

Guarding Against Waste, Fraud, and Abuse in Post-Katrina Relief and Recovery: The Plans of Inspectors General

Chairman Whitfield and members of the Subcommittee, I am Joseph Vengrin, Deputy Inspector General for Audit Services. Accompanying me is Michael Little, Deputy Inspector General for Investigations.

We are appearing before you today to describe the initial activities of the Office of Inspector General (OIG) of the U.S. Department of Health and Human Services (HHS) to guard against fraud, waste, and abuse in the post-Katrina relief and recovery efforts.

We share your concern, and the concern of all Americans, for the thousands of children and families affected by the recent hurricanes. The loss of life, property, and livelihoods is tremendous. To be responsive, necessary relief services must be provided to victims expeditiously and effectively. It is vital that funds and services be appropriately directed to ensure that people in the affected areas have their immediate needs met and recover as soon as possible. At the same time, we must work to ensure that funds spent on this endeavor are not mismanaged or used fraudulently, which would deprive people of the intended benefit.

HHS has announced a number of steps in response to Katrina. These steps include a relaxation in controls to make needed health and human services accessible under these very difficult circumstances. This flexibility is intended to permit hurricane victims to receive benefits and services without the usual documentation requirements. Services with immediate new flexibilities include Medicaid, Temporary Assistance for Needy Families (TANF), child care, foster care assistance, mental health services, and substance abuse treatment services. In another announced step, HHS continues to furnish health care providers and medical supplies to the Gulf area.

Unfortunately, the difficult circumstances created by Katrina provide an enormous opportunity for fraud, waste, and abuse. The sheer magnitude of these disasters and the still-evolving costs of the relief efforts present challenges. As we continue our work planning efforts, we must also consider the current state of flux in waiving certain programmatic requirements in the delivery of departmental services, the need for increased and expedited contracting activities, and the long-term nature of the Federal response. OIG's work plan will be continuously updated to reflect changes in the Department's response.

This morning we will describe OIG's oversight planning process, particularly as it relates to auditing; some of our initial activities on the investigative oversight and enforcement front; and finally, HHS/OIG's coordination with other agencies.

OIG'S OVERSIGHT PLANNING PROCESS

With the destruction of infrastructures, systems, and communities and the dislocation of populations caused by Hurricane Katrina, OIG is particularly committed to ensuring that funds are used for valid and authorized transactions that comply with appropriate procurement standards, that goods and services are procured and delivered correctly, and that problems are prevented rather than identified after the fact.

Immediately following the hurricane, OIG established an OIG-wide Hurricane Relief Working Group, which is addressing issues as they arise in the aftermath of Hurricane Katrina. The group comprises senior managers from our Offices of Audit Services, Investigations, Evaluation and Inspections, Counsel, and Management and Policy. This group is focusing OIG resources to address both immediate and longer term needs. Under the direction of this group, OIG is reviewing proposed program changes to identify potential vulnerabilities for fraud, waste, and abuse that require increased scrutiny. Detailed below are some of OIG's specific actions to date in response to Katrina.

Risk Assessment

For each major program and activity identified by the Department, OIG is assessing the initial risks associated with relaxing internal controls over expedited payments. The assessments are covering such programs as Medicare, Medicaid, and TANF; the activities of the Centers for Disease Control and Prevention (CDC); and funds transferred from the Federal Emergency Management Agency. We are considering factors such as the complexity and magnitude of the program or activity and the extent of changes in the control environment. As part of this process, we are considering the materiality of funds exposed to increased risk and any implemented mitigating controls.

Special Work Plans

Using the results of these risk assessments, we are developing special work plans, focusing our audit and inspection efforts on the most vulnerable programs and activities.

In implementing our audit work plan, we will use standard audit procedures to test the effectiveness of internal controls both within the Department and at State governments, contractors, grantees, and health service providers. The audits will occur as the relief effort continues and will collectively provide ongoing testing and monitoring of the programs. Where appropriate, our audits will determine whether contract and grant awards, as well as payments to health service providers, comply with procurement

standards, pricing guidelines, and other Federal requirements. Selectively, we will audit costs incurred and determine whether goods and services were delivered to the intended recipients. Using advanced audit techniques as necessary, including data mining capabilities, we will search for aberrant patterns of payments to contractors and health service providers.

In conducting audits such as these, OIG will examine the organizational structures associated with the disaster response to determine whether clear lines of authority and communication and appropriate oversight have been established. We will review recent legislation and the status of proposed statutory and regulatory changes for program administration and eligibility. In a high-risk environment such as this, we will particularly focus on changes in existing internal controls and the impact of those changes on the risk of fraud, waste, and abuse.

If audits identify potentially fraudulent acts, our Offices of Investigations and Counsel will consult with the Department of Justice to determine whether and what enforcement actions are warranted. We will also rely on our existing fraud hotline. We anticipate that the hotline is capable of receiving and processing all allegations of fraud, waste, and abuse that may be received.

In addition to initiating audit activities and relying on our hotline, we are developing a program evaluation and inspection work plan. A body of work completed subsequent to September 11, 2001, which examines preparedness for responding to public health disasters, will facilitate OIG's ability to conduct reviews of disaster response relative to Katrina. OIG is identifying issues to gauge the effectiveness of the HHS response. Potential areas include evaluating evacuation planning for institutions such as hospitals and nursing homes and for children in foster care.

INVESTIGATIVE OVERSIGHT AND ENFORCEMENT

In addition to assessing current and future audit and inspection requirements, OIG has provided onsite support and investigative oversight and enforcement for the Katrina response. OIG's agents are providing this onsite support in response to the Secretary's request.

Following is a brief chronology of OIG's interaction with the Department to provide immediate support and investigative oversight and enforcement.

- As Hurricane Katrina approached landfall, the Secretary stressed to departmental officials that this was HHS's moment to be truly about health and human services, in the humanitarian sense. During these discussions, the Inspector General was asked to provide security to HHS's onsite operations and any other services that

he deemed necessary. Accordingly, OIG assessed the types of assistance it could initially provide.

- On September 2, OIG requested volunteers from among its criminal investigators nationwide. Within 24 hours, over 60 special agents had volunteered to go to the Gulf States area to assist in the hurricane relief efforts. For these agents to perform onsite security activities in this unusual context, a Special Deputation by the U.S. Marshals Service was necessary.
- By September 8, the first 2 teams of 11 OIG agents were deployed to Louisiana and Mississippi. The initial need for OIG agents was to provide security assessments for the mobile medical care sites established by the Department and staffed by HHS employees. If the site was not secure, OIG agents secured the area and reported to the U.S. Public Health Service (USPHS) Commissioned Corps Admiral (the individual the HHS Secretary had placed in charge of a consolidated HHS hurricane response), requesting assistance to properly secure the facility if necessary before moving on to evaluate the next facility.
- By September 14, the team in Mississippi had performed security assessments at several hospital sites being established in Waveland and Meridian. The team had also provided personal security to HHS staff who performed outreach in the community to ensure that those in need knew of and took advantage of the health care services available to them. At the request of the USPHS Admiral on site, the OIG team also conducted a physical security survey of three hotels where HHS staff were lodged.
- To date, OIG has provided protection for three visits to the region by the Secretary.
- After securing all HHS operational sites in Louisiana as well, including Kindred Hospital in New Orleans, which became an operational center, this team performed personal security of CDC personnel who were going into communities to collect water and dust samples from the flood-affected areas and perform outreach activities. Several protection operations occurred daily, all of which were coordinated with the Admiral's staff.
- On September 21, OIG special agents assisted in the safe evacuation of HHS medical officials and scientists operating out of New Orleans to avoid danger from approaching Hurricane Rita.

The impact of Hurricane Katrina has resulted in a number of allegations relating to deaths of patients under questionable circumstances at several health care facilities throughout the New Orleans area. We have been informed of over 20 instances within the past weeks in which health care providers abandoned or possibly engaged in activity resulting

in the deaths of Medicare/Medicaid beneficiaries. We have initiated investigations in which we are working with appropriate Federal and State partners to determine if Federal or State violations have occurred. This will be no small task, as the individuals who need to be interviewed are now scattered across the country.

To date, over 120 of OIG's agents have volunteered to assist with the disaster response. This activity is being funded from OIG's discretionary appropriation.

The duration of OIG agents' onsite presence is unknown at this point, but we will continue to support the relief effort. We are carefully controlling these deployments of agents due to the obvious drain on normal investigative workloads. Because of the massive Federal dollars needed to rebuild the New Orleans health and human services infrastructure, we expect a very high potential for waste, fraud, and abuse.

OIG'S COORDINATION WITH OTHER AGENCIES

Government Accountability Office

OIG has met with the Government Accountability Office to discuss ways to maximize our effectiveness by coordinating Katrina-related work projects that may overlap. Both offices are committed to conducting oversight work in a complementary, nonduplicative manner.

Department of Justice

OIG will meet within the next week with its Department of Justice colleagues to discuss the role OIG can play in civil fraud legal matters relating to Katrina.

President's Council on Integrity and Efficiency

As a member of the President's Council on Integrity and Efficiency, Homeland Security Roundtable, HHS OIG has been actively participating in the coordinated Inspectors General response to Hurricane Katrina. As part of that response, our office provided a plan to the Inspector General of the Department of Homeland Security outlining activities to ensure the integrity of response dollars spent by HHS. Our office will continue to play an active role in the OIG community-wide response to the hurricane.

State Auditors and Independent Public Accounting Firms

OIG will coordinate its efforts in affected States with the offices of the State auditors and with Independent Public Accounting firms, which perform audits of non-Federal recipients of HHS funds. This coordination could increase audit coverage of Katrina relief and recovery efforts.

CONCLUSION

The approach outlined here forms the basis for a comprehensive program of testing, monitoring, and investigative oversight of programs placed at increased risk as a result of Hurricane Katrina. We are focusing the appropriate level of resources on the Department's programs with the greatest risk of fraud and abuse. The approach involves continuous evaluation and modification, as required, to ensure that OIG accomplishes its mission of protecting the integrity of the Department's programs and the health and welfare of the beneficiaries of those programs. We believe that our results will provide the Subcommittee and other decisionmakers with important information on accountability for Federal response dollars.

Thank you for this opportunity to testify. Your questions are welcome.