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## **The Department of Defense Office of the Inspector General and Hurricane Katrina Recovery Efforts**

*Remarks as prepared for delivery by Department of Defense Acting Inspector General Thomas F. Gimble to the Federal Auditing Executive Council, July 24, 2006*

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Thanks for the welcome and good morning everyone. I am here today to speak to you about the Department of Defense Office of the Inspector General (DoD OIG) and our role in Hurricane Katrina relief and recovery efforts. The DoD has been an active participant in the disaster recovery efforts for areas of the Gulf Coast devastated by Hurricanes Katrina, Rita, and Wilma.

I want to acknowledge the key role Mr. Skinner has had as the Chair of the PCIE Homeland Security Roundtable, which has been monitoring the work of the Inspector General community and collecting information to provide to Congress on our collective oversight efforts. The IGs and Congress are partners in overseeing the utilization of resources in the relief and recovery efforts. Chairman Platts and the Subcommittee on Government Management, Finance and accountability, has been in the forefront of Congress' oversight efforts, and I know Mike Hettinger has had a prominent hand in the work of the Subcommittee and in planning the hearings it has held.

I am working in close coordination with other Inspectors General through the President's Council on Integrity and Efficiency (PCIE) to ensure effective oversight in the utilization of resources in the relief and recovery efforts. Within DoD are the following:

- The OIG
- The Army Audit Agency (AAA)
- The Naval Audit Service (NAS)
- The Air Force Audit Agency (AFAA)
- The Defense Contract Audit Agency (DCAA)
- The Defense Criminal Investigative Service (DCIS)
- The Army Criminal Investigation Command (USACIDC)

Together these agencies have employed a group of around 150 auditors, investigators, and inspectors who have provided professional oversight of contracts and operations related to Hurricane Katrina relief and recovery efforts.

Today, I want talk to you about our ongoing audits and investigations. The DoD OIG has 11 ongoing audits related to Hurricane Katrina. These audits cover contracts on ice, water, temporary roofs, subsistence, and construction capabilities; expanded micro-purchase authority

for purchase card transactions; effects on information technology resources in affected areas; accounting and oversight of obligations and expenditures related to DoD Hurricane Katrina efforts; and the use of DoD resources supporting recovery and relief efforts. Three audits were congressional requests, one audit was requested by DoD, and the remaining seven were self-initiated. We have deferred other self-initiated audit work to ensure resources are available for this important effort. Hurricane Katrina audit efforts are given priority within the DoD OIG.

I want to give you details of our 11 ongoing audits within the DoD OIG, many of which include issues you have heard or read about in the news:

1. The first is the *Audit of the DoD Contract Support for the Hurricane Katrina Recovery Effort*. This audit will review the award and administration of DoD contracts used to support Hurricane Katrina recovery efforts.
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2. The *Audit of the Effects of Hurricane Katrina on DoD Information Technology Resources in Affected Areas* will determine the effects of Hurricane Katrina on DoD information technology resources.
3. On September 19, 2005 we began the *Audit of the Use of DoD Resources Supporting the Hurricane Katrina Disaster*, which will audit the use of DoD resources in providing relief efforts in support of Hurricane Katrina.
  - A draft report is expected in early August. The report will address changes needed to the current DoD guidance which prescribes the policies and procedures and assigns responsibilities to the DoD for military support to civil authorities. The report will also address U.S. Northern Command planning, coordinating, training and exercising of DoD military resources with the primary Federal agencies supporting the National Response Plan for future natural or manmade disasters.
4. The *Audit of Accounting and Oversight of Obligations and Expenditures Related to the Department of Defense Hurricane Katrina Reconstruction Effort* will determine whether DoD obligations and expenditures related to the Hurricane Katrina reconstruction effort are timely and efficiently executed and is in accordance with applicable laws and regulations.
  - A draft report is expected to be issued in late July. The report will address DoD accounting of FEMA reimbursable funding authority at selected DoD Components, billings to FEMA, and compliance with applicable laws and regulations. Additional reports are also expected at a later date which will address DoD's management of supplemental funds provided for Hurricane Katrina needs.
5. Our overall objective will be to determine whether DoD purchase card transactions in support of Hurricane Katrina rescue and relief operations were reasonable, appropriate, and consistent with DoD purchase card policies through the *Audit of Expanded Micro-Purchase Authority for Purchase Card Transactions Related to Hurricane Katrina*.

6. The *Audit of the International American Products, Worldwide Services, Ice Delivery Contract for the Army Corp of Engineers* will address congressional concerns regarding the award and administration of the ice delivery contract between the Army Corp of Engineers and International American Products, Worldwide Service.
  - A draft report is expected in early August. The report responds to Congressional request pertaining to the award and administration of U.S. Army Corp of Engineers' ice delivery contracts and will address payments to the contractor, the Request for Proposal (RFP) process and submissions; and the efforts by the Corps to solicit from small or minority-owned businesses. This report will be followed by a second report that addresses other issues identified that were not part of the original Congressional request.
7. The *Audit of Army Corp of Engineers' "Operation Blue Roof" Project in Response to Hurricane Katrina* was initiated in response to a request from Congressmen Bennie G. Thompson and Bill Pascrell, Jr. to review the Army Corp of engineer's oversight of the "Operation Blue Roof" project. Specifically, the audit objective is to review the award and the administration of "Operation Blue Roof" contracts for the Hurricane Katrina relief efforts.
8. The *Audit of the USACE's "Emergency Water" Contractor* was initiated in response to Congressional concerns regarding the selection of the Lipsey Mountain Spring Water Company as the sole source contractor for emergency water supplies. The audit objectives are to review the selection and contracting processes and the contractor's capability to function as the sole source water supplier for domestic emergencies.
  - A draft report responding to the Congressional requests is scheduled to be issued in early August. The report will address the U.S. Army Corps of Engineer's award of the contract and the ability of the contractor to perform as the sole source provider of emergency water to locations outside the Continental United States. Further, a second report is expected to be issued in late summer and will address issues related to contractor performance, bottled water storage and contract administration supporting documentation.
9. We are also reviewing the reasonableness of cost incurred on task orders for relief efforts after hurricanes Ivan and Katrina in the *Audit of the Costs Incurred Under the CONCAP Contract task Orders for Hurricane Relief Efforts*. Specifically, we will review the methods and procedures the Navy used to ensure it paid fair and reasonable prices for labor and materials used to support the hurricane relief efforts.
10. The *Audit of Disaster Recovery Efforts Related to Hurricane Katrina on Army Information Technology Resources* began on February 13, 2006. The overall objective is to determine whether adequate disaster recovery controls and plans were in place to safeguard Army information technology resources.

11. The final audit the *Audit of Defense Logistics Agency Subsistence Contracts used for the Hurricane Katrina Recovery Efforts* and the overall objective is to review the award and administration of Defense Logistic Agency contracts used for the Hurricane Katrina recovery efforts.

There are also future audits that are currently being planned. The DoD OIG plans to review the subcontracting and contract pricing for temporary roofs. Specifically, the DoD OIG will assess the contractors' costs used to establish pricing, the percent of contract cost for overhead, and number of subcontractors used. The Air Force Audit Agency is planning a series of audits related to the reconstitution of Keesler AFB, Mississippi. Together my audit staff and the Service Audit Agencies have 25 ongoing audits and we will assess additional audit efforts based on need and risk.

Furthermore, the Army Audit Agency, the Naval Audit Service, and the Air Force Audit Agency have provided audit oversight. These audit agencies currently have 16 ongoing audit projects that cover the areas of contracting, financial accounting and reporting, contract data reporting, and purchase cards.

For example, the NAS reported on its review of the contract process used to award and administer four contracts involving chartered cruise ships to support Hurricane Katrina relief efforts. The review determined that the Military Sealift Command (MSC) met the requirements of Federal Acquisition Regulations, DoD, and Department of Navy policies. However, the review did disclose opportunities to improve the methods MSC uses to administer vessel preoccupancy inspections and invoice certification. MSC took actions to improve its methods in these areas during the audit.

In addition to our audit coverage, there is also a significant amount of oversight being provided to Hurricane Katrina relief by investigations. The Defense Criminal Investigative Service (DCIS) is working jointly with other investigative organizations, including the Hurricane Katrina Fraud Task Force.

In the wake of Hurricane Katrina, Attorney General Alberto R. Gonzales created, in September 2005, the Hurricane Katrina Fraud Task Force (HKFTF), designed to deter, investigate and prosecute disaster-related federal crimes such as charity fraud, identity theft, procurement fraud and insurance fraud. The HKFTF is chaired by Assistant Attorney General of the Criminal Division Alice S. Fisher, and includes members from DCIS, the FBI, the Federal Trade Commission, the Postal Inspector's Office and the Executive Office of United States Attorneys, among others. Associated with the HKFTF, is the Hurricane Katrina Task Force Command Center, headquartered in Baton Rouge, Louisiana, which coordinate and deconflict investigations, as well as, collect and analyze investigative data. As part of the HKFTF, Resident Agent-in-Charge Doug Wethington, New Orleans Resident Agency (RA), attends bi-weekly meetings at the Command Center to brief the other task force members on investigative efforts.

DCIS also serves as the liaison between law enforcement and the U.S. Army Corps of Engineers. DCIS is currently conducting proactive data mining with a FBI intelligence analyst

assigned to the HKFTF using the USACE debris mission database trying to identify indicators of fraud and other criminal activity. The HKFTF is made up of various working groups geographically located in Louisiana and Mississippi. DCIS has one agent assigned to a working group located at the FBI New Orleans office (formerly located in Covington, LA) which is investigating the failure of the levy system in the New Orleans area. The working group in Hattiesburg, Mississippi consists of agents from the FBI, DHS-OIG, and Army CID. DCIS' participation in this working group is based on joint investigations that fall within DCIS jurisdiction.

DCIS has received 17 criminal allegations related to Hurricane Katrina and has opened 7 cases dealing with bribery, kickbacks, and possible product substitution. One of the open cases has resulted in successful judicial action. No cases have been closed.

On June 28, 2006, Mitchell Kendrix, a Quality Assurance Representative for the U.S. Army Corps of Engineers and Paul Nelson, a contractor responsible for debris removal in Mississippi, pled guilty to Conspiracy to Commit Bribery involving debris removal in Perry County, Mississippi.

An important tool in discovering cases of fraud has been the Hurricane Relief Fraud Hotline. The DoD OIG provided the facilities and personnel needed to initially stand up the Hurricane Katrina Fraud Hotline.

During the period October 4, 2005, and March 19, 2006, staff from the Defense Hotline and personnel detailed from other Federal agencies operated the Hurricane Katrina Fraud Hotline. As of the end of March, the Hotline reported 9,664 contacts, which include calls, emails, letters and faxes. Of those total contacts, 5,017 cases were opened and forwarded to the Department of Homeland Security for further review

On March 20, 2006, the Hotline operations transitioned to the Hurricane Katrina Fraud Task Force Command Center in Baton Rouge, Louisiana. The hotline functions as a channel for logging, relaying and tracking incoming complaints of wrongdoing.

I was asked to testify at hearings twice this year to give information on our efforts regarding Hurricane Katrina:

1. On May 10, 2006, I testified on the role of the Department of Justice and the Katrina Fraud Task Force and Agency Inspectors General in preventing waste fraud and abuse before the Subcommittee on Government Management, Finance and Accountability House Committee on Government Reform.
2. On April 10, 2006, I testified before a Congressional field hearing in New Orleans, LA, about the Department of Defense Inspector General's role in the Hurricane Katrina relief and recovery efforts. The field hearing was held by the Subcommittee on Federal Financial Management, Government Information, and International Security Senate Committee on Homeland Security and Governmental Affairs on "Management and Oversight of Federal Disaster Recovery: Operation Blue Roof."

The DoD OIG is currently participating in a survey along with all Inspectors General, which will gather information about disaster assistance programs. This survey is being conducted by the President's Council on Integrity and Efficiency, along with the Homeland Security Roundtable.

I believe that DoD OIG is playing a significant role in the oversight of the Hurricane Katrina relief and recovery efforts. The DoD OIG is detecting and preventing fraud, waste, and abuse related to Hurricane Katrina efforts based on not only the hard work done by our auditors and investigators, but teamwork from all the agencies working together to ensure effective oversight of Hurricane Katrina recovery efforts for the taxpayers, warfighters, and the people of New Orleans.

Thank you for your time. At this point, I will be glad to answer any questions.