



Memorandum

**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

Office of Inspector General

Subject: INFORMATION: Inspector General Oversight
Efforts for Hurricane Relief and Recovery Activities

Date: October 6, 2005

From: Kenneth M. Mead
Inspector General

Reply to J-1
Attn. of:

To: All Secretarial Officers
All Operating Administrators

Earlier today, Secretary Mineta testified before the U.S. House of Representatives about the Department of Transportation's (DOT) response to Hurricane Katrina. Following the Department's lead and soon after this hurricane struck, Office of Inspector General (OIG) criminal investigators were on the ground in Mississippi and New Orleans protecting DOT assets and people, assisting DOT with damage assessments, and conducting liaison with other law enforcement agencies. Likewise, our auditors have been working to assess risks associated with the expenditure of funds related to this hurricane.

Our focus is now moving from immediate relief to longer-term recovery and reconstruction. During the past several weeks, the OIG Assistant Inspectors General for Audit and Investigations, in consultation with the Office of the Secretary, have developed a construct for the oversight of DOT funds and activities involved with this disaster. The purpose of this memorandum is to inform you of OIG plans to conduct a series of audits and investigations of DOT's relief and recovery activities. This work is directed towards preventing fraud, waste, and abuse and detecting and prosecuting fraud.

As you know, the recovery will be expensive—the latest estimates indicate the Department will obligate at least \$367 million on behalf of the Federal Emergency Management Agency for relief activities. A significant portion of the relief monies are devoted to a contract with Landstar Express America, Incorporated, for the movement of materials and associated support services. Additionally, the cost of transportation infrastructure reconstruction is expected to cost billions more. We know from experience that the risks of fraud, waste, and abuse increase substantially when large sums of money are involved.

The scope of this disaster presents a special challenge to the OIG to ensure that taxpayers' interests are fully protected. Providing these levels of emergency relief and recovery will also require more intense oversight on the part of each Operating Administration and the State Departments of Transportation, and we know the DOT is already taking steps to ensure that this occurs. One of the major objectives of our audit effort will be to confirm the effectiveness of this increased oversight and we will be apprising the Secretary and Congress of our findings along these lines.

Our audit and investigative plans, highlighted below, have been developed in coordination with the Office of the Secretary, and the President's Council on Integrity and Efficiency, which represents the Federal Inspector General community. We will also coordinate with Offices of United States Attorney and the Department of Justice, and will be discussing our efforts with appropriate congressional committees; the Government Accountability Office; and State Auditors and Inspectors General in Alabama, Louisiana, Mississippi, and Texas. We will require on-site office space at the relevant State Departments of Transportation and regional DOT Operating Administrations and will make arrangements through these offices, as needed.

Our work will focus on the DOT Office of Intelligence, Security and Emergency Response (S-60); the Federal Highway Administration, Federal Transit Administration, Federal Aviation Administration, Maritime Administration, and Federal Railroad Administration; and State Departments of Transportation activities. Specifically, we will:

- Verify that expenditures of Federal funds on transportation services and programs are being appropriately tracked by the Operating Administrations as required by the Assistant Secretary for Budget and Programs and Chief Financial Officer;
- Proactively ensure that Operating Administrations and State Transportation Departments exercise adequate oversight of Department expenditures and put systems in place to make certain that funds are appropriately spent;
- Audit selected projects, grants, and contracts;
- Conduct fraud awareness and prevention activities to alert Federal, state, and local government agencies; and
- Investigate allegations of fraud involving transportation funded projects, to include presenting cases to the Department of Justice for prosecution, participating in resulting prosecutions, and ensuring that the Operating Administrations and States take appropriate suspension and debarment actions.

If you have any questions or need additional information, please contact me at (202) 366-1959 or Jim H. Crumpacker, who has been designated as our Deputy Assistant Inspector General for Hurricane Relief and Recovery Oversight, at (202) 366-1420.