of the Office on Violence Against Women Legal Assistance for Victims Grant Awarded to the Mile High Ministries, Denver, Colorado	\$366,309	\$366,309	\$0
Audit of the Office of Justice Programs Office of Juvenile Justice and Delinquency Prevention Award to the Institute for Educational Leadership, Washington, D.C.	\$7,000	\$7,000	\$0
Audit of the Office of Justice Programs Bureau of Justice Assistance Grant Awarded to the John Marshall Law School Veterans Legal Support Clinic, Chicago, Illinois	\$15,455	\$0	\$0
Audit of the Lansing Police Department's Equitable Sharing Program Activities, Lansing, Michigan	\$15,624	\$12,563	\$0
Audit of the National Institute of Justice Cooperative Agreement Award Under the Solving Cold Cases with DNA Program to the Kansas City, Missouri Board of Police Commissioners	\$440,232	\$0	\$0
Audit of the National Institute of Justice Cooperative Agreement Awards Under the Solving Cold Cases with DNA Grant Program to the Jackson County, Missouri Prosecutor's Office, Kansas City, Missouri	\$504,524	\$0	\$415,829
Audit of the Office on Violence Against Women Grants and Cooperative Agreement Awarded to the New Mexico Coalition of Sexual Assault Programs, Inc., Albuquerque, New Mexico	\$1,272,928	\$224,657	\$0
Audit of Office of Justice Programs Grants Awarded to the Cherokee Nation, Tahlequah, Oklahoma	\$4,854	\$0	\$0
Audit of the Community Oriented Policing Services Hiring Recovery Program Grant Administered by the City of Tulsa, Oklahoma	\$108,494	\$0	\$139,732
Audit of the Office of Justice Programs Bureau of Justice Assistance Grants Awarded to the Father's Day Rally Committee, Philadelphia, Pennsylvania	\$146,436	\$140,205	\$0
Audit of the Office of Justice Programs Edward Byrne Memorial Justice Assistance Grants Awarded to Philadelphia Safety Net, Philadelphia, Pennsylvania	\$479,183	\$388,341	\$0
Audit of the Office on Violence Against Women Cooperative Agreement Awarded to the City of Spokane, Washington	\$17,368	\$1,573	\$0
<b>Subtotal (Audits Performed by the DOJ OIG)</b>	<b>\$3,606,195</b>	<b>\$1,327,389</b>	<b>\$555,561</b>
<b>Audits Performed by State/Local Auditors and Independent Public Accounting Firms Under the Single Audit Act<sup>1</sup></b>			
City of Alton, Illinois FY 2012	\$295,167	\$0	\$0
Big Brothers Big Sisters of New York City, Incorporated FY 2011	\$4,334	\$4,334	\$0
County of Bristol, Massachusetts FY 2011	\$1,177,181	\$0	\$0
City of Calumet City, Illinois FY 2010	\$72,968	\$0	\$0

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The Crisis Center for Domestic Abuse and Sexual Assault, Fremont, Nebraska FY 2012	\$8,336	\$8,336	\$0
City of Dearborn, Michigan FY 2012	\$71,082	\$0	\$0
Department of the Attorney General, State of Hawaii FY 2012	\$11,357	\$11,357	\$0
City of Detroit, Michigan FY 2012	\$4,173	\$4,173	\$0
City of Elizabeth, New Jersey FY 2012	\$29,230	\$0	\$0
Fort Belknap Indian Community Governmental Services Department, Harlem, Montana FY 2011	\$6,514	\$6,514	\$0
City of Glasgow, Kentucky FY 2012	\$10,123	\$0	\$0
Housing Authority of Plainfield, New Jersey FY 2011	\$94,495	\$94,495	\$0
County of Kennebec, Maine FY 2011	\$51,841	\$51,841	\$0
City of Lansing, Michigan FY 2012	\$791,658	\$791,658	\$0
City of Lauderhill, Florida FY 2012	\$63,326	\$0	\$0
City of Los Angeles, California FY 2012	\$125,082	\$0	\$0
Lutheran Social Services of South Dakota, Inc. and Consolidated Affiliates, Sioux Falls, South Dakota FY 2012	\$1,098	\$1,098	\$0
State of Nebraska FY 2012	\$95,451	\$95,451	\$0
The New York State Coalition Against Domestic Violence, Inc. and Subsidiary, Albany, New York FY 2011	\$4,330	\$4,330	\$0
Pauma Band of Mission Indians, Pauma Valley, California FY 2011	\$27,097	\$27,097	\$0
City of Redding, California FY 2012	\$47,970	\$0	\$0
Research Triangle Institute, Research Triangle Park, North Carolina FY 2012	\$12,000	\$12,836	\$0
City of Saint Louis, Missouri FY 2012	\$2,300	\$0	\$0
City of St. Cloud, Minnesota FY 2012	\$6,448	\$0	\$0
City of Stockton, California FY 2011	\$248,658	\$192,527	\$0
City of Union City, California FY 2012	\$82,458	\$0	\$0
Wyandotte Nation, Wyandotte, Oklahoma FY 2012	\$16,000	\$0	\$0
<b>Subtotal (Audits Performed by State/Local Auditors and Independent Public Accounting Firms Under the Single Audit Act)</b>	<b>\$3,360,677</b>	<b>\$1,293,211</b>	<b>\$0</b>
<b>Total</b>	<b>\$6,966,872</b>	<b>\$2,620,600</b>	<b>\$555,561</b>

<sup>1</sup> These audits are reviewed by the OIG to assess the quality and the adequacy of the entity's management of federal funds. The OIG issues these audits to the responsible component and performs follow-up on the audit reports' findings and recommendations.

# Appendices

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## Appendix 5

### **Evaluation and Inspections Division Reports**

Review of the Organized Crime Drug Enforcement Task Forces Fusion Center

Review of the USAOs' and EOUSA's Disciplinary Process

### **Oversight and Review Division Reports**

A Review of the U.S. Marshals Service's Use of Appropriated Funds to Purchase Promotional Items

A Review of the FBI's Progress in Responding to the Recommendations in the OIG Report on the FBI's Handling and Oversight of Katrina Leung

# Appendices

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## Appendix 6

### Peer Reviews

#### Peer Reviews Conducted by Another OIG

##### *Audit Division*

The most recent peer review of the Audit Division was performed by the Department of Agriculture OIG (USDA OIG). In its report issued on March 18, 2013, the DOJ OIG received a peer review rating of *pass* for its system of quality control for FY 2012. The USDA OIG did not make any recommendations.

##### *Investigations Division*

The most recent peer review of the Investigations Division was performed by the DOL OIG. The DOL OIG found that the DOJ OIG is in full compliance of its internal safeguards and management procedures. The DOL OIG did not make any recommendations.

#### Outstanding Recommendations from Peer Reviews of the OIG

There are no outstanding recommendations from peer reviews of the OIG.

#### Peer Reviews Conducted by the OIG

##### *Audit Division*

The most recent peer review conducted by the Audit Division was of the GSA OIG. In its report issued on December 20, 2012, the GSA OIG received a peer review rating of *pass* for its system of quality control.

##### *Investigations Division*

In accordance with the schedule established by the CIGIE, the DOJ OIG Investigations Division has been assigned to conduct a peer review of the system of internal safeguards and management procedures for the investigative function of the HUD OIG. The DOJ OIG's review of the HUD OIG's internal safeguards and management procedures will be conducted in conformity with the CIGIE Quality Standards for Investigations and the Qualitative Assessment Review Guidelines established by CIGIE. The DOJ OIG's onsite review will be conducted from March 25, 2014, through April 4, 2014, and the results of the peer review will appear in the DOJ OIG's *Semiannual Report to Congress, April 1, 2014 – September 30, 2014*.

#### Outstanding Recommendations from Peer Reviews Conducted by the OIG

There are no outstanding recommendations from peer reviews conducted by the OIG.

# Appendices

## Appendix 7

### Reporting Requirements Index

The IG Act specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to the applicable pages.

IG Act References	Reporting Requirements	Page
Section 4(a)(2)	Review of Legislation and Regulations	51
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	13-48
Section 5(a)(2)	Significant Recommendations for Corrective Actions	13-48
Section 5(a)(3)	Significant Recommendations for Which Corrective Actions Have Not Been Completed	57
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	22-23, 26-32, 35-37, 41-42, 46, 48
Section 5(a)(5)	Refusal to Provide Information	None
Section 5(a)(6)	Listing of Audit Reports	64-70
Section 5(a)(7)	Summary of Significant Reports	13-48
Section 5(a)(8)	Questioned Costs	55
Section 5(a)(9)	Funds Recommended to Be Put to Better Use	56
Section 5(a)(10)	Reports Without Management Decisions for More than 6 Months	58
Section 5(a)(11)	Description and Explanation of the Reasons for Any Significant Revised Management Decision Made During the Reporting Period	58
Section 5(a)(12)	Significant Recommendations in Disagreement for More than 6 Months	58
Section 5(a)(14)	Peer Reviews Conducted by Another OIG	74
Section 5(a)(15)	Outstanding Recommendations from Peer Reviews of the OIG	74
Section 5(a)(16)	Outstanding Recommendations from Peer Reviews Conducted by the OIG	74

# Report Waste, Fraud, Abuse, or Misconduct

To report allegations of waste, fraud, abuse, or misconduct regarding Department of Justice programs, employees, contractors, or grants, please go to the DOJ OIG website at [www.justice.gov/oig](http://www.justice.gov/oig) or call the OIG's Hotline at (800) 869-4499.

The OIG website has complaint forms that allow you to report the following to the OIG:

- General allegations of fraud, waste, and abuse in Department programs or by Department employees;
- Contract fraud, including mandatory disclosures required by contractors when they have credible evidence of violations of the civil *False Claims Act* or certain violations of criminal law;
- Grant fraud, including fraud, waste, or abuse related to the Department's award of Recovery Act funds; and
- Violations of civil rights or civil liberties by Department employees.

To give information by mail or facsimile, please send to:

Office of the Inspector General  
U.S. Department of Justice  
950 Pennsylvania Avenue, NW  
Room 4706  
Washington, DC 20530  
Fax: (202) 616-9881

For further information on how to report a complaint to the OIG, please call (800) 869-4499.

**U.S. Department of Justice**  
**Office of the Inspector General**