

The events of September 11, 2001, have both profoundly saddened the American people and strengthened their resolve. We are immensely proud to be a part of the Federal Emergency Management Agency's efforts to serve the victims of these disasters.

We will work hand-in hand with the Agency to ensure that all Federal funds earmarked for these disasters are spent only on the purposes for which they were intended.



New York, NY, September 25, 2001—A firefighter surveys the remaining shell and tons of debris of the World Trade Center.



Federal Emergency Management Agency

Office of Inspector General
Washington, D.C. 20472

October 26, 2001

The Honorable Joe M. Allbaugh
Director
Federal Emergency Management Agency
Washington, DC 20472

Dear Mr. Allbaugh:

The Inspector General Act of 1978 (Public Law 95-452), as amended, requires the preparation of a Semiannual Report to Congress summarizing the activities of my office. I am pleased to enclose the report for the period from April 1, 2001 to September 30, 2001. The Act also mandates that you transmit this report to the appropriate committees of Congress within 30 days of receipt, together with any comments you may wish to make.

During this period, we assessed the Hazard Mitigation Grant Program and the conditions over the past decade that contributed to high balances of undistributed mitigation funds. We also conducted a review to assess the adequacy of internal controls to prevent the sale of flood insurance in prohibited areas. In addition, we reviewed three states' grant management processes and financial reporting to FEMA. We also continued our efforts to review States' disaster grant management processes, disaster costs, and subgrantee compliance with applicable laws and regulations. Finally, we investigated allegations of fraud and abuse by disaster recipients and continued our prevention activities through disaster fraud management training and integrity awareness presentations.

Our efforts yielded significant monetary and non-monetary results during the past 6 months, including approximately \$6.8 million in recoveries and deobligations, and the agreement of management officials to collect or deobligate an additional \$7.3 million. Additionally, we questioned \$39.7 million and identified \$2.3 million of funds that could be put to better use. Our efforts also resulted in 63 arrests and/or indictments and 22 convictions.

My staff and I are committed to working closely with you toward the goal of promoting effectiveness, economy, and efficiency in FEMA's programs and operations.

Sincerely,

George J. Opfer
Inspector General

Enclosure

TABLE OF CONTENTS

Section	Page
1. EXECUTIVE SUMMARY	1
2. FEDERAL EMERGENCY MANAGEMENT AGENCY	3
3. OFFICE OF INSPECTOR GENERAL	5
4. SUMMARY OF SIGNIFICANT OIG ACTIVITY	7
Readiness, Response & Recovery	9
Federal Insurance & Mitigation	17
Administration & Resource Planning	21
Information Technology Services	25
Other Support Activities	27
5. PREVENTION ACTIVITIES	29
Hotline Complaints	29
Disaster Fraud Management Training	30
OIG Law Enforcement—Task Force Activities	30
Integrity Awareness	30
Enhanced Fraud Prevention Protocols	31
Crime Training Participation	31
6. OTHER OIG ACTIVITIES	33
Oversight of Non-FEMA Audits	33
Audit Reports Unresolved Over Six Months	33
7. LEGISLATIVE AND REGULATORY REVIEWS	35
8. U.S. CHEMICAL SAFETY & HAZARD INVESTIGATION BOARD	37
9. FY 2001 ANNUAL PERFORMANCE REPORT	39
10. APPENDICES	43
11. OIG STRUCTURE & INFORMATION	55
12. INDEX OF REPORTING REQUIREMENTS	57
13. CUSTOMER SURVEY FORM	59

