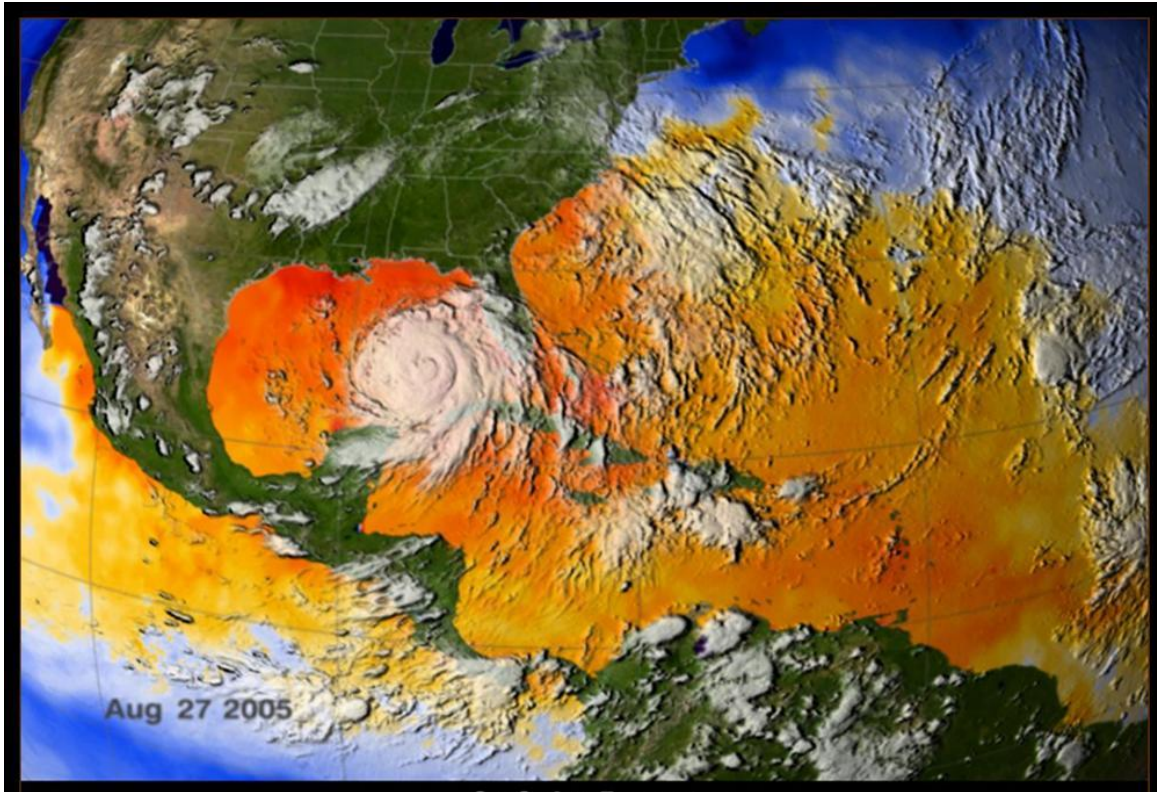




***U.S. Department of the Interior  
Office of Inspector General***

# **AUDIT REPORT**



*NPS Photo*

## **DOI's 2005 HURRICANE RELIEF EXPENDITURES**

Report No. C-IN-MOA-0004-2006

*March 2007*



# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, DC 20240

MAR 22 2007

## Memorandum

To: P. Lynn Scarlett  
Deputy Secretary

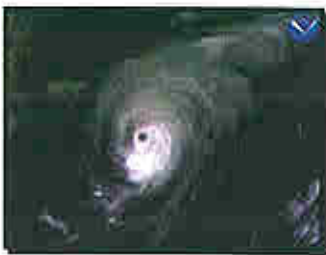
From: Earl E. Devaney  
Inspector General

Subject: Audit Report: DOI's 2005 Hurricane Relief Expenditures (Assignment No. C-IN-MOA-0004-2006)

This report presents the results of our audit of the Department of the Interior's (DOI) expenditures for response and recovery efforts related to the 2005 hurricane season. Our objective was to determine whether DOI and its bureaus ensured that expenditures for hurricane relief efforts were reasonable, necessary, and properly recorded. This is the first in a series of audits. This audit reviewed expenditures incurred during the initial disaster response. The next audit will review the expenditures for the major reconstruction efforts.

The devastating hurricanes of 2005 had a two-fold impact on DOI. First, DOI was called upon to assist in the federal relief efforts under the National Response Plan (NRP). Second, DOI's bureaus were greatly affected by the disasters. DOI sustained significant damage to 12 parks and preserves, 86 refuges, 68 water monitoring gauges, and the Mineral Management Service's (MMS) Gulf of Mexico Regional Office. As of September 30, 2006, DOI spent approximately \$104 million on hurricane relief and recovery. This included approximately \$61 million for NRP activities and \$43 million to respond to and address internal damage.

We are pleased to report that overall, the bureaus effectively managed their 2005 hurricane-related expenditures. Given the magnitude of the damage sustained to the Gulf Coast and DOI facilities, the issues we identified through our expenditure testing were relatively insignificant, and the bureaus performed well.



**Hurricane Katrina**



**Hurricane Rita**

*Photos Courtesy of BOR*



**Hurricane Wilma**

## 2005: DEVASTATING HURRICANE SEASON

The 2005 Atlantic hurricane season was the most active in recorded history. The impact of the season was widespread and devastating with at least 2,280 deaths and recorded damages of over \$100 billion. Five of the seven major hurricanes that made landfall —Dennis, Emily, Katrina, Rita, and Wilma—were responsible for most of the destruction. The most catastrophic effects of the season were felt on the Gulf Coast, where Hurricane Katrina devastated a long stretch of coast along Louisiana, Mississippi, and Alabama. The storm caused levees to break resulting in catastrophic flooding of 80 percent of New Orleans, LA. The flood waters did not recede for several weeks.



Flooded New Orleans, LA  
*Photo Courtesy of BOR*

## DOI's PARTICIPATION IN THE NATIONAL RESPONSE PLAN

DOI's commitment to the NRP lies in its participation in Emergency Support Functions (ESFs). DOI's responsibilities included:

1. Acting as the primary agency responsible for ESF 11 - Agriculture and natural resources.
2. Acting as a support agency for:
  - ESF 1 - Transportation;
  - ESF 2 - Communications;
  - ESF 3 - Public works and engineering;
  - ESF 4 - Firefighting;
  - ESF 6 - Mass care, housing, and human services;
  - ESF 10 - Oil and hazardous materials response;
  - ESF 12 - Energy;
  - ESF 13 - Public safety and security; and
  - ESF 14 - Long-term community recovery and mitigation.

**The National Response Plan (NRP)** establishes a single, comprehensive framework for managing domestic incidents. It provides the structure and mechanisms for coordinating federal support, management, and emergency assistance activities to state, local, and tribal incident managers.



## DOI EMPLOYEES' NOTEWORTHY RESPONSE

Approximately 6,100 DOI employees participated in rescue and relief efforts during the massive federal response. For example:

- The National Park Service (NPS) and Fish and Wildlife Service (FWS) deployed hundreds of employees to provide humanitarian assistance to residents of the affected areas, clearing roadways, and establishing emergency corridors. Additionally, park and refuge sites were used as shelters and staging areas for search and rescue teams, supplies, and equipment.
- The U.S. Geological Survey (USGS) and FWS deployed 22 boats and 20 employees to carry out rescue operations and deliver food and water to stranded individuals.
- USGS provided coordinates and maps for 911 calls to assist rescuers in locating people in need. Over 9,000 calls were plotted on a single day.
- MMS provided 10 helicopters for search and rescue operations.
- Approximately 775 DOI employees were dispatched to the Gulf Coast as part of the interagency response of the National Interagency Fire Center. Trained as firefighters, these disaster assistance workers assisted the Federal Emergency Management Agency (FEMA) in managing recovery efforts.



Rescue Operations

*Photos Courtesy of  
BOR*



## DOI'S BUREAUS HIT HARD BY HURRICANES

DOI has significant facilities in the areas hit hard during the 2005 hurricane season. NPS sustained damage to 12 parks and preserves, FWS had damage to 86 refuges, and USGS had 68 water monitoring gauges damaged.



When Hurricane Katrina made landfall, MMS' Gulf of Mexico Regional Office was severely damaged—the building's roof collapsed allowing rain to ravage the top floors. Because of the extensive water and mold damage, temporary offices were quickly set-up in Houston where some employees were relocated so MMS could continue its mission and work with energy companies to help restore oil and gas production in the Gulf of Mexico region.

MMS Building Damaged  
*Photo Courtesy of MMS*



Debris-laden street  
*Photo Courtesy of BOR*



Damage inside MMS building  
*Photo Courtesy of MMS*

The blow to MMS and its workers was unprecedented. Almost half of its New Orleans area employees suffered complete or nearly complete destruction of their homes.

## FINANCIAL IMPACT FOR DOI

As of September 2006, the Department spent approximately \$61 million in support of the NRP, of which approximately \$56 million was reimbursable by FEMA. The remaining \$5 million was paid from the bureaus' appropriations. DOI also spent \$43 million to respond to and address internal property damage.

Four bureaus received approximately \$283 million in supplemental appropriations from Congress to address damage to their facilities. As of September 2006, the bureaus had obligated approximately \$117 million, or 41 percent, of the \$283 million received in supplemental appropriations. The breakdown by bureau is as follows:

<b>FUNDING AND OBLIGATIONS AS OF SEPTEMBER 30, 2006</b>			
<b>Bureau</b>	<b>Supplemental Funding *</b>	<b>Amount Obligated *</b>	<b>Percent Spent</b>
FWS	\$162	\$ 65	40%
NPS	74	28	38%
MMS	31	16	52%
USGS	16	8	50%
<b>Total</b>	<b>\$283</b>	<b>\$117</b>	<b>41%</b>

\* In millions

## **WHY WE DID THIS AUDIT**

Due to the high risk of fraud associated with disaster-related expenditures, the Inspector General community took steps to provide timely oversight. The President's Council on Integrity and Efficiency (PCIE) coordinated efforts among the agency Inspectors General. Our office participated in this overall PCIE effort by providing information on DOI recovery efforts. Additionally, we planned a series of audits intended to timely review DOI's disaster-related expenditures. This audit addressed the appropriateness of expenses incurred during the initial disaster response. Our next audit will address the rebuilding and reconstruction of DOI facilities in the affected areas.

The objective of this audit was to determine whether DOI and its bureaus were ensuring that expenditures for hurricane relief efforts were reasonable, necessary, and properly recorded. Specifically:

- Did the bureaus have internal controls in place for procurement of goods and services in emergency situations?
- Were expenditures directly related to hurricane relief efforts and allowable within applicable guidelines?
- Did the bureaus accurately account for expenditures?

## **RESULTS OF AUDIT**

Overall, we found that the bureaus effectively managed their 2005 hurricane-related expenditures. Specifically:

- The bureaus had adequate controls in place for procurement of goods and services in emergency situations.
- Purchases classified as hurricane-related were related to hurricane response and recovery and were reasonable and necessary.

- Bureaus accounted for hurricane expenditures accurately; however, there were delays in the proper classification of expenses as hurricane-related.

Given the magnitude of the damage sustained to the Gulf Coast region and DOI facilities, the issues we found through our expenditure testing were relatively insignificant.

- Less than one percent of the transactions we reviewed were improperly classified as hurricane-related.
- At the time of our fieldwork, 22 percent of the hurricane expenditures we tested had not been properly classified in the accounting systems. The accounting systems were not designed to automatically capture and classify hurricane-related expenditures. Throughout our audit, the bureaus continued to manually identify and reclassify expenditures.
- We found only one instance in which it appeared that an employee submitted questionable travel expenses for reimbursement. We referred the case to our investigations office for further action.

## LESSONS LEARNED

While we did not find any significant issues with the nature or allowability of expenditures, we noted areas where the bureaus could improve their processes for disaster related expenditures. The bureaus were already aware of most of these issues and had developed lessons learned documents identifying potential opportunities for improvement. The bureaus would also benefit from suggestions developed by the PCIE for agencies faced with future disasters.

NPS facility before hurricane  
*Photo Courtesy of NPS*



Same area after hurricane  
*Photo Courtesy of NPS*

Below we highlight two significant areas where lessons learned could result in improvements to future responses to disasters. The bureaus also developed other lessons



learned that should be shared among the bureaus and with other departments as appropriate and considered for implementation.

### **Timely Classifying Disaster-Related Expenditures**

It is critical that bureaus promptly account for expenditures to:

- provide accurate and timely reports to the Congress,
- facilitate reimbursement from FEMA,
- support supplemental budget requests, and
- strengthen the bureau significant acquisition review boards' ability to provide effective oversight.

Most of the classification delays that we identified were caused by the bureaus' processes for recording credit card transactions. Each credit card is assigned a default accounting code. All transactions paid by that credit card are automatically classified with the default accounting code. However, the hurricane charges needed to be separately identified. Each bureau must manually identify hurricane-related charges and reclassify them in the accounting systems. Due to the extreme circumstances, there were delays in identifying and reclassifying these expenditures.

The bureaus identified actions they could take to streamline this process. For example:

- During emergencies, bureaus could change default codes for credit cards to pre-established, disaster-specific accounting codes. This would automatically classify expenditures as disaster-related in the accounting systems, eliminating the need to manually identify and reclassify them.
- Bureaus could establish designated purchase cards to be used for emergency situations.

Shortly after Hurricane Katrina, DOI directed the bureaus to establish review boards to monitor significant acquisitions related to the recovery efforts. The PCIE noted in a recent report that this type of control could improve the integrity of post-disaster procurement.

Although DOI was proactive in establishing these boards, the delays in the classification of hurricane-related expenditures hampered the boards' ability to provide effective oversight. Instead of independently extracting the applicable transactions from the

#### *Significant Acquisition Criteria*

- Contracts \$500,000 or more
- Credit Card transactions \$15,000 or more
- Convenience Checks \$2,500 or more
- Any transaction made within 14 working days of the hurricane
- Any acquisitions deemed risky



accounting systems, the boards relied on field staff to identify and submit their own transactions for review. Although the boards did not review many transactions that met the significant acquisition criteria, we did not find substantive problems with departmental expenditures overall. By implementing actions to more promptly classify disaster-related expenditures, thus allowing for independent extraction of accurate reports by the review boards themselves, bureaus could strengthen the boards' independent oversight.

### **Expediting Disaster-Related Contracts**

During emergency situations, time is of the essence. After Hurricane Katrina, DOI focused on its critical response and recovery activities. These activities should not be



Damaged NPS Facility  
*Photo Courtesy of NPS*

delayed by unnecessary administrative processes for negotiating and awarding contracts.

However, DOI still needs to ensure that it receives the best value for contracted goods and services and that it protects the government from fraud, waste, and abuse during emergencies. To reduce these delays the PCIE recommended that federal agencies maximize the use of advance contracts to the extent practical while ensuring that adequate controls are maintained. An advance contract is a standing agreement for specific vendors to provide emergency-related goods and services as necessary. The PCIE also recommended that federal agencies provide sufficient numbers of trained field-level contracting staff and Contracting Officer Technical Representatives to meet mission requirements. The bureaus may benefit from implementing these practices to ensure that vital services are not needlessly delayed.

### **SUGGESTED ACTION**

We suggest that the Assistant Secretary for Policy, Management and Budget direct bureaus to review and revise emergency response financial procedures to incorporate lessons learned during the 2005 hurricane season.

## **MANAGEMENT VIEWS**

During an exit conference held on March 8, 2007, management expressed appreciation for the audit and agreed with our conclusions that controls were adequate, purchases were reasonable and necessary, and expenditures were accounted for accurately. Management stated that it will continue to review its processes and procedures for improvement opportunities, especially concerning timely classification of disaster-related expenditures when suspense accounts must be used to facilitate immediate action.

## **CONCLUSION**

We appreciate the cooperation shown by Departmental staff during our audit. Because we are not making any formal recommendations, a response to this report is not required. However, we would appreciate if you would keep us informed on any actions taken to implement our suggestion.

The legislation, as amended, creating the Office of Inspector General requires that we report to the U.S. Congress semiannually on all audit reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented.

If you have any questions regarding this report, please call me at (202) 208-5745.

## SCOPE AND METHODOLOGY

We audited expenditures related to the response and recovery efforts for the 2005 hurricane season as of March 31, 2006. Our scope included DOI and four bureaus: MMS, FWS, NPS, and USGS. We selected these bureaus because they had the largest dollar amount of non-reimbursable expenditures at the time of our field work, which is where we determined the high risk of inaccurate reporting would occur.

To accomplish our objectives, we:

- Reviewed the laws and regulations that prescribe the requirements for federal procurement and contracting in emergency situations, including the federal procurement regulations, departmental regulations, and bureau guidance.
- Conducted site visits and interviewed staff from DOI and the bureaus we reviewed to complete the prescribed audit work.
- Reviewed internal controls in place for contracts, purchase cards, and travel cards to ensure they were adequate for procurement of goods and services in emergency situations.
- Reviewed hurricane expenditures and related supporting documentation to determine if they were directly related to hurricane relief efforts, reasonable, and allowable within applicable guidelines.
- Reviewed expenditure and supporting documentation to ensure all expenses related to the 2005 hurricane response and recovery efforts were accurately accounted for as hurricane expenses.
- Reviewed prior audit reports, President's Council on Integrity and Efficiency reports, and various other reports issued by the Department and its bureaus providing suggested improvements to managing the hurricane relief effort.
- Reviewed the fiscal year 2005 DOI's Annual Report on Performance and Accountability. Although the report contained no weaknesses within the objectives and scope of our audit, it identified financial management as one of the Department's major management challenges.
- Reviewed the DOI's Strategic Plan for fiscal years 2003-2008, and found that there were no specific goals or measures related to hurricane relief efforts.

Our expenditure testing was performed on samples of contracts, purchase cards, and travel card expenditures. The samples were selected as follows:

- Non-statistical sample of contracts: To select the sample, we stratified the universe based on contract dollar value. We identified contracts with the top ten dollar amounts for each of the bureaus. From the top ten list, we selected contracts to review based on factors such as dollar value and location of records. We reviewed 37 contracts totaling \$8,430,434, or 61% of the total contract universe.
- Non-statistical sample of purchase card holders: To select the sample, we stratified the universe based on purchase card holder. We identified the top ten card holders with the most usage for each of the bureaus. From the top ten list, we selected purchase card holders to review based on factors such as dollar value and location of records. We reviewed all transactions for 19 cardholders, representing \$2,447,034, or 36% of the total universe of purchase card expenditures.
- Non-statistical sample of travel card holders: We selected 28 travel card holders out of 529 MMS and FWS employees identified as relocated or on administrative leave because of the hurricanes. We reviewed all transactions for the sampled card holders, totaling \$312,969.

Because we did not select statistical samples, the results of our audit steps cannot be projected to the entire population of expenditures. However, the results of our work support our conclusions that overall, the bureaus effectively managed their 2005 hurricane-related expenditures.

Our scope did not include a review of property receipts for goods and services received by each bureau. We did not review personnel costs related to response and recovery, such as the salary and benefits for employees sent to affected areas. Additionally, we did not audit the accuracy of reimbursable claims for work performed under the National Response Plan.

We performed our audit from March 2006 through February 2007. We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.



## RELATED REVIEWS

We reviewed audit reports issued by other federal agencies that address issues related to our audit.

- In November 2006, the President's Council on Integrity and Efficiency (PCIE) issued a report titled *Oversight of Gulf Coast Hurricane Recovery – A Semiannual Report to Congress*. The key issues pertaining to procurement were lessons learned by federal agencies in the aftermath of the hurricanes. The report suggested that agencies:
  - Use advanced contracts.
  - Monitor post-disaster procurement.
  - Provide sufficient staff to meet mission requirements.
- In September 2006, the Department of Justice Office of Inspector General issued a report titled *Department of Justice - Purchase Card Expenditures Related to Hurricane Recovery Efforts* (Report No. 06-36). The overall finding of this report was similar to ours; they concluded that nearly all the hurricane-related purchase card transactions were authorized and valid.
- In November 2005, the Government Accountability Office issued a report titled *Hurricanes Katrina and Rita Contracting for Response and Recovery Efforts* by the Government Accountability Office (Report No. GAO-06-235T). The key issues in the report were that agencies must have:
  - Sound acquisition plans.
  - Sufficient knowledge to make good business decisions.
  - The means to monitor contractor performance and ensure accountability based from a preliminary conclusion to ensure good contracting outcomes.

## LOCATIONS VISITED/CONTACTED

### Department of the Interior:

Office of Acquisition and Property Management	Washington, DC
Office of Budget	Washington, DC
Office of Financial Management	Washington, DC
Office of Law Enforcement Services	Washington, DC

### Bureau of Reclamation:

Incident Commander	Denver, CO
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### Fish and Wildlife Service:

Branch of Policy and Information Management	Arlington, VA
Headquarters Washington D.C. - Region 9	Arlington, VA
Southeast Regional Office - Region 4	Atlanta, GA
Southwest Regional Office - Region 2	Albuquerque, NM

### Minerals Management Service:

Administration and Budget Procurement Division	Herndon, VA
Budget Division	Herndon, VA
Gulf of Mexico OCS Region	Arlington, VA*
New Orleans District Office	Metairie, LA
	Metairie, LA

### National Park Service:

Accounting Operations Center	Herndon, VA
Budget Execution Division	Washington, DC
Everglades National Park	Homestead, FL
Gulf Islands National Seashore	Pensacola, FL
Mammoth Cave National Park	Mammoth Cave National Park, Kentucky
Martin Luther King, Jr. National Historical Site	Atlanta, GA
Sequoia National Park	Sequoia National Park, California*
Shenandoah National Park	Luray, VA
Sitka National Historical Site	Sitka, Alaska*

\* *Contacted via telephone*

Washington Contracting Office  
Southeast Region Office  
Washington Contracting and Procurement  
Office

Denver, CO  
Atlanta, GA  
Washington, DC

U.S. Geological Survey:

Office of Budget and Performance  
Office of the Director  
Administrative Policy and Services  
Office of Fiscal Services

Reston, VA  
Reston, VA  
Reston, VA  
Reston, VA

Department of Homeland Security:

Office of Inspector General

Washington, DC\*

\* *Contacted via telephone*

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