U.S. Department of Justice
Office of the Inspector General

Office of the Inspector General Semiannual Report to Congress

April 1, 2009 – September 30, 2009

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Message From the Inspector General

During this semiannual reporting period, the Office of the Inspector General (OIG) has continued to focus our resources on the top challenges facing the Department of Justice (Department), including issues involving counterterrorism, improving information technology, effective grant management, and other important high-priority issues.

The Department also faces new challenges in managing an extra $4 billion in grant funding the Department received this year as a result of *The American Recovery and Reinvestment Act of 2009* (Recovery Act), which is in addition to the $3 billion in grant funds the Department disburses annually. During the past 6 months, the OIG has provided the Department with guidance and suggestions on improving its grant management process. In particular, we have focused on Recovery Act funding and have initiated several audits on the Department's handling of these funds. Since passage of the Recovery Act in February, we have trained over 800 Department officials on ways to prevent misuse of grant funds. In addition, we have reached out to over 35 state administering and oversight agencies to encourage them to both monitor Department of Justice Recovery Act funds and to report to us any potential waste, fraud, or abuse in the use of these funds.

In other areas, we have continued to conduct a wide array of investigations, audits, inspections, and special reviews of Department operations. For example, we completed a 407-page classified report on the Department's involvement with the President's Surveillance Program. Working with four other OIGs in the intelligence community, we publicly released a joint report summarizing our unclassified findings about the program.

Other OIG reports examined aspects of the Department's efforts to combat counterterrorism, including a follow-up audit of the Federal Bureau of Investigation's (FBI) terrorist watchlist nomination process and an audit of the FBI's Weapons of Mass Destruction Coordinator Program. We also completed reviews that examined the Federal Bureau of Prisons' (BOP) efforts to prevent staff sexual abuse of inmates, the U.S. National Central Bureau of INTERPOL, and the Bureau of Alcohol, Tobacco, Firearms and Explosives' (ATF) efforts to reduce the unlawful diversion of tobacco products.

Our Special Agents continue to conduct important investigations into allegations of criminal and administrative misconduct related to Department personnel and programs. For example, the OIG investigated a case in which a former BOP officer was indicted for soliciting inmates in a scheme to murder witnesses and an OIG agent; a variety of cases involving theft of Department grant funds; cases involving BOP staff sexual abuse of inmates; a case in which a Drug Enforcement Administration (DEA) agent was indicted for falsifying information that resulted in the arrest of multiple individuals; and a case in which an employee of a U.S. Attorney's

Office (USAO) used personally identifiable information from individuals prosecuted by the USAO to obtain online "payday loans" in their names totaling more than $34,000.

Finally, Deputy Inspector General Paul Martin was nominated in September by the President to be the Inspector General for the National Aeronautics and Space Administration. Paul has made significant contributions to the OIG and the Department for the last 11 years and, if he is confirmed for this position, we will greatly miss him. I want to express my gratitude to Paul for his outstanding work, and also to all the dedicated and talented OIG employees who advance the important mission of the OIG.

Glenn A. Fine
Inspector General
October 31, 2009

Table of Contents

Highlights of OIG Activities 1

OIG Profile 6

Multicomponent Audits, Reviews, and Investigations 8

Federal Bureau of Investigation 15

Bureau of Alcohol, Tobacco, Firearms and Explosives . . . 22

Drug Enforcement Administration 26

Office of Justice Programs 28

Federal Bureau of Prisons 33

U.S. Marshals Service 36

Other Department Components 37

- U.S. National Central Bureau 37
- Office of Community Oriented Policing Services . . 38
- Civil Division 39
- Criminal Division 40
- Office on Violence Against Women 41
- U.S. Attorneys' Office 42

The American Recovery and Reinvestment Act of 2009 43

Top Management and Performance Challenges 45

Congressional Testimony 46

Legislation and Regulations 46

Statistical Information 47

- *Audit Statistics* 47
- Funds Recommended to be Put to Better Use 47
- Questioned Costs 48
- Management Improvements 48
- *National Defense Authorization Act* Reporting 49
- Audit Follow-up 49
- Unresolved Audits 49
- *Evaluation and Inspections Statistics* 50
- *Investigations Statistics* 50

Appendices 51

- Acronyms and Abbreviations 51
- Glossary of Terms 52
- Evaluation and Inspections Division Reports 53
- Audit Division Reports 54
- Reporting Requirements Index 60

Highlights of OIG Activities

The following table summarizes OIG activities discussed in this report. As these statistics and the following highlights illustrate, the OIG continues to conduct wide-ranging oversight of Department programs and operations.

Statistical Highlights

April 1, 2009 - September 30, 2009

Allegations Received by the Investigations Division	4,995
Investigations Opened	171
Investigations Closed	187
Arrests	55
Indictments/Informations	61
Convictions/Pleas	55
Administrative Actions	108
Criminal Fines/Restitutions/ Assessments	$1.2 million
Civil Fines/Restitutions/ Recoveries	$750,000
Audit Reports Issued	42
Questioned Costs	$2.4 million
Funds Put to Better Use	$172,184
Recommendations for Management Improvements	153
Single Audit Act Reports Issued	53
Questioned Costs	$2.39 million
Recommendations for Management Improvements	76

Examples of OIG audits, evaluations, and special reports completed during this semiannual reporting period include:

- **The Department's Involvement with the President's Surveillance Program.** The OIG examined the Department's efforts regarding the President's Surveillance Program (PSP), a program in which the President authorized the National Security Agency (NSA) to engage in several different intelligence activities. Certain activities under the PSP were sometimes referred to as the Terrorist Surveillance Program. The *Foreign Intelligence Surveillance Act of 1978 Amendments Act of 2008* required the Department OIG, a well as OIGs from four other intelligence community agencies, to conduct a comprehensive review of the program.

  The five OIGs issued separate classified reports, and we coordinated the drafting of an unclassified summary of the results of these reviews. Our review found that the Department inappropriately relied on a single Department attorney to conduct the initial legal assessment of the PSP, and that the lack of oversight and review of the single attorney's work contributed to a legal analysis of the PSP that at a minimum was factually flawed. The OIG also concluded that some public statements by former Attorney General Alberto Gonzales about the PSP at two separate congressional hearings were confusing, inaccurate, and, while not intentionally misleading, had the effect of misleading those who were not knowledgeable about the PSP.

- **The FBI's Terrorist Watchlist Nomination Process.** Our audit of the FBI's practices for nominating known or suspected terrorists to the consolidated terrorist watchlist determined that the FBI failed to nominate many subjects to the watchlist, did not nominate many others in a timely fashion, and did not update or remove certain watchlist records as required. In addition, the FBI failed to modify the nomination records to include identifying information it obtained after the initial nomination was processed. In response to our audit, the FBI has begun taking corrective actions, such as providing training to counterterrorism case agents and establishing dedicated watchlist coordinator positions in FBI field offices.

- **The U.S. National Central Bureau of INTERPOL.** INTERPOL assists in the exchange of law enforcement information in the United States and throughout the world, with the U.S. National Central Bureau (USNCB) serving as INTERPOL's liaison for the United States. The OIG identified several weaknesses in the USNCB's operations, including that it had not made critical international criminal information available to law enforcement agencies in the United States and had not implemented adequate controls or processes to ensure that the INTERPOL information it makes available to U.S. law enforcement agencies is current, accurate, complete, and timely. We also identified weaknesses in the oversight, supervision, and leadership structure of the USNCB.

- **Staff Sexual Abuse of Inmates.** Our review of the Department's efforts to prevent staff sexual abuse of inmates in federal prisons found that allegations of criminal sexual abuse and non-criminal sexual misconduct at BOP institutions more than doubled from FY 2001 through FY 2008. Our review also found that deterrence and detection of staff sexual abuse are hampered by the practice at some prisons of automatically isolating, segregating, or transferring victims, measures inmates often regard as punitive. We also concluded the BOP needs to improve staff training, inmate education, and program oversight. In addition, some prosecutors expressed a general reluctance to prosecute certain staff sexual abuse cases, and we concluded that training federal prosecutors on the detrimental impact of staff sexual abuse on inmates, other prison staff, and prison security would improve the Department's effectiveness in prosecuting these cases.

- **The FBI's Weapons of Mass Destruction Coordinator Program.** The OIG examined the FBI's Weapons of Mass Destruction (WMD) Coordinator Program and found weaknesses in the role of WMD Coordinators in FBI field offices. The OIG review found that FBI field offices have not uniformly identified and targeted the most significant WMD threats in their regions. Our audit also found that the FBI has not ensured that WMD Coordinators receive sufficient intelligence support or the specialized and technical training necessary to carry out their critical mission.

- **ATF's Efforts to Investigate Tobacco Diversion.** The OIG examined ATF's efforts to investigate the illegal diversion of tobacco to evade taxes. The rate of tobacco diversion has increased significantly in recent years, resulting in the loss of several billion dollars in federal, state, and local tax revenue. However, from FY 2004 through FY 2008 tobacco diversion investigations comprised less than 1 percent of ATF's total caseload and the Alcohol and Tobacco Diversion Program represented only 2 percent of ATF's total

budget, even though the value of seizures from its tobacco diversion cases during the same time period made up 46 percent of the total value of seizures from all ATF investigations. We found that ATF's efforts to combat tobacco diversion are ad hoc, that ATF lacks a clear understanding of the scope of diversion activity across its field divisions, and that ATF does not adequately support the field divisions' diversion investigations.

- **ATF's Project Gunrunner.** We examined ATF's plans to use Recovery Act funds and other funds to expand Project Gunrunner, ATF's national initiative to reduce firearms trafficking to Mexico. Our report concluded that some ATF decisions on where to place new Gunrunner teams do not appear to represent the best use of resources to reduce firearms trafficking. We also found that ATF has not hired enough personnel who are proficient in Spanish for the new Gunrunner teams, and program measures that ATF developed are insufficient to fully evaluate the impact the new Gunrunner teams will have on ATF's ability to combat firearms trafficking and related violence along the Southwest border.

- **Review of the FBI's Disciplinary System.** The OIG reviewed whether the FBI has imposed consistent, reasonable, and timely discipline on its employees who committed misconduct. We concluded the FBI's investigations of misconduct generally were thorough and conducted in a consistent manner, and they have improved in their timeliness. However, we also found that potential misconduct was not consistently reported, as required by FBI policy, to FBI headquarters or to the OIG. In addition, while disciplinary decisions generally were reasonable, some of the decisions about which penalties to impose contained inconsistencies that could not be explained by the record in the case files. We also found that although the number of substantiated SES cases that were appealed during our entire review period was small, the evidence indicated that SES employees were treated more leniently on appeal than non-SES employees, and that this more lenient treatment was not justified. We also found that the FBI did not ensure that employees who were suspended for misconduct actually served their suspensions.

Investigations

As shown in the statistics in the table at the beginning of this section, the OIG investigates many allegations of misconduct involving Department employees or contractors or grantees who receive Department money. Examples of the OIG's investigations discussed in this semiannual report include:

- A joint investigation by the OIG's New York Field Office and the FBI resulted in the incarceration of a former BOP correctional officer for sexual abuse of a female ward and plotting with the female inmate to murder his wife. A subsequent investigation by the OIG's Miami Field Office determined that, shortly after beginning his 15-year sentence, the former correctional officer solicited assistance from inmates in a scheme to murder his wife, his wife's current boyfriend, the female inmate from the previous investigation, and the OIG Special Agent who investigated the original case. According to a criminal complaint filed against the former correctional officer, he provided an OIG undercover agent with physical descriptions of each victim, their geographical locations, specific instructions as

to what he wanted done, and an initial payment for the murders from his BOP inmate account.

- An OIG investigation led to the indictment of a DEA Special Agent on charges of obstruction of justice, false statements, perjury, and violating individuals' civil rights, as well as a guilty plea by a Richland County, Ohio, Sheriff's detective to a civil rights violation. According to the indictment, the DEA Special Agent intentionally provided false statements and suppressed evidence against 17 individuals during the course of 13 controlled drug buys, resulting in the arrest of these 17 individuals. In addition, the detective provided false testimony against one of those individuals. Judicial proceedings continue against the DEA Special Agent, while sentencing is pending for the detective.

- An investigation led to the arrest of an FBI Special Agent on charges of dealing firearms without a license, maintaining false firearms records, and making a false statement. According to the indictment, the FBI Special Agent, who was not a licensed firearms dealer, posted at least 280 firearms for sale using an Internet web site, purchased at least 54 firearms, and sold at least 51 of those firearms for a total of more than $118,000. Judicial proceedings continue.

- An audit and subsequent investigation by the OIG led to a settlement agreement in which the National Training and Information Center (NTIC), based in Chicago, Illinois, paid the federal government $550,000 to settle a case under the civil *False Claims Act*. NTIC, a non-profit corporation, misused $207,131 in grant funds over a 3-year period by paying for employees and sub-grantees to travel to Washington, D.C., to lobby Congress for future grant funds, in violation of federal regulations and the terms of the grant. In a previous criminal case arising out of these allegations, the Executive Director of NTIC pled guilty to theft of federal program funds and was sentenced to 5 months' incarceration.

- An investigation resulted in the conviction of two staff accountants and a public relations associate employed by the National Children's Alliance on charges of theft of Department grant funds. The employees each stole between $10,000 and $15,000 in Department grant funds by giving themselves additional paychecks.

- OIG investigations led to the arrest of eight correctional officers assigned to a BOP contract facility on charges of bribery of a public official. The correctional officers accepted multiple monetary bribes from inmates in exchange for smuggling contraband, including cell phones, MP3 players, tobacco, and marijuana, into the contract detention center. Five of the eight correctional officers were convicted and received sentences ranging from 24 to 46 months' incarceration. Judicial proceedings continue for the three remaining correctional officers.

- OIG investigations resulted in the sentencing of a BOP nurse and two nursing assistants on charges of sexual abuse of wards or making a false statement about that relationship. OIG investigators determined that the nurse and nursing assistants had ongoing sexual relationships with an inmate under their custodial supervision and control. One of the nursing assistants and the nurse pled guilty to sexual abuse of a ward, while the other nursing assistant pled guilty to making a false entry in an official document denying

the sexual relationship. The three employees each were sentenced to 3 years' probation and ordered to perform community service.

- An investigation resulted in the arrest and guilty plea of an office automation clerk assigned to the USAO in the Eastern District of Pennsylvania on charges of fraud and identity theft. OIG investigators determined that the clerk fraudulently used personally identifiable information from individuals prosecuted by USAO to obtain 188 online "payday loans" in their names totaling more than $34,000. Sentencing is pending.

Ongoing Work

This report also describes ongoing OIG reviews throughout the Department, including:

- The FBI's use of exigent letters and other informal requests for telephone records
- The coordination of explosives investigations by the FBI and ATF
- The FBI's efforts to combat national cyber threats
- The Department's efforts to combat gangs and gang violence
- The FBI's foreign language translation program
- The Department's preparations for responding to a weapons of mass destruction attack
- Protection of the federal judiciary and federal prosecutors
- The DEA's El Paso Intelligence Center

OIG Profile

The OIG is a statutorily created, independent entity whose mission is to detect and deter waste, fraud, abuse, and misconduct involving Department programs and personnel and promote economy and efficiency in Department operations. The OIG investigates alleged violations of criminal and civil laws, regulations, and ethical standards arising from the conduct of Department employees in their numerous and diverse activities. The OIG also audits and inspects Department programs and assists management in promoting integrity, economy, efficiency, and effectiveness. The OIG has jurisdiction to review the programs and personnel of the FBI, ATF, BOP, DEA, USAO, U.S. Marshals Service (USMS), and all other organizations within the Department, as well as contractors of the Department and organizations receiving grant money from the Department.

The OIG consists of the Immediate Office of the Inspector General and the following divisions and office:

- Audit Division is responsible for independent audits of Department programs, computer systems, and financial statements. The Audit Division has field offices in Atlanta, Chicago, Dallas, Denver, Philadelphia, San Francisco, and Washington, D.C. Its Financial Statement Audit Office and Computer Security and Information Technology Audit Office are located in Washington, D.C. Audit Headquarters consists of the immediate office of the Assistant Inspector General for Audit, Office of Operations, Office of Policy and Planning, and Advanced Audit Techniques Group.

- Investigations Division is responsible for investigating allegations of bribery, fraud, abuse, civil rights violations, and violations of other criminal laws and administrative procedures governing Department employees, contractors, and grantees. The Investigations Division has field offices in Chicago, Dallas, Denver, Los Angeles, Miami, New York, and Washington, D.C. The Fraud Detection Office is located in Washington, D.C. The Investigations Division has smaller, area offices in Atlanta, Boston, Detroit, El Paso, Houston, New Jersey, San Francisco, and Tucson. Investigations Headquarters in Washington, D.C., consists of the immediate office of the Assistant Inspector General for Investigations and the following branches: Operations, Special Operations, Investigative Support, Research and Analysis, and Administrative Support.

- Evaluation and Inspections Division conducts program and management reviews that involve on-site inspection, statistical analysis, and other techniques to review Department programs and activities and makes recommendations for improvement.

- Oversight and Review Division blends the skills of attorneys, investigators, program analysts, and paralegals to review Department programs and investigate sensitive allegations involving Department employees and operations.

- Management and Planning Division provides advice to OIG senior leadership on administrative and fiscal policy and assists OIG

components in the areas of budget formulation and execution, security, personnel, training, travel, procurement, property management, information technology, computer network communications, telecommunications, quality assurance, internal controls, and general support.

- Office of the General Counsel provides legal advice to OIG management and staff. It also drafts memoranda on issues of law; prepares administrative subpoenas; represents the OIG in personnel, contractual, and legal matters; and responds to *Freedom of Information Act requests.*

The OIG has a nationwide workforce of approximately 435 Special Agents, auditors, inspectors, attorneys, and support staff. For FY 2009, the OIG's direct appropriation was $76 million, and the OIG received an additional $3.8 million in reimbursements.

As required by Section 5 of the *Inspector General Act of 1978* (IG Act), as amended, this *Semiannual Report to Congress* reviewing the accomplishments of the OIG for the 6-month period of April 1, 2009, through September 30, 2009, is to be submitted no later than October 31, 2009, to the Attorney General for his review. The Attorney General is required to forward the report to Congress no later than November 30, 2009, along with information on the Department's position on audit resolution and follow-up activity in response to matters discussed in this report.

Additional information about the OIG and full-text versions of many of its reports are available at www.usdoj.gov/oig.

Multicomponent Audits, Reviews, and Investigations

While many of the OIG's audits, reviews, and investigations are specific to a particular component of the Department, other work spans more than one component and, in some instances, extends to Department contractors and grant recipients. The following describes OIG audits, reviews, and investigations that involve more than one Department component.

Reports Issued

The Department's Involvement with the President's Surveillance Program

In the weeks following the terrorist attacks of September 11, 2001, the President authorized the NSA to conduct certain classified intelligence-gathering activities intended to detect and prevent further attacks in the United States. The program was reauthorized by the President approximately every 45 days, with certain modifications. The activities carried out under these authorizations are referred to as the "President's Surveillance Program" (PSP). Certain aspects of these activities have also been called the Terrorist Surveillance Program.

Title III of the *Foreign Intelligence Surveillance Act of 1978 Amendments Act of 2008* (FISA Amendments Act) required the Department OIG, a well as OIGs from four other intelligence community agencies, to conduct a comprehensive review of the PSP. The OIG worked with the Inspectors General of the Department of Defense (DOD), Central Intelligence Agency, NSA, and Office of the Director of National Intelligence to conduct the review. On July 10, 2009, as required by the FISA Amendments Act, the group submitted separate classified reports and an unclassified joint summary report to Congress.

In our 407-page classified report, the OIG's Oversight and Review Division examined the Department's controls over and use of information related to the PSP and the Department's compliance with legal requirements governing the PSP. Among the major findings that are not classified, we found that only one Office of Legal Counsel attorney, Deputy Assistant Attorney General John Yoo, was cleared to work on the PSP during its first year-and-a-half of its operation. Other Department officials who were later cleared into the PSP became concerned about the factual and legal basis for Yoo's early memoranda regarding the legality of the program and conducted a comprehensive reassessment of the legal basis for the PSP.

The OIG concluded that it was extraordinary and inappropriate that a single Department attorney was relied upon to conduct the initial legal assessment of the PSP, and that the lack of oversight and review of Yoo's work contributed to a legal analysis of the PSP that at a minimum was factually flawed. Deficiencies in the legal

memoranda became apparent once additional Department attorneys were cleared into the program in 2003 and when those attorneys sought a greater understanding of the PSP's operation. We concluded that the strict limitations on Department access to the PSP undermined the Department's ability to perform its critical legal function during the PSP's early phase of operation.

Our report also described how in 2003 and 2004 certain Department officials pressed the White House not to continue the PSP without making modifications to aspects of the program. The dispute over the PSP culminated in a confrontation between Department and White House officials in the hospital room of Attorney General John Ashcroft as he recuperated from major surgery in March 2004. Following this incident, the PSP was reauthorized by then-White House Counsel Alberto Gonzales rather than the Department. The program was later modified to address concerns raised by the Department officials.

The OIG also sought as part of its review to assess the role of PSP-derived information and its value to the FBI's overall counterterrorism efforts. The OIG interviewed FBI officials, agents, and analysts responsible for handling PSP information about their experiences with the program. These assessments generally were supportive of the program as "one tool of many" in the FBI's anti-terrorism efforts that "could help move cases forward," although most PSP leads were determined not to have any connection to terrorism. The OIG found that some FBI agents and analysts criticized the PSP-derived information they received for providing insufficient details, and the agents who managed counterterrorism programs at the FBI field offices the OIG visited said that the FBI's process for disseminating PSP-derived information failed to adequately prioritize the information for investigation. The OIG also examined several cases that have frequently been cited as examples of the PSP's contribution to the intelligence community's counterterrorism efforts, and we found that the PSP generally helped advance these cases. We concluded that PSP-derived information had value in some counterterrorism investigations, but it generally played a limited role in the FBI's overall counterterrorism efforts.

The OIG also examined public statements by former Attorney General Gonzales about the PSP. Aspects of the PSP were first disclosed publicly in a series of articles in The New York Times in December 2005. Subsequently, Attorney General Gonzales was questioned about NSA surveillance activities in two public hearings before the Senate Judiciary Committee in February 2006 and July 2007. The OIG evaluated whether Attorney General Gonzales made false, inaccurate, or misleading statements to Congress in those hearings while testifying about the dispute between White House and Department officials in March 2004 concerning the PSP. The OIG concluded that Attorney General Gonzales did not intend to mislead Congress, but his testimony was confusing, inaccurate, and had the effect of misleading those who were not knowledgeable about the PSP.

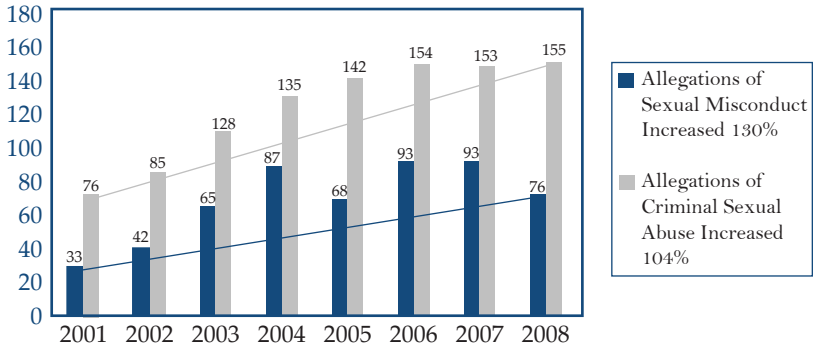
The OIG also examined other aspects of the Department's role in the PSP. For instance, certain activities that were originally authorized as part of the PSP have subsequently been authorized under orders issued by the Foreign Intelligence Surveillance Court. The OIG concluded that several considerations favored initiating the process of transitioning the PSP to FISA authority earlier than had been done, especially as the program became less a temporary response to the September 11 terrorist attacks and more a permanent surveillance tool. These considerations included the PSP's effect on privacy interests of U.S. persons, the instability of the legal reasoning on which the Program rested for several years, and the substantial restrictions placed on FBI

agents' access to and use of Program-derived information due to the highly classified status of the PSP.

Staff Sexual Abuse of Inmates

The OIG's Evaluation and Inspections Division reviewed the Department's efforts to detect and deter staff sexual abuse of inmates in federal prisons. We found that allegations of sexual abuse doubled from FY 2001 through FY 2008. BOP officials said they believe this increase was due to the BOP's efforts during this period to educate and encourage staff and inmates to report such abuse.

Staff Criminal Sexual Abuse and Sexual Misconduct Allegations, FY 2001 through FY 2008



Source: BOP Office of Internal Affairs database.

Our review concluded that while the Department has made progress in implementing staff sexual abuse prevention efforts since 2001, it needs to take additional steps to effectively deter, detect, investigate, and prosecute abuse. For example, BOP officials at some prisons automatically isolate and segregate the victims and subsequently transfer them to another federal prison without first considering less restrictive options for safeguarding them from further harm. Inmates often view those actions as punitive and, as a result, may be reluctant to report their sexual abuse or cooperate with investigators.

In addition, BOP officials could not verify that all alleged inmate victims of staff sexual abuse had received appropriate victim services, such as psychological assessments and medical treatment. The OIG review also identified improvements that should be made in BOP staff training, inmate education, and program oversight.

Our review found that most staff sexual abuse investigations do not conclusively establish whether the alleged abuse occurred due to lack of physical evidence, delayed reporting, or difficulty developing further evidence without exposing the inmate to more abuse. However, since 2006 when the law changed misdemeanor sexual abuse crimes to felony crimes, the percentage of cases accepted for prosecution increased from 37 percent to 49 percent. Although some prosecutors are still reluctant to prosecute these cases, those who did had a high success rate, with all but 7 of the 90 prosecutions resulting in a conviction. We concluded that training federal prosecutors on the detrimental impact of staff sexual abuse on the inmates, on other prison staff, and on overall prison security would improve the Department's effectiveness in prosecuting these cases. We also found that the number of defendants convicted of sexual abuse that received prison time increased after the changes to the law, but lengthier prison sentences have not resulted.

Our review also examined the USMS's efforts to prevent sexual abuse of detainees in its custody and determined that the USMS has not established a program to prevent, detect, or investigate staff sexual abuse in its cellblocks and transportation system. While USMS officials said they believed the agency's general policies for protecting prisoners and USMS personnel were adequate to protect against staff sexual abuse, we concluded that the USMS needs to develop policies to specifically address this issue.

The OIG made 21 recommendations to improve the Department's efforts to prevent, detect, and respond to staff sexual abuse and better investigate, discipline, and prosecute federal personnel that sexually abuse inmates. The BOP agreed with all but two of the recommendations pertaining to its operations. In addition, the USMS agreed with our recommendations for establishing a program to address staff sexual abuse in the USMS's cellblock and transportation operations, and the Executive Office for U.S. Attorneys (EOUSA) agreed to train prosecutors to handle staff sexual abuse cases more effectively.

The Department's Use of Less-Lethal Weapons

The OIG's Evaluation and Inspections Division examined the Department's use of less-lethal weapons, including batons, pepper spray, and conducted energy devices such as Tasers. Our review found that the Department's law enforcement components are expanding their use of less-lethal weapons, but the Department does not have specific policies to govern this use by its employees or by state and local law enforcement personnel serving on Department task forces.

The Department's law enforcement components (FBI, ATF, DEA, USMS, and BOP) authorize and train some of their personnel to use specific less-lethal weapons. For example, FBI and DEA Special Agents are only authorized to use batons and pepper spray, while ATF, USMS, and BOP are authorized to use batons, pepper spray, "bean bag" shotgun rounds, and some form of a conducted energy device. Our review found that the use of less-lethal weapons varies widely by component. The DEA reported no use of less-lethal weapons, the FBI reported limited use, ATF and USMS statistics reported moderate but increasing use, and the BOP's data showed the most use. There have been no reported fatalities or significant injuries resulting from the use of less lethal weapons by Department components during the past 5 years. However, fatalities have occurred at the state and local level, particularly following the use of Tasers or similar conducted energy devices.

Without a specific Department policy regarding the use of less-lethal weapons, Department components have developed individual policies to guide their personnel in the use of these weapons. However, all the individual policies do not address the use of these weapons by state and local task force members. For example, the FBI and the DEA do not have policies that address the use of Tasers by state and local members of their task forces, while the USMS does not mandate that state and local task force officers abide by its less-lethal weapons policies, including its Taser policy.

Although ATF, BOP, and USMS have obtained new types of less-lethal weapons in the last several years, the OIG found no coordinated Department-wide assessment of new less-lethal weapon technologies or development of use policies and training materials. Our review also found that the components were not aware of work done elsewhere in the Department, including studies funded by the National Institute of Justice, which assessed new less-lethal technologies, and investigations by the Civil Rights Division, which yielded detailed information about law enforcement policies and practices involving their use of less-lethal weapons at the state and local levels.

The OIG made four recommendations, including for the Department to coordinate the development of a Department-wide policy addressing the use of less-lethal weapons and ensure that its law enforcement components periodically analyze their use of less-lethal weapons and assess emerging trends in the use of such weapons. The Department and the components concurred with the recommendations and have begun implementing them by convening a working

group to develop a Department-wide policy and by separately determining how best to analyze their less-lethal weapons use and share research on less-lethal weapons with other components.

Civil Rights and Civil Liberties Complaints

Section 1001 of the *USA Patriot Act* directs the OIG to receive and review complaints of civil rights and civil liberties abuses by Department employees, to publicize how people can contact the OIG to file a complaint, and to submit a semiannual report to Congress discussing our implementation of these responsibilities. On August 10, 2009, the OIG issued its 15th report summarizing its Section 1001 activities covering the period from January 1, 2009, to June 30, 2009. The report described the number of complaints we received under this section and the status of investigations conducted by the OIG and Department components.

The Department's Management of the *Federal Employees' Compensation Act*

The OIG's Audit Division examined the Department's management of claims submitted under its *Federal Employees' Compensation Act* (FECA) program. We concluded that the Department lacks effective controls to reduce the risk of waste, fraud, and abuse in its FECA program and to ensure that employees return to work when appropriate.

Our audit focused on the five components that encompass 95 percent of the Department's FECA costs: ATF, BOP, DEA, FBI, and USMS. We found that in comparison to other federal agencies, the Department had relatively high rates of injury, with an average rate of 4.53 injuries per 100 employees from FYs 2005 to 2008. This is the 4th highest rate of injury out of 29 major federal agencies. In addition, the Department's overall benefit expense of $102 million for FY 2008 ranked 7th out of the 29 agencies.

Our audit determined that, with the exception of the BOP and the FBI, the other three components we audited were generally reactive rather than proactive in monitoring FECA cases. These three components also did not maintain all the information necessary to effectively manage employees' FECA cases. For 15 percent of the cases we selected for review, no case file was maintained. In addition, 21 percent of the case files we reviewed were missing claim forms substantiating the work-related injury, 73 percent lacked evidence of a second medical opinion, and 34 percent lacked evidence of medical updates necessary to monitor an employee's condition in order to return the employee to work when appropriate.

We determined that the Department's weaknesses in monitoring FECA cases have resulted in a substantial amount of money that continues to be paid to employees who have remained on long-term disability without a review as to whether their current medical condition entitles them to remain on disability. While the long-term cases where the claimant remained on disability for more than 3 years were only 6 percent of the total number of the Department's FECA cases, they accounted for more than $153 million (or 54 percent) of the Department's total FECA expenses from 2006 through 2008. Overall, the Department's FECA expenses have increased an average of $6.4 million per year, the 3rd highest annual increase in the federal government since FY 2000.

The OIG made five recommendations to help improve the management of the Department's FECA program, including implementing procedures to ensure that FECA cases are periodically reviewed, obtaining periodic medical updates and second medical opinions

when necessary, and evaluating FECA cases for return-to-work opportunities or light duty assignments. The Department concurred with our recommendations.

Federal Information Security Management Act Audits

The *Federal Information Security Management Act* (FISMA) requires the Inspector General for each agency to perform an annual independent evaluation of the agency's information security programs and practices. The evaluation includes testing the effectiveness of information security policies, procedures, and practices of a representative subset of agency systems. To oversee the implementation of policies and practices relating to information security, the Office on Management and Budget (OMB) has issued guidance to agencies for their FISMA requirements.

For FY 2008, the OIG audited the security programs of four Department components: the FBI, ATF, DEA, and Justice Management Division (JMD). Within these components, we selected for review two classified systems in the FBI and three sensitive but unclassified systems in other components: ATF's Arson and Explosives Incident System, DEA's Validation Integrity and Penetration Response System, and JMD's Automated Configuration and Engineering System. In these five audits, we identified deficiencies in configuration management, privacy program leadership, and security awareness training. We provided more than 25 recommendations for improving implementation of the Department's information security program and practices for its sensitive but unclassified, classified, and national security systems.

For FY 2009, we are reviewing the security programs of five Department components: the BOP, FBI, Federal Prisons Industries, Inc., (FPI), JMD, and USMS. Within these components, we selected for review two classified systems within the FBI and four sensitive but unclassified systems in the other components: BOP's Hires System, FPI's Services Business Group, JMD's Interim Procurement System, and USMS' Automated Prisoner Scheduling System. The OIG plans to issue separate reports evaluating each of these systems.

Audit of OJP and COPS Grants

During this reporting period, the OIG continued to audit grants awarded by the Office of Justice Programs (OJP) and the Office of Community Oriented Policing Services (COPS). We continued to find the use of grant funds that were not supported by documentation or were unallowable based on the terms and conditions of the grant. In addition, we continued to find use of grant funds that were not related to grant expenditures.

For example, we audited Team Focus, Inc. (TFI) of Mobile, Alabama, which received grants of more than $2.1 million from OJP and approximately $148,000 from COPS between November 2005 and May 2008. From the $1.5 million in grants we reviewed, we identified $718,443 in questioned costs. Our audit showed that TFI drew down $273,126 in grant funds for which it had not made grant-related expenditures and charged $445,317 to grant funds that were not allowed or supported by documentation. Both OJP and COPS agreed with our findings and are working with TFI to remedy the questioned costs.

Single Audit Act Reports

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, establishes audit requirements for state and local governments, colleges and universities,

and nonprofit organizations receiving federal financial assistance. Entities that expend more than $500,000 in federal financial assistance must have a "single audit" performed annually covering all federal funds. Single audits are conducted by state and local government auditors and by independent public accounting (IPA) firms. The OIG reviews these audit reports when issued to determine whether they meet the requirements of OMB Circular A-133 and whether they contain any audit findings related to Department grants. As a result of the OIG's review of the single audits, during this semiannual period the OIG issued to the Department's granting agencies 53 single audit reports encompassing 306 contracts, grants, and other agreements totaling more than $91 million. The OIG also monitors these audits through the resolution and closure process.

The single audits disclosed that costs charged to Department grants were not always adequately supported, and that required financial reports were inaccurate and frequently were not filed in a timely manner. The state and local government auditors and IPA firms who conducted the single audits also found examples of inadequate controls over the procurement process and the equipment and assets purchased with Department grant funds. They also reported that grantees often did not adequately monitor their grant sub-recipients to ensure that the sub-grantees were properly accounting for the grant funds and ensuring compliance with the terms and conditions of the grant.

Ongoing Work

Coordination of FBI and ATF Explosives Investigations

The OIG is reviewing the coordination between the FBI and ATF on explosives investigations, including which component should serve as lead investigative agency at the scene of explosives incidents. In addition, the OIG is examining the component's coordination of training programs, laboratory operations, and explosives databases.

The Department's Preparations for Responding to a Weapons of Mass Destruction Attack

The OIG is reviewing the Department's preparations to respond to a WMD attack. This review examines the Department's overall disaster planning program, particularly the planning for a response to a WMD attack.

Combating Gangs and Gang Violence

The OIG is reviewing the intelligence and coordination activities of the National Gang Intelligence Center and the National Gang Targeting, Enforcement, and Coordination Center, focusing on the role of these two organizations in the Department's anti-gang initiatives.

The Department's Efforts Related to Identity Theft

This audit is evaluating the Department's strategy to combat identity theft.

Protection of the Federal Judiciary and Federal Prosecutors

The OIG is examining the USMS's protection of federal judges and prosecutors, including how the USMS district offices and EOUSA contribute to these efforts.

Federal Bureau of Investigation

The FBI protects and defends the United States against terrorist and foreign intelligence threats, upholds and enforces the criminal laws of the United States, and provides leadership and criminal justice services to federal, state, municipal, and international agencies and partners. FBI headquarters in Washington, D.C., coordinates activities of more than 30,000 employees in 56 field offices located in major cities throughout the United States, more than 400 resident agencies in smaller cities and towns across the nation, and more than 60 international offices, called "Legal Attaches," in U.S. embassies worldwide.

Reports Issued

The FBI's Terrorist Watchlist Nomination Process

The OIG's Audit Division examined the FBI's practices for nominating known or suspected terrorists to the consolidated terrorist watchlist and determined that the FBI failed to nominate many subjects, did not nominate others in a timely fashion, and did not update or remove certain watchlist records as required.

This audit was a follow-up to our March 2008 report, which examined the Department's processes for nominating known or suspected terrorists to the consolidated terrorist watchlist. In this follow-up audit, we found that 15 percent of the FBI terrorism investigations we reviewed failed to nominate terrorism subjects to the consolidated terrorist watchlist. In addition, 78 percent of the watchlist nominations we reviewed were not processed within the FBI's time standards, typically up to 20 calendar days. Instead, the FBI's nominations took an average of 42 days to process. The FBI also failed to modify the nomination records to include identifying information it obtained after the initial nomination was processed.

Because the consolidated terrorist watchlist is used by government frontline screening personnel to determine how to respond when a known or suspected terrorist requests entry into the United States, the failure either to place appropriate individuals on the watchlist or place them on the watchlist in a timely manner increases the risk that these individuals can enter and move freely within the United States. In fact, we determined that 12 of the terrorism subjects we reviewed who either were not watchlisted or were watchlisted in an untimely manner may have traveled into or out of the United States during the time period they were not watchlisted.

Despite FBI policy that generally requires agents to remove subjects' watchlist records when the FBI investigation is closed, we found that the FBI

failed to remove 7 subjects and did not timely remove another 61 subjects in the 85 closed terrorism investigations we reviewed. Failure to remove or timely remove individuals could lead to the denial of a passport or visa, boarding a flight, or entry into the United States or cause the individual to be unnecessarily questioned.

Another finding related to the FBI's nomination activities, performed on behalf of the DOD, of more than 64,000 individuals detained by the U.S. military or individuals considered by foreign governments as known or suspected terrorists since 2001. We determined that these nominations were made outside of established FBI practices that are designed to ensure that FBI-nominated watchlist records are complete and accurate. Many of these records were supported by limited information linking the individual to terrorism. Following our inquiries, in October 2008 the FBI halted the practice of handling DOD watchlist nominations.

We also found that 35 percent of the approximately 68,000 identities sourced to the FBI in the consolidated terrorist watchlist were related to old or non-terrorism FBI investigation classifications. The OIG analyzed a sample of 164 of the watchlisted individuals related to these identities and found that 94 of them either should have been removed from the watchlist previously or the FBI could no longer support their inclusion. A further analysis of 59 of these individuals found that they had been improperly maintained on the watchlist by the FBI for an average of 1,112 days.

The OIG made 16 recommendations to the FBI regarding nominations to, modifications of, and removal of identities from the consolidated terrorist watchlist. The FBI agreed with our recommendations and has begun taking corrective actions.

Review of the FBI's Disciplinary System

The OIG's Evaluation and Inspections Division examined the FBI's employee disciplinary system to assess whether the FBI imposed consistent, reasonable, and timely discipline. The OIG previously conducted similar reviews of disciplinary systems in four other Department components. Our review found that while aspects of the FBI's system work well, there are deficiencies in the disciplinary system that hamper the FBI's ability to ensure reasonable and consistent discipline for its employees.

In our review, we assessed each phase of the FBI's disciplinary process: the reporting and investigation of employee misconduct, the adjudication of misconduct by the FBI's Office of Professional Responsibility (OPR), the handling of disciplinary appeals, and whether the imposed discipline ultimately was served. We also examined concerns about a double standard of discipline for higher-ranking and lower-ranking FBI employees.

Our review found that all phases of the FBI's disciplinary process had generally improved in timeliness during the past several years. However, we determined that potential misconduct was not consistently reported to FBI headquarters or to the OIG, as required by FBI policy. We found that disciplinary decisions generally were reasonable, but some of the decisions on which penalties to impose contained inconsistencies that could not be explained by the record in the case files. In addition, we found a lack of clear guidance about the appropriate standard of review that appellate officials should apply when reviewing penalties imposed by FBI OPR.

With regard to the issue of a double standard of discipline, 33 percent of the FBI employees who responded to our survey agreed with the statement that a double standard of discipline exists in the FBI, 11 percent disagreed, and the rest either had a neutral opinion or responded that they did not know.

Our review of disciplinary outcomes from FY 2005 through the 3rd quarter of FY 2008 showed that misconduct allegations against senior executive service (SES) employees were more likely to be unsubstantiated (49 percent) than those against non-SES employees (22 percent). More significantly, penalties imposed on SES employees for misconduct were mitigated on appeal much more frequently than for non-SES employees. We found that 5 of the 6 cases (83 percent) appealed by SES employees during our review period resulted in mitigation of the discipline originally imposed by FBI OPR, while 44 of 247 cases (18 percent) appealed by non-SES employees during the same time period resulted in mitigation. We determined that FBI appellate officials unreasonably mitigated discipline in four of the six SES cases we reviewed.

Specifically, our review of the SES cases found that appellate officials often substituted their judgment for FBI OPR's decisions, even on findings of fact. We also concluded that the reasons for overturning the findings in these cases, and for mitigating punishment, were often unpersuasive and unreasonable. Although the number of appealed SES cases during our entire review period was small, we believe the evidence indicates that SES employees were treated more leniently on appeal than non-SES employees, and that this more lenient treatment was not justified.

With respect to implementation of discipline, we found that the FBI did not ensure that employees who were suspended for misconduct actually served their suspensions. We found examples of FBI employees whose imposed suspensions were not served at all or were served for the incorrect length of time. We also found that the FBI practice of beginning all suspensions at the close of business on Fridays, which is unlike any other Department law enforcement component, resulted in FBI employees effectively serving fewer days and receiving less time off without pay than employees in other Department components serving for the same discipline.

We made 16 recommendations to help the FBI improve its disciplinary system, including reminding FBI employees to report misconduct to FBI headquarters or the OIG, requiring FBI OPR to better document in the case files the information it considers when making decisions, considering the appointment of a permanent appeals decision maker or board, ensuring that FBI policies are applied consistently to all levels of employees at all stages of the disciplinary process, and reviewing the files of all employees suspended since October 2004 to ensure that they served their suspensions. The FBI concurred with our recommendations and is taking steps to implement them.

The FBI's WMD Coordinator Program

The OIG's Audit Division examined the FBI's WMD Coordinator Program. The FBI established a WMD Directorate at FBI headquarters in 2006 to provide national-level WMD intelligence support to FBI field divisions and to the larger U.S. Intelligence Community. At the field office level, the FBI primarily relies on a designated Special Agent in each field division, referred to as the WMD Coordinator, to implement a significant portion of the FBI's WMD-related activities.

WMD Coordinators work to identify WMD threats, investigate WMD crimes, and prevent WMD attacks.

This OIG audit found that many FBI WMD Coordinators could not identify the top specific WMD threats and vulnerabilities that faced their particular field division. The audit also found that the FBI has not established specific qualifications that WMD Coordinators need so they can perform their critical functions. Additionally, the FBI has not formulated training plans to ensure that WMD Coordinators and WMD-assigned Intelligence Analysts acquire the skills necessary for the position.

In addition, in September 2008 the FBI began requiring that its field divisions conduct an initial WMD assessment to help each division identify and prioritize WMD threats and vulnerabilities in each district. Yet, our audit found that even though WMD Coordinators serve as the field divisions' WMD subject matter expert, they were not participating directly in these WMD threat assessments. Instead, Intelligence Analysts from the field office's Field Intelligence Groups worked with special units at FBI headquarters to complete these assessments. Therefore, the one agent at each field office charged with preventing and responding to WMD attacks – the WMD Coordinator – had no direct input in the WMD threat assessment. As a result, the OIG concluded that the FBI's WMD threat assessments may not be complete.

Furthermore, the audit found that the FBI does not require its Field Intelligence Groups to designate specific Intelligence Analysts to work with WMD Coordinators. Therefore, WMD Coordinators had limited or inconsistent interaction with their Field Intelligence Groups, which has hindered the WMD Coordinators from fully identifying specific WMD threats facing their field division. As a result, FBI field offices have not been able to uniformly identify and target the most significant WMD threats in their region.

The audit also found that despite initial efforts, the FBI was not uniformly tracking the activities that WMD Coordinators performed to mitigate specific WMD threats. In addition, the FBI was not ensuring that its WMD Coordinators conducted adequate outreach and training with private industry and local law enforcement necessary to mitigate the most serious WMD threats facing their field office's area of responsibility.

The OIG made 13 recommendations to improve the FBI's WMD Coordinator Program. The FBI agreed with the recommendations and has begun developing procedures that, among other things, will ensure that WMD Coordinators are involved in compiling threat assessments, share information with their field intelligence groups, and receive the training necessary to perform their important duties.

CODIS Audits

The FBI's Combined DNA Index System (CODIS) is a national information repository that stores DNA specimen information to facilitate its exchange by federal, state, and local law enforcement agencies. During this reporting period, the OIG audited several state and local laboratories that participate in CODIS to determine if they comply with the FBI's Quality Assurance Standards and National DNA Index System (NDIS) participation requirements. Additionally, we evaluated whether the laboratories' DNA profiles in CODIS databases were complete, accurate, and allowable for inclusion in NDIS. Below are examples of our audit findings:

- The North Louisiana Criminalistics Laboratory in Shreveport, Louisiana, was

not in compliance with the standards and requirements governing CODIS activities that we reviewed. We determined that 30 of the 100 forensic profiles we reviewed were unallowable for inclusion in NDIS for one or more of the following reasons: the DNA profile was attributable to the victim or another known person other than the suspected perpetrator, analyses were performed using unapproved testing kits, and the case files either were missing or did not contain the required supporting data from the sample analysis. The FBI is working with this Laboratory to resolve the issues identified in our report.

- The Washington State Patrol Crime Laboratory in Seattle, Washington, was generally in compliance with the standards governing CODIS activities that we reviewed. However, we found that the Laboratory did not adequately secure CODIS servers to prevent unauthorized personnel from gaining access to the servers and stored data, as required by the NDIS participation requirements. In addition, 6 of the 100 forensic profiles we tested did not meet requirements for inclusion in NDIS, and 1 profile was incomplete according to the NDIS participation requirements. The Laboratory removed all seven profiles from NDIS before we completed our audit. The FBI worked with the Laboratory to address our concerns and ensure that appropriate corrective actions were taken.

- The Texas Department of Public Safety Regional Crime Laboratory in El Paso, Texas, was in compliance with the FBI's Quality Assurance Standards and NDIS participation requirements for the areas we reviewed. However, our review of 100 forensic profiles that the Laboratory uploaded to NDIS revealed that 14 profiles were unallowable for inclusion in NDIS. The Laboratory deleted the 14 profiles from NDIS.

Investigations

During this reporting period, the OIG received 962 complaints involving the FBI. The most common allegations made against FBI employees were violations of intelligence-gathering standards, job performance failure, waste, and misuse of government property. The OIG opened 19 cases. The majority of the complaints received this period were considered management issues and were forwarded to FBI management for its review and any appropriate action.

At the close of the reporting period, the OIG had 48 open criminal or administrative investigations of alleged misconduct related to FBI employees. The criminal investigations covered a wide range of offenses, including release of information, false statements, and job performance failure. The administrative investigations involved serious allegations of misconduct. The following are examples of cases involving the FBI that the OIG's Investigations Division handled during this reporting period:

- A joint investigation by the OIG's El Paso Area Office and ATF's El Paso Field Office resulted in the arrest of an FBI Special Agent in the Western District of Texas on charges of dealing firearms without a license, maintaining false firearms records, and making a false statement. The investigation revealed that the FBI Special Agent, who was not a licensed firearms dealer, bought and sold firearms from January 2005 until May 2008. According to the indictment, the FBI Special Agent posted at least 280 firearms for sale using an Internet web site, purchased at least 54 firearms, and sold at least 51 of those firearms for a total of more than $118,000. In addition, he allegedly provided false information on ATF forms when purchasing firearms by stating that he was the actual buyer. Judicial proceedings continue.

- An investigation by the OIG's Washington Field Office resulted in the arrest of two FBI police officers on charges of criminal invasion of privacy and conspiracy. The investigation found that the officers were working in an FBI security control room for a Criminal Justice Information Services office located in a shopping mall in West Virginia. While the officers were on duty, a local charity event was taking place in which high school girls could buy low-cost prom dresses. The FBI police officers manually manipulated the focus of an FBI security camera located in the mall's ceiling to view into the makeshift dressing room used by the students for the event. The recording taken by the camera showed girls changing in and out of prom dresses, including several girls who could be seen in various states of undressing. One of the police officers pled guilty to a West Virginia state charge of conspiracy to commit criminal invasion of privacy and was sentenced to 6 months' probation, fined $200, and ordered to repay court costs. Judicial proceedings continue for the second police officer.

- In our September 2008 *Semiannual Report to Congress*, we described an investigation by the OIG's Denver Field Office that led to the arrest of an FBI Special Agent on wire fraud and other charges. OIG investigators determined that the Special Agent concealed from the FBI and other law enforcement agencies his improper sexual relationship with a woman whose husband the FBI Special Agent had investigated in two separate matters. At the same time, the Special Agent used his position to negotiate two favorable plea agreements with the local District Attorney's Office for the husband. The Special Agent later improperly used an FBI confidential witness in an attempt to locate a homicide suspect to secure a favorable plea agreement for the woman's son after the son was arrested for an armed robbery along with her husband. When the improper sexual relationship between the FBI Special Agent and the woman was discovered, the Special Agent asked two key witnesses to lie to federal investigators and contacted other witnesses in an attempt to influence their testimony. The Special Agent also provided a false statement in an FBI report concerning his unauthorized disclosure of the confidential informant's true identity to the woman. During this reporting period, the FBI Special Agent pled guilty to charges of wire fraud and was sentenced to 4 years' probation, 250 hours of community service, and a $5,000 fine. The Special Agent resigned from the FBI as a result of our investigation.

- In our March 2009 *Semiannual Report to Congress*, we reported on an investigation by the OIG's New York Field Office that resulted in the arrest and guilty plea of an FBI supervisory Special Agent on charges of criminally accessing a sensitive FBI database for personal purposes. OIG investigators determined that between January 2007 and July 2007, the Supervisory Special Agent improperly released a copy of a confidential informant's report to a close personal friend, who is a Hollywood actress. The friend in turn provided the report to the attorney of a former high-profile Los Angeles private investigator who was on trial and subsequently convicted on charges of wire tapping and racketeering. During the same time frame, the FBI Supervisory Special Agent also made more than 40 unauthorized searches in the FBI's Automated Case Support System, which contains confidential, law-enforcement sensitive information. During this reporting period, the Supervisory Special Agent was sentenced to 12 months' probation and ordered to perform 250 hours of community service and pay a $5,000 fine. The Supervisory Special Agent resigned from the FBI as a result of our investigation.

Ongoing Work

The FBI's Use of Exigent Letters and Other Informal Requests for Telephone Records

As a follow-up to our reviews of the FBI's use of national security letters, the OIG is examining the FBI's use of exigent letters and other informal requests to obtain telephone records. We are in the process of completing our report, which describes in detail these improper uses and assesses the accountability of FBI supervisors and employees.

The FBI's Efforts to Combat National Security Cyber Threats

The OIG is examining the FBI's efforts to combat cyber intrusions that threaten national security. The review assesses the development and operation of the National Cyber Investigative Task Force as well as the capabilities of FBI field offices to investigate national security cyber cases.

The FBI's Foreign Language Translation Services

We are assessing the FBI's ability to translate critical foreign language material and the extent of any backlogs in unreviewed material. We also are examining the FBI's efforts to ensure the appropriate prioritization of translation work, accurate and timely translations of pertinent information, and the FBI's progress in meeting its linguist hiring goals.

Sentinel V: Status of the FBI's Case Management System

This audit is evaluating implementation of Phase 2 of the development of Sentinel, the FBI's new case management system.

Follow-up Audit of the FBI's Casework and Human Resource Allocation

This review is the fourth in a series of reviews since FY 2003 examining the FBI's management of personnel resources and its reprioritization of these resources. The purpose of this review is to determine whether the FBI has improved its processes for assessing, allocating, and utilizing personnel resources, as well as detailing how the FBI has used its personnel resources between FYs 2005 and mid-2009.

Bureau of Alcohol, Tobacco, Firearms and Explosives

ATF's 5,000 employees perform the dual responsibilities of enforcing federal criminal laws and regulating the firearms and explosives industries. ATF investigates violent crimes involving firearms and explosives, acts of arson, and illegal trafficking of alcohol and tobacco products. ATF also provides training and support to its federal, state, local, and international law enforcement partners and works in 25 field divisions with representation throughout the United States, Puerto Rico, U.S. Virgin Islands, and Guam. Foreign offices are located in Mexico, Canada, Colombia, and representatives in France, the Netherlands, Iraq, and El Salvador.

Reports Issued

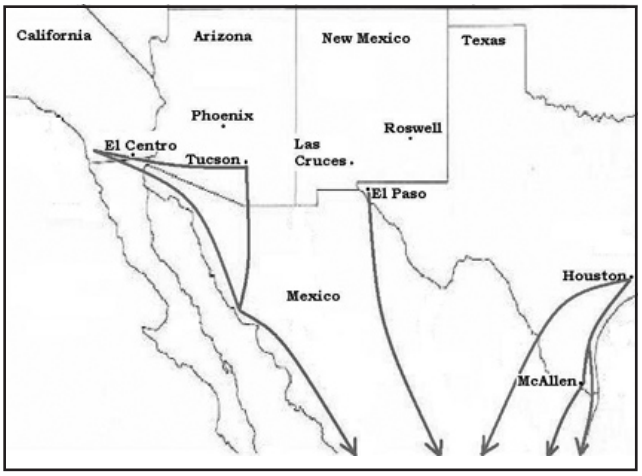
ATF's Project Gunrunner

The OIG's Evaluation and Inspections Division examined ATF's plans to expand Project Gunrunner, ATF's national initiative to reduce firearms trafficking to Mexico. Mexican drug cartels often use weapons from the United States to control lucrative drug trafficking corridors along the Southwest border. To support and expand Project Gunrunner, ATF received $10 million from the Recovery Act and an additional $11.9 million in FY 2009 appropriations and supplemental funding.

Our review concluded that aspects of the project's expansion plans will enhance ATF's ability to combat firearms trafficking, but some planned activities do not appear to represent the best use of resources to reduce firearms trafficking. ATF plans to expand Project Gunrunner by establishing new Gunrunner teams in McAllen, Texas; El Centro, California; and Las Cruces, New Mexico; with a satellite office in Roswell, New Mexico. In addition, four ATF agents will be located in Ciudad Juarez and Tijuana, Mexico, to provide support to the government of Mexico. Although ATF's decision to place new Project Gunrunner staff in McAllen, El Centro, Juarez, and Tijuana appeared sound, we questioned placing Gunrunner teams in Las Cruces and Roswell because ATF crime gun and workload data showed that these sites do not have large amounts of firearms trafficking or crime that is linked to Mexican cartels.

The OIG also found that ATF has hired an insufficient number of personnel proficient in Spanish for the new Gunrunner teams, which could pose significant safety and operational challenges. While ATF has implemented several Spanish language training pilot programs and has also made efforts to hire staff with proficiency in

Firearms Trafficking Corridors and Planned ATF Gunrunner Team Locations Along the Southwest Border



Note: Not to scale.
Source: OIG map based on descriptions of the corridors in ATF, "Southwest Border Initiative: Project Gunrunner" (June 2007).

Spanish, we recommended improved training and hiring to ensure effective operations and personnel safety on the new Gunrunner teams.

The OIG determined that program measures ATF developed are insufficient to fully evaluate the impact the new Gunrunner teams will have on its ability to combat firearms trafficking and related violence along the Southwest border. We recommended that ATF develop more specific program measures to accurately assess Project Gunrunner's impact on cross-border firearms trafficking.

While ATF concurred with the majority of our recommendations, it disagreed with our recommendation to reconsider whether to place new Gunrunner personnel in Las Cruces and Roswell. ATF responded that it believed the establishment of these offices was justifiable, stating, among other things, that having field offices in those locations was essential to combat firearms trafficking. We continue to disagree based on our analysis of crime gun trace and firearms trafficking workload data as well as our interviews with ATF field office staff and other federal, state, and local law enforcement officials, which indicate that Las Cruces and Roswell do not represent the best strategic use of resources. We concluded that it would make more sense for ATF to use the resources to combat firearms trafficking problems elsewhere along the Southwest border.

A forthcoming OIG report will examine the overall implementation and impact of Project Gunrunner.

ATF's Efforts to Investigate Tobacco Diversion

The OIG's Evaluation and Inspections Division examined ATF's efforts to investigate the diversion of tobacco from the legal distribution system. Our report found that the rate of tobacco diversion has increased significantly in recent years, resulting in the loss of several billion dollars in federal and state tax revenue. We concluded that ATF should take steps to strengthen its diversion enforcement program.

Federal and state governments estimate that tobacco diversion results in more than $5 billion in lost revenue annually from unpaid excise taxes, with that figure rising as state excise taxes on cigarettes increase. Tobacco diversion is highly profitable because of the disparity among jurisdictions' cigarette taxes. State excise taxes range from a low of $0.07 per pack in South Carolina to a high of $3.46 per pack in Rhode Island. Some cities or counties impose additional taxes as high as $2 per pack on top of the state excise taxes. By purchasing cigarettes in a low-tax jurisdiction and reselling them in a high-tax jurisdiction, a seller can make a profit of several thousand dollars on just a few cases of cigarettes. ATF investigations have found that some criminal

organizations are using the proceeds from tobacco diversion to fund other criminal activities, including drugs, weapons, identity theft, and various types of fraud.

From FY 2004 through FY 2008, tobacco diversion investigations comprised less than 1 percent of ATF's total caseload, and the Alcohol and Tobacco Diversion Program represented only 2 percent of ATF's total budget. Even with the small amount of ATF resources devoted to tobacco diversion cases, the value of seizures from its tobacco diversion cases during the same time period made up 46 percent (approximately $106 million) of the total value of seizures (approximately $230 million) from all types of ATF investigations. Moreover, the value of seizures from tobacco diversion cases more than quadrupled from $6.2 million in FY 2004 to $26.6 million in FY 2008.

We found that ATF's efforts to combat tobacco diversion are ad hoc, that ATF lacks a clear understanding of the scope of diversion activity across its field divisions, and that ATF headquarters does not adequately support the field divisions' diversion investigations. In addition, we determined that ATF has no systematic method to share intelligence or information specifically about diversion activities between the field and headquarters, which adds to ATF's lack of knowledge of the overall level of diversion activity in the nation.

Our report recognizes that ATF may not be able to assign significant new resources to address the diversion problem due to limited funding and competing priorities. However, we believe that ATF could improve its diversion program without an infusion of new resources. We recommended that ATF ensure that its field offices and headquarters communicate on diversion issues and that diversion investigation intelligence be shared across the agency and with state and local tax and law enforcement agencies. We also concluded that unless ATF has a better understanding of the scope of the diversion problem, it cannot strategically address diversion crime and optimize its limited investigative resources. ATF agreed with all but one of our recommendations.

Assets Seized Through Tobacco Diversion Investigations FY 2004 – FY 2009

Fiscal Year	Value of Seizures from All ATF Investigations	Value of Seizures from Tobacco Diversion Investigations	Value of Tobacco Diversion Seizures as a Percentage of All ATF Seizures
2004	$21,205,283	$6,276,648	29.6%
2005	$23,377,852	$9,731,791	41.6%
2006	$44,515,040	$22,993,953	51.6%
2007	$45,275,274	$14,371,177	31.7%
2008	$53,147,034	$26,680,976	50.2%
2009*	$42,860,073	$25,552,846	59.6%
Total	$230,380,556	$105,607,391	45.8%

** First quarter of FY 2009 only*
Source: ATF, Consolidated Asset Tracking System

Investigations

During this reporting period, the OIG received 230 complaints involving ATF personnel. The most common allegations made against ATF employees were waste, misuse of government property, and theft. The OIG opened 2 cases and referred 15 allegations to ATF's Office of Professional Responsibility for its review. The majority of the complaints were considered management issues and were provided to ATF for its review and any appropriate action.

At the close of the reporting period, the OIG had eight open criminal or administrative investigations of alleged misconduct related to ATF employees. The criminal investigations include waste, misuse of government property, and theft. The following is an example of a case involving ATF that the OIG's Investigations Division handled during this reporting period:

- In our March 2009 *Semiannual Report to Congress*, we reported on an investigation by the OIG's Dallas Field Office that led to the arrest of an ATF analyst on charges that she exceeded her authorized access to a government computer. OIG investigators determined that the analyst accessed National Crime Information Center computer records concerning her boyfriend, who was a member of the Aryan Brotherhood. In addition, the analyst released details of an imminent undercover operation to the Aryan Brotherhood target of the operation. During this reporting period, the ATF analyst pled guilty and was sentenced to 3 months' incarceration followed by 1 year supervised release. The ATF analyst resigned from her position as a result of our investigation.

Drug Enforcement Administration

The DEA enforces federal laws and regulations related to the growth, production, or distribution of controlled substances. In addition, the DEA seeks to reduce the supply of and demand for illicit drugs, both domestically and internationally. The DEA has approximately 10,800 employees staffing its 21 division offices in the United States and the Caribbean and 87 offices in 63 other countries.

Reports Issued

Follow-up Audit on the DEA's Handling of Cash Seizures

The OIG's Audit Division examined the DEA's handling of cash seizures made during the 16-month period ending November 2008. We found that the DEA has made progress since our 2007 audit in safeguarding seized cash from loss or theft, but further improvements are still needed.

During our audit of 29 DEA offices, we found that the DEA has improved in following 8 of 10 cash-handling controls. However, the DEA took slightly longer to transport seized cash to banks for an official count because it experienced problems implementing a Department of Treasury program designed to streamline cash deposits by federal agencies. We concluded that DEA staff needed to improve preparing and reviewing records and other legal documents related to the seized cash.

We also found that DEA law enforcement officers did not prepare or review some of those documents until after an average of 9 months had elapsed. For 682 cash seizures we tested, DEA staff prepared 131 amended Reports of Investigation and other memoranda an average of more than 276 days after the date of seizure. Not conducting complete and timely reviews of the cash-seizure files can lead to errors in the cash-seizure documentation, which can make it difficult for prosecutors to successfully try cases.

The OIG concluded that the DEA needs to define how quickly supervisors should review cash seizure records and provide its staff with additional training on handling seized cash, preparing and reviewing cash seizure documents, and maintaining copies of records in the investigative case files. We made five recommendations to the DEA to help improve its handling of seized cash. The DEA agreed with our recommendations.

Investigations

During this reporting period, the OIG received 261 complaints involving the DEA. The most common allegations made against DEA employees included job performance failure; theft or loss of seized property, money, or drugs; waste; and mismanagement. The OIG opened 11 investigations. The majority of the complaints were considered management issues and were provided to the DEA for its review and appropriate action.

At the close of the reporting period, the OIG had 22 open cases of alleged misconduct against DEA employees. The most common allegations were release of information, false statements, and job performance failure. The following are examples of cases involving the DEA that the OIG's Investigations Division handled during this reporting period:

- An investigation by the OIG's Chicago Field Office led to the indictment and arrest in the Northern District of Ohio of a DEA Special Agent on charges of obstruction of justice, false statements, perjury, and violating individuals' civil rights. A Richland County, Ohio, Sheriff's detective also was arrested and pled guilty to depriving an individual's civil rights. According to the indictment, the DEA Special Agent intentionally provided false statements and suppressed evidence against 17 individuals during the course of 13 controlled drug buys, and the detective provided false testimony against one of those individuals. The DEA Special Agent allegedly placed false statements in his reports, suppressed evidence favorable to suspects from prosecutors and the courts, and perjured himself before the District Court at a detention hearing and the two trials that ensued from the investigation. Twelve of the 17 individuals were collectively sentenced to 70 years in prison before their convictions were dismissed or overturned, and one individual served 16 months of a 10- year sentence before being exonerated. The detective admitted to providing false testimony at the narcotics trial of 1 of the 17 individuals. Judicial proceedings continue against the DEA Special Agent. Sentencing is pending for the detective.

- A joint investigation by the OIG's Chicago Field Office, the Independent Police Review Authority of the City of Chicago, and DEA OPR resulted in the arrest of a Chicago police officer, previously assigned to a DEA High Intensity Drug Trafficking Area task force, on charges of violation of civil rights under color of law. According to the indictment, the police officer used unreasonable force by striking and causing bodily injury to a civilian who had been placed under arrest. Judicial proceedings continue.

- In our March 2009 *Semiannual Report to Congress*, we reported on a joint investigation by the OIG's Dallas Field Office and the DEA OPR that led to the arrest of a DEA Special Agent on charges of bribery, accepting gratuities, and aiding and abetting false statements on visa applications. The investigation revealed that the DEA Special Agent fraudulently obtained visas for Mexican nationals so they could legally enter the United States. The investigation also revealed that the Special Agent falsified several visa referrals in return for $2,500 and a diamond ring valued at $1,000. During this reporting period, the DEA Special Agent pled guilty and was sentenced to 1 year and a day incarceration on charges of false statements on a visa application.

Ongoing Work

The DEA's El Paso Intelligence Center

The OIG is assessing the DEA's El Paso Intelligence Center and the intelligence support it provides to federal, state, and local law enforcement agencies. The review includes an assessment of the range of the Intelligence Center's products and services and their value to the agencies that use them.

The DEA's Clandestine Drug Laboratory Cleanup Program

The OIG is evaluating the effectiveness of the DEA's Clandestine Laboratory Cleanup Program.

Office of Justice Programs

OJP manages the majority of the Department's grant programs and is responsible for developing initiatives to address crime at the state and local level. OJP is composed of 5 bureaus – Bureau of Justice Assistance (BJA), Bureau of Justice Statistics (BJS), National Institute of Justice (NIJ), Office of Juvenile Justice and Delinquency Prevention (OJJDP), and Office for Victims of Crime (OVC) – as well as the Community Capacity Development Office and the Sex Offender Sentencing, Monitoring, Apprehending, Registering, and Tracking Office.

Reports Issued

OJJDP Discretionary Grants in FY 2007

The OIG released an audit report and an investigative report examining how the Office of Juvenile Justice and Delinquency Prevention (OJJDP) awarded more than $113 million in discretionary grants in FY 2007 and reviewing allegations that former OJJDP Administrator J. Robert Flores improperly awarded grants to certain non-profit or faith-based organizations. In addition, the OIG investigative report examined allegations that Flores violated federal ethics and contracting regulations in awarding certain grants and contracts while at OJJDP.

Our review determined that OJJDP was not prepared to handle the $113 million in funding that Congress appropriated in FY 2007 for discretionary grants. Because the Department's FY 2007 appropriation was passed well after the fiscal year began, both OJP and OJJDP struggled to allocate funding between new and ongoing programs, announce new grant initiatives, review and score a large number of applications, and document award decisions and final selections all on an expedited timeframe.

Former OJP Assistant Attorney General Regina Schofield allocated $74 million of the $113 million for noncompetitive grants or "invitational awards" to 17 organizations, many of whom received earmarks in the past. Schofield said she used invitational awards to ensure that continuing and deserving programs would receive funds. However, OJP could not provide any documents showing that it made merit-based assessments for these invitational grants. Schofield also said that officials from the Office of the Attorney General, White House, and Congress lobbied her to award non-competitive awards to certain organizations.

With respect to the $40 million in competitive awards, we found that time constraints adversely affected both the solicitation process and the peer review process OJJDP used to rate applicants for competitive awards. We also found that although

Flores stated that he considered peer review scores in evaluating the proposals, he said he did not use peer review scores as the sole basis when selecting applicants for grant awards. For example, Flores said he also considered Presidential priorities for faith-based and community initiatives when making his award recommendations. Our audit found that Flores recommended awards to several organizations, including the World Golf Foundation, the Best Friends Foundation, and Victory Outreach, whose proposals received peer review scores that were lower than applications submitted by other organizations that did not receive award recommendations. Flores's award recommendations subsequently were approved by Schofield. We concluded that OJP and OJJDP decision makers should have justified and documented the rationale for award recommendations that deviated significantly from peer review results.

In addition, OIG investigators determined that Flores accepted a round of golf valued at $159 from World Golf officials while attending a conference sponsored by World Golf in February 2006, and that World Golf's First Tee Initiative was an OJJDP grantee at the time, having received earmarked grants from FY 2003 to FY 2006. In FY 2007, Flores recommended World Golf for an OJJDP discretionary grant award, but he did not reimburse World Golf for the round of golf until more than 2 years later – the day before he testified before a congressional oversight committee about OJJDP's FY 2007 grants. We concluded that Flores violated the federal ethics regulations by accepting in February 2006 and not repaying for 2 years a gift from a prohibited source valued at more than $20.

In addition, Flores circumvented federal acquisition regulations by hiring a consultant through a non-competitive contract rather than through the competitive hiring process required by federal civil service laws. The consultant, who was paid about $281,000 over a 2-and-a-half year period, failed to adequately document the services that he provided pursuant to the contract.

The OIG made 10 recommendations to assist OJP and OJJDP in improving how they administer grant programs. OJP and OJJDP agreed with the recommendations.

The National Institute of Justice's Practices for Awarding Grants and Contracts

At the request of Congress, the OIG examined competitive and non-competitive NIJ grants and contracts awarded during a 3-year period to evaluate whether they were awarded based on fair and open processes. During FYs 2005 through 2007, the NIJ awarded over $567 million in grants and cooperative agreements and over $64 million in contracts.

For the grant awards tested, the OIG found the NIJ did not maintain adequate records to document that its grant award process ensured fair and open competition. The OIG also found that the NIJ's process for reviewing grant applications – including initial program office reviews, peer reviews, documentation of program office recommendations, and documentation of NIJ Director selections – raised concerns about the fairness and openness of the competition process. The NIJ generally did not document the basis for non-competitively awarding discretionary grant funds.

In addition, the OIG review found that several NIJ staff involved in the grant award process had potential conflicts of interest with grantees receiving awards, but nevertheless participated in the approval process for the grants in question.

The OIG also found two instances where the NIJ improperly directed a grantee to use a specific

organization to perform sub-grantee work without documenting the basis for directing that the work be non-competitively awarded. On two separate occasions, the NIJ awarded approximately $5 million without competition to the National Forensic Science Technology Center (NFSTC) without preparing justifications for the sole-source award and supplements. In both of those instances the NIJ directed that the NFSTC hire a specific sub-grantee to perform work under the agreement without documenting the rational for this sole source sub-award. In response to the audit, the NIJ stated that it will begin requiring that the basis for any action requiring grantees to use specific sub-grantees to perform work related to the grants must be documented.

The OIG made nine recommendations to help improve the NIJ's grant and contract award processes and to ensure that grant and contract awards are based on fair and open competition or adequately justified when making the awards on a non-competitive basis. OJP agreed and has begun taking corrective actions to address recommendations.

Audits of OJP Grants to State and Local Entities

During this reporting period, the OIG continued to conduct audits of grants awarded by OJP. Examples of findings from these audits included the following:

- Between April 2000 and December 2007, the NIJ awarded the NFSTC in Largo, Florida, approximately $44.7 million in seven cooperative agreements to expand the range and scope of services the NFSTC could offer to forensic laboratories. Of this total, $20.9 million was from congressional earmarks specifically for the NFSTC. Our audit found that NFSTC generally complied with the agreement objectives we tested. However, we found that the NFSTC: 1) did not report its progress on four of its objectives; 2) did not maintain adequate support for its drawdowns; 3) did not account for expenditures by individual award; 4) drew down $229,229 in funds for unallowable indirect costs; 5) charged unallowable and unsupported costs totaling $11,712; and 6) charged $11,395 in unreasonable costs. The NIJ concurred with all eight of our recommendations.

- As of December 31, 2008, OJP awarded more than $1.8 million to TechMission, Inc., a non-profit organization in Boston, Massachusetts, that aims to protect children in at-risk communities from pornography and other dangers online and to support technology-based programs for at-risk youth during after-school hours. We found that TechMission: 1) inappropriately charged budgeted indirect cost expenses as direct costs, 2) failed to obtain appropriate OJP approval before reprogramming grant funds, 3) mischaracterized certain costs in its grant budgets, and 4) failed to submit all grant-funded products to OJP for review and approval before public distribution. OJP agreed with our findings and coordinated with TechMission to rectify the problems we identified.

- As of December 17, 2008, OJP awarded more than $2.2 million in Southwest Border Prosecution Initiative (SWBPI) funding to Santa Clara County, California. Our audit found that Santa Clara County claimed and was reimbursed $323,859 for cases that were ineligible under SWBPI guidelines. OJP agreed with our findings and will coordinate with Santa Clara County to remedy the $323,859 in questioned costs.

- Between October 2001 and September 2007, OJP awarded more than $190,000 in SWBPI funding to Alameda County, California. Our audit found that Alameda County claimed and was reimbursed for cases that were ineligible under the SWBPI guidelines. Specifically, we identified $8,451 in questioned costs and weaknesses in Alameda's management controls over records retention and reimbursement requests. OJP agreed with our findings and is working with Alameda County on further corrective actions to remedy the $8,451 in questioned costs and operational deficiencies.

- As of August 31, 2008, OJP awarded more than $940,000 to the Kane County, Illinois, Drug Rehabilitation Court (KCDRC). We found that KCDRC charged the grant $4,812 for unapproved and unallowable costs. KCDRC also failed to record two vehicles as federally funded properties. OJP agreed with our findings and is coordinating with KCDRC to remedy the questioned costs charged to the grant.

Investigations

During this reporting period, the OIG received 23 complaints involving OJP. The most common allegation made against OJP employees, contractors, or grantees was grantee fraud. The OIG opened nine cases and referred several complaints to OJP for its review and appropriate action.

At the close of the reporting period, the OIG had 29 open criminal or administrative investigations of alleged misconduct related to OJP employees, contractors, or grantees. The majority of these criminal investigations were grantee fraud. The following are examples of cases involving OJP that the OIG's Investigations Division handled during this reporting period:

- An audit and subsequent investigation by the OIG's Chicago Regional Audit Office and Chicago Field Office led to the National Training and Information Center (NTIC) agreeing to pay the United States $550,000 to settle a case under the civil *False Claims Act*. NTIC, a non-profit corporation in Chicago, Illinois, received a BJA grant to fund Community Justice Empowerment Projects in specific communities. The OIG determined that NTIC misused $207,131 in grant funds over a 3-year period by paying for employees and sub-grantees to travel to Washington, D.C., to lobby Congress for future grant funds. Terms of the grant specifically prohibited the use of grant funds to pay for lobbying expenses. In a previous criminal case arising out of these allegations, the Executive Director of NTIC pled guilty to theft of federal program funds and was sentenced to 5 months' incarceration.

- An investigation by the OIG's Fraud Detection Office led to the arrest of two staff accountants and a public relations associate employed by the National Children's Alliance, a non-profit organization that assists victims of child abuse, on charges of theft of grant funds. OIG investigators determined that the staff accountants stole approximately $15,000 and $10,000 respectively, and the public relations associate stole approximately $12,000 in OJP grant funds by giving themselves additional paychecks. The employees were ordered to pay restitution. In addition, one of the employees was placed on 6 months' probation while another employee received a 6-month suspended sentence, with one weekend in confinement.

- A joint investigation by the OIG's Fraud Detection Office and the FBI led to the Northeastern Massachusetts Law Enforcement Council (NEMLEC) agreeing to pay $200,000 to settle allegations of civil false claims in

connection with an OJP grant program. The investigation determined that NEMLEC, a non-profit consortium of 49 Boston-area police departments, did not properly account for several hundred thousand dollars in grant funds and used some of the grant funds for programs other than the School Threat Assessment and Response System, for which the grant was awarded. Investigators reported that it did not appear that NEMLEC used grant funds for purposes other than law enforcement equipment and training.

Ongoing Work

Management and Oversight of OJP's Prisoner Re-entry Initiatives

The OIG is assessing the adequacy of OJP's design and management of its prisoner re-entry initiative grant programs, including the Serious and Violent Offender Re-entry Initiative. We are examining whether grantees have administered grants in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant awards. In addition, we are evaluating OJP's efforts to reduce recidivism among high-risk violent offenders who have participated in prisoner re-entry initiatives.

Southwest Border Prosecution Initiative

Administered by OJP, SWBPI reimburses eligible jurisdictions in the four southwest border-states for costs associated with the prosecution of criminal cases either declined or referred by local USAOs. The OIG is summarizing the results of our previous SWBPI audits conducted at the request of the USAO for the Northern District of California, and we are reviewing the effectiveness of OJP's administration and oversight of SWBPI reimbursements.

Federal Bureau of Prisons

The BOP operates a nationwide system of prisons and detention facilities to incarcerate individuals imprisoned for federal crimes and detain those awaiting trial or sentencing in federal court. The BOP has approximately 36,362 employees and operates 115 institutions, 6 regional offices, and 2 staff training centers. The BOP is responsible for the custody and care of approximately 209,027 federal offenders, 172,516 of whom are confined in BOP-operated correctional institutions and detention centers. The remainder are confined in facilities operated by state or local governments or in privately operated facilities.

Investigations

During this reporting period, the OIG received 2,812 complaints involving the BOP. The most common allegations made against BOP employees included job performance failure; force, abuse, and rights violations; and security and custody failure. The vast majority of complaints dealt with non-criminal issues that the OIG referred to the BOP's Office of Internal Affairs for its review and any appropriate action.

At the close of the reporting period, the OIG had 185 open cases of alleged misconduct against BOP employees. The criminal investigations covered a wide range of allegations, including introduction of contraband, bribery, and sexual abuse. The following are examples of cases involving the BOP that the OIG's Investigations Division handled during this reporting period:

- In our March 2009 *Semiannual Report to Congress*, we reported on a joint investigation by the OIG's New York Field Office and the FBI that resulted in the 15-year incarceration of a former BOP correctional officer for sexual abuse of a female ward and plotting with the female inmate to murder his wife. Shortly after beginning his sentence, the former correctional officer solicited assistance from inmates to murder his wife. This time, he also sought the murder of his wife's current boyfriend, the female inmate from the previous investigation, and the OIG Special Agent who investigated the original case. In an investigation by the OIG's Miami Field Office, the former correctional officer provided an OIG undercover agent with physical descriptions of each victim, their geographical locations, specific instructions as to what he wanted done, and an initial payment for the murders from his BOP inmate account. A criminal complaint has been filed against the correctional officer alleging that he used interstate commerce facilities in the commission of a murder for hire and that he attempted to retaliate against a witness, victim, or informant.

- Investigations by the OIG's Dallas Field Office resulted in the arrest of eight correctional officers assigned to the Reeves County Detention Center, a BOP contract facility located in Pecos, Texas, on charges of bribery of a public official. OIG investigators determined that the correctional officers accepted multiple monetary bribes in exchange for smuggling contraband, including cell phones, MP3 players, tobacco, and marijuana, into the Detention Center for inmates. Five of the eight correctional officers were convicted and received sentences ranging from 24 to 46 months' incarceration. Judicial proceedings continue for the three remaining correctional officers.

- The OIG's Chicago Field Office and the FBI conducted a joint investigation into the death of an inmate at the U.S. Penitentiary Big Sandy in Inez, Kentucky, and whether BOP correctional officers assisted or arranged for the inmate to be killed by other inmates. The OIG investigation determined that two inmates beat and suffocated another inmate to death, then tampered with the physical evidence, but no correctional officers assisted in the murder. However, the investigation substantiated administrative misconduct by 12 correctional officers, which included mishandling evidence, failing to handcuff an inmate during a movement, and failing to conduct timely rounds. Administrative action against the officers is pending. The two inmates involved were arrested in the Eastern District of Kentucky on charges of murder, conspiracy, and evidence tampering. Judicial proceedings continue for the inmates.

- A joint investigation by the OIG's Miami Field Office and the Department of Labor OIG led to the arrest of a BOP correctional officer in the Southern District of Mississippi on charges of theft of government funds and making false statements. The investigation determined that the correctional officer filed an application for worker's compensation for a work-related injury that occurred at the Federal Correctional Complex in Yazoo, Mississippi. Between August 2007 and August 2008, the correctional officer received more than $11,000 in compensation for travel vouchers he submitted, claiming that he took 79 trips to a hospital located 150 miles from his home. However, investigators found that the correctional officer did not take any of the trips. Judicial proceedings continue.

- Investigations by the OIG's Chicago Field Office resulted in the arrests of a BOP nurse and two nursing assistants in the District of Minnesota on charges of sexual abuse of a ward. OIG investigators determined that the nurse and nursing assistants each had ongoing sexual relationships with an inmate under their custodial supervision and control. One of the nursing assistants and the nurse pled guilty to sexual abuse of a ward and each were sentenced to 3 years' probation and ordered to perform 40 and 60 hours of community service, respectively. The second nursing assistant pled guilty to making a false entry in an official document denying the sexual relationship. She was sentenced to 3 years' probation and ordered to perform 60 hours of community service. All three resigned from the BOP as a result of the OIG investigation.

- An investigation by the OIG's Houston Area Office led to the arrest of a BOP correctional officer in the Western District of Louisiana on bribery charges following an OIG undercover operation in which the correctional officer accepted a $26,000 bribe, 7 ounces of cocaine, and a handgun and ammunition from an undercover officer posing as an associate of a cooperating inmate. OIG investigators determined that the correctional

officer had been smuggling contraband, including a cellular telephone, marijuana, tobacco, and prescription medications, into the U.S. Penitentiary in Pollock, Louisiana, for the previous 6 months in exchange for approximately $20,000 in bribes. The correctional officer resigned from the BOP following his arrest. Judicial proceedings continue.

- An investigation by the OIG's Washington Field Office resulted in the arrest and guilty plea of a BOP correctional officer on a charge of bribery. The investigation revealed that the correctional officer received monetary bribes from inmates housed at the U.S. Penitentiary in Hazelton, West Virginia, and their family members in exchange for heroin, marijuana, and soft contraband, including cellular telephones and tobacco products. The correctional officer was sentenced to 30 months' incarceration followed by 24 months' supervised release.

- A joint investigation by the OIG's Atlanta Area Office and the FBI led to the arrest and guilty plea of a BOP account technician at the Federal Prison Camp in Pensacola, Florida, on charges of theft of government funds and falsifying records. The investigation found that the account technician stole approximately $9,000 from the BOP's inmate trust fund and falsified records in an attempt to conceal her criminal activity. She was sentenced to 5 years' probation and ordered to pay $9,263 in restitution.

- An investigation by the OIG's Atlanta Area Office resulted in the arrest of a BOP recreational specialist at the Federal Correctional Institution in Estill, South Carolina, on charges of introduction of contraband, making false statements to the OIG, and making false declarations before the grand jury. OIG investigators found that the recreational specialist received approximately $7,500 in bribe payments from family and associates of inmates in return for providing tobacco and pornographic materials to inmates. Judicial proceedings continue.

- An investigation by the OIG's Chicago Field Office led to the arrest of a BOP correctional officer in the Eastern District of Kentucky on charges of embezzling property. OIG investigators determined that the correctional officer kept his government travel credit card following his resignation from the BOP and withdrew cash advances totaling over $4,500 without authorization or repayment. Judicial proceedings continue.

Ongoing Work

The BOP's Furlough Program

The OIG is examining whether the BOP follows existing policies when granting furloughs to federal inmates. We are also assessing whether there are adequate safeguards in place to monitor furloughed inmates and how the BOP coordinates with other law enforcement agencies when an inmate escapes during an unescorted transfer or while on furlough.

Review of the BOP's Hiring Process

The OIG is reviewing strategies and procedures the BOP uses when hiring correctional officers. We are evaluating the BOP's recruiting, applicant screening, interviewing, and training for correctional officers to assess whether the BOP's hiring process identifies suitable applicants for these positions.

U.S. Marshals Service

The USMS is responsible for ensuring the safe and secure conduct of judicial proceedings; protecting more than 2,000 federal judges and approximately 5,250 other court officials at more than 400 court facilities while providing security systems at over 800 facilities; arresting federal, state, and local fugitives; protecting federal witnesses; transporting federal prisoners; managing assets seized from criminal enterprises; and responding to major national events, terrorism, and significant high-threat trials. The Director and Deputy Director work with 94 U.S. Marshals to direct the work of approximately 4,900 employees at more than 350 locations throughout the 50 states, Guam, Northern Mariana Islands, Puerto Rico, U.S. Virgin Islands, Mexico, Jamaica, Colombia, and the Dominican Republic.

Investigations

During this reporting period, the OIG received 202 complaints involving the USMS. The most common allegations made against USMS employees included job performance failure; force, abuse, and rights violations; and official misconduct. The OIG opened six investigations and referred one allegation to the USMS's Office of Internal Affairs for review. The majority of the complaints were considered management issues and were provided to the USMS for its review and appropriate action.

At the close of the reporting period, the OIG had 20 open cases of alleged misconduct against USMS employees. The following is an example of a case involving the USMS that the OIG's Investigations Division handled during this reporting period:

- An investigation by the OIG's Boston Area Office resulted in the arrest and guilty plea of a USMS contract medical technician assigned to the Wyatt Detention Center in Central Falls, Rhode Island, on charges of making false statements. The Wyatt Detention Center operates under contract to the USMS to house federal pre-trial and pre-sentence detainees. OIG investigators determined that the USMS contract employee engaged in sexual relations with a detainee at the Detention Center on multiple occasions and lied about the relationship when interviewed by the OIG. The investigation also revealed that the USMS contract employee provided controlled medications to multiple detainees and provided fraudulent documents claiming that he was a certified medical technician. The contract employee resigned from his position as a result of our investigation. Judicial proceedings continue.

Ongoing Work

The USMS's Oversight of Courthouse Security

The OIG is assessing the USMS's oversight of federal courthouse security. We are examining the USMS's use of contract court security officers and screening, monitoring, and explosives detecting equipment to secure federal court facilities.

Other Department Components

U.S. National Central Bureau

Reports Issued

The U.S. National Central Bureau of INTERPOL

INTERPOL coordinates the exchange of information to assist law enforcement agencies in the United States and throughout the world in detecting and deterring international crime and terrorism through a network of 187 member countries. Each INTERPOL member country establishes a National Central Bureau to serve as its liaison between the member country's law enforcement agencies and INTERPOL. The U.S. National Central Bureau (USNCB) serves as a point-of-contact for U.S. federal, state, local, and tribal law enforcement to share information internationally.

A review conducted by the OIG's Audit Division identified several weaknesses in the USNCB's operations, including that the USNCB has not made critical international criminal information available to law enforcement agencies in the United States. We also found that the USNCB has not implemented adequate controls or processes to ensure that the INTERPOL information it makes available to U.S. law enforcement agencies is current, accurate, complete, and timely.

INTERPOL shares crime-related information with its members through a system of international bulletins color-coded to indicate the type of information being shared. The USNCB in turn should share this crime-related information with its law enforcement partners. However, our audit found that 45 (87 percent) of 52 foreign-issued bulletins we reviewed were not made available to frontline U.S. law enforcement officers, such as border patrol officers, visa application reviewers, or local police officers. In addition, the audit disclosed errors and inconsistencies in the information provided by the USNCB to U.S. law enforcement agencies. Consequently, their law enforcement data systems likely contain out-of-date or incomplete data and include information on individuals for whom no law enforcement agency has a current investigative interest.

Further, although the United States was the source of the highest number of wanted person bulletins among INTERPOL member countries (referred to as "red notices"), our audit noted that there were no INTERPOL red notices requested or issued for 14 of 32 international "most-wanted" fugitives listed on the public web sites of the FBI, DEA, and DHS' Immigration and Customs Enforcement. Consequently, some U.S. federal law enforcement agencies are not adequately utilizing INTERPOL and the USNCB, which reduces the likelihood that U.S. fugitives will be captured.

We also found that the USNCB is not able to consistently coordinate the sharing of case-related information because it is often not informed of actions taken by its U.S. law enforcement partners on INTERPOL-related cases. In addition, the USNCB has faced challenges in maintaining reliable communications with its 66 state and local liaisons throughout the United States. Although the USNCB stated that it had established secure electronic communications, we found several of these connections were not functional, and the USNCB did not have a reliable and complete network of connectivity with these liaisons.

The audit also found weaknesses in the USNCB's internal case management system. Our review of 216 cases revealed duplicate entries, missing data, and improper classification; disorganized and inconsistently assembled case files; and poor records retention and disposal. Finally, we identified weaknesses in the oversight, supervision, and leadership structure of the USNCB. We found that the USNCB Executive Committee, which is composed of senior Department and DHS officials and is supposed to provide guidance to the USNCB, has not met in more than 5 years.

The OIG made 4 recommendations to the Department and 23 recommendations to the USNCB to maximize the sharing of INTERPOL information among U.S. law enforcement agencies and to assist the USNCB in improving its operations. The Department and USNCB agreed with the recommendations and said they have begun taking actions to address them.

Office of Community Oriented Policing Services

Reports Issued

COPS Handling of Recovery Act Funds

Reversing a trend of decreased COPS' funding, the Recovery Act provided COPS with more than $1 billion for state, local, and tribal law enforcement to hire, rehire, or retain career law enforcement officers. COPS subsequently created the COPS Hiring Recovery Program as a competitive grant program.

When the Recovery Act was enacted, the OIG redirected its oversight efforts by ending an ongoing performance audit of COPS' grant-

making processes and issuing a technical advice report to help COPS with its handling of grant Recovery Act funds. For example, the OIG report recommended that COPS require high-risk grantees to demonstrate their understanding of key grant-related responsibilities.

The OIG also recommended that COPS improve its training programs for grantees and its information-sharing with OJP and the Office on Violence Against Women (OVW).

Audit of COPS Grants

During this reporting period, the OIG audited various grantees who received awards from COPS. The purpose of our audits was to determine whether the costs reimbursed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. The following is an example of findings from OIG audits issued during this reporting period:

- The Daniel Webster Council (DWC) – Boy Scouts of America, a subsidiary of the National Boy Scouts of America in Manchester, New Hampshire, received grants totaling more than $1.2 million from the COPS' Safe Schools Initiative to assist at-risk youth in New Hampshire through in-school counseling and outdoors activities. The OIG determined that the DWC was in material non-compliance with the grant requirements we tested. Specifically, we questioned $882,737 in unsupported expenditures and $101,189 in unallowable expenditures. We also found that DWC had commingled COPS grant-funded expenditures with expenditures from other sources, and we identified weaknesses in grant reporting, including late financial status reports. COPS concurred with our recommendations and indicated that additional coordination was required to remedy the $983,926 in questioned costs.

Civil Division

Reports Issued

The Civil Division's Laptop Encryption Program

The OIG's Audit Division examined the Civil Division's Laptop Encryption Program and Practices. We found that the Civil Division has complied with Department requirements by ensuring that its own laptop computers are encrypted to protect Department data. However, we found that for laptop computers owned by Civil Division contractors, subcontractors, and vendors, the Civil Division's efforts to ensure contractor safeguards over Department data needs significant improvement.

Specifically, we found that an inventory of non-Civil Division laptop computers was not maintained, a large percentage of contractor laptops used to process Department data was not encrypted, and contractors had not received notification of Department laptop encryption requirements. We made seven recommendations to the Civil Division to enhance its safeguards over Department data on laptop computers, and the Civil Division concurred with our recommendations.

Investigations

The following is an example of a case concerning a Civil Division employee that the OIG's Investigations Division handled during this reporting period:

- A joint investigation by the OIG's Washington Field Office and the DEA led to the arrest of a Civil Division legal secretary assigned to the Commercial Litigation Section on charges of conspiracy to distribute cocaine and possession with intent to distribute cocaine. The USAO for the District of Maryland also is seeking the forfeiture of $250,000 in alleged proceeds of the conspiracy. Judicial proceedings continue.

Criminal Division

Reports Issued

Equitable Sharing Audits

Under the Department's Asset Forfeiture Program, state and local law enforcement agencies receive equitable sharing assets when participating directly with the Department's law enforcement components in joint investigations that lead to the seizure or forfeiture of cash and property.

To be eligible for equitable sharing proceeds, law enforcement agencies must submit a request within 60 days of an asset seizure.

During this reporting period, the OIG's Audit Division reviewed the following law enforcement agencies' use of equitable sharing revenues:

- The Newport News, Virginia, Police Department was awarded $132,323 in equitable sharing funds in FYs 2007 and 2008 to support its law enforcement operations. Our audit found that the Police Department submitted the required federal sharing agreement and certification report on time, adequately accounted for receipts, and used asset forfeiture monies appropriately. However, the Police Department commingled equitable sharing funds with other federal and state forfeit revenues, which led to inaccurate reporting on certification forms. In addition, the Police Department failed to inventory all property purchased with equitable sharing funds and could not locate two laptop computers with a total value of $3,674. The Criminal Division concurred with our findings.

- The Salem, Virginia, Police Department spent more than $78,000 in equitable sharing funds in FY 2008 primarily to enhance law enforcement capabilities. We found weaknesses with the Police Department's financial reporting and reconciling practices for funds received through the asset forfeiture funds program. We also identified $550 in expenditures that did not comply with program guidelines. The Criminal Division concurred with our findings, and the Police Department transferred $550 back into the asset forfeiture account.

Investigations

The following is an example of a case concerning the use of equitable sharing funds that the OIG's Investigations Division handled during this reporting period:

- In our September 2008 *Semiannual Report to Congress*, we reported on a joint investigation by the OIG's Dallas Field Office and the Texas Rangers that led to the arrest of the chief of police in Troy, Texas, on state theft charges. According to the investigation, the police department received almost $43,000 in equitable sharing funds derived from a $537,030 DEA drug investigation currency seizure. The police chief misused approximately $12,000 of these funds to purchase items for personal use, including a motorcycle for his wife, an insurance policy, five cellular telephones, MP3 players, an embroidery machine, and a family vacation. The police chief subsequently was fired by the City of Troy for these unauthorized expenditures. During this reporting period, the police chief pled guilty to theft of equitable sharing funds and was sentenced to 24 months' probation and ordered to perform 80 hours of community service, surrender his Texas peace officer license, and pay $4,778 in restitution to the City of Troy.

Ongoing Work

The Criminal Division's Laptop Encryption Program

An ongoing OIG audit is determining whether the Criminal Division complies with Department policy regarding the use of encryption on laptops processing sensitive and classified information and with procedures for laptop encryption for contractors and subcontractors.

Office on Violence Against Women

Reports Issued

Office on Violence Against Women Grant to Encourage Arrest Policies and Enforcement of Protection Orders

OVW's Grant to Encourage Arrest Policies and Enforcement of Protection Orders seeks to encourage state and local governments to treat domestic and dating violence, sexual assault, and stalking as serious violations of criminal law requiring the coordinated involvement of the entire criminal justice system.

During this reporting period, the OIG conducted an audit of an OVW grant to Skagit County, Washington. As of August 31, 2008, the OVW grant awarded Skagit County more than $1.4 million to implement a coordinated community response to domestic violence and expand its efforts to strengthen enforcement of domestic violence laws and advocacy for victims of domestic violence. We found that Skagit County generally complied with essential grant requirements. However, we identified $21,706 in charges against the grant that were either unsupported by appropriate documentation or were not allowed under OVW grant requirements. OVW agreed with our recommendations and will coordinate with Skagit County to remedy the questioned costs.

U.S. Attorneys' Offices

Investigations

The following is an example of a case that the OIG's Investigations Division handled during this reporting period:

- An investigation by the OIG's New Jersey Area Office resulted in the arrest and guilty plea of an office automation clerk assigned to the USAO in the Eastern District of Pennsylvania on charges of fraud and identity theft. OIG investigators found that the clerk fraudulently used personally identifiable information from individuals prosecuted by USAO to obtain 188 online payday loans in their names totaling more than $34,000. Judicial proceedings continue.

The American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 (Recovery Act), which was signed into law on February 17, 2009, provides $787 billion in funding as a stimulus to the economy. Of that funding, the Department received $4 billion for grant funding to enhance state, local, and tribal law enforcement; to combat violence against women; and to fight Internet crimes against children.

The OIG is providing guidance and oversight related to the Department's Recovery Act efforts. For example, OIG staff has met with Department managers involved in distributing and overseeing Recovery Act funds to discuss best practices and explain the OIG's oversight efforts. The OIG identified specific fraud, waste, and abuse risks for Recovery Act funding and made specific suggestions to help mitigate these risks. In addition, the OIG offered a grant fraud awareness training curriculum to Department grant managers and program, budget, and finance staffs. In April and May 2009 alone, the OIG provided training to 868 employees from the Department's three grant making agencies. In total, the OIG has presented 30 training sessions reaching more than 2,400 grant administrators, sub-grantees, and staff from state administering agencies.

OIG auditors and investigators also informally reviewed and provided comments on a wide range of Recovery Act material developed by Department grant administrators relating to Recovery Act grant funds, including the Department's internal controls over the grant funds and certifications that grant administrators are using their Recovery Act funds. The OIG also participated in a Grants.gov webcast in April 2009, which had more than 1,000 live Internet connections. In this webcast, an OIG investigator discussed the role of federal OIGs in grant fraud matters; the most common grant fraud risks; the actions a grantee can take to protect itself from grant fraud; and the administrative, civil, and criminal consequences of grant fraud.

In addition, the OIG has met with state and local grants management and oversight officials to provide information on the OIG's oversight efforts and fraud awareness training that is available from the OIG. Through these meetings, we encouraged prompt and effective reporting to the OIG on any grant or contract issues that involve Department funds. As of October 2009, the OIG has met with grant administrators and oversight officials from 32 states and from the District of Columbia, Puerto Rico, and the Virgin Islands.

The OIG has initiated 10 Recovery Act audits and inspections to determine if Department components are properly managing Recovery Act funds in accordance with the Recovery Act, OMB guidelines, and sound grant management practices. The audit work is being performed in phases to provide timely feedback to the Department. The OIG is issuing Management Advisory Memoranda, which identify risk areas as soon as the OIG becomes aware of them and recommend actions that grant administrators can implement to minimize that risk.

Finally, the Recovery Act designated the Department's Inspector General Glenn Fine as one of the members of the Recovery Act Accountability and Transparency Board. The Board is coordinating oversight of Recovery Act funds throughout the federal government.

Highlights of OIG Recovery Act Audits and Inspections

- As noted in the section of this report on ATF, the OIG examined ATF's plans to use $10 million in Recovery Act funds and $11.9 million in other appropriations to expand Project Gunrunner, a national initiative to reduce firearms trafficking to Mexico. We concluded that some of ATF's planned activities do not appear to represent the best use of resources to reduce firearms trafficking and that ATF needs to develop more specific program measures to accurately assess Project Gunrunner's impact on cross-border firearms trafficking.

- The OIG issued a technical advice report to COPS regarding its handling of grant Recovery Act funds. To improve COPS' grantee compliance, we recommended that COPS collect more information from grantees, such as how funds will be managed, and require high-risk grantees to demonstrate their understanding of key grant-related responsibilities. The OIG also noted that COPS could bolster its grant monitoring efforts by upgrading its training programs for grantees and by improving its information-sharing with OJP and OVW.

During the course of our audits of Recovery Act funds, we issued Management Advisory Memoranda to Department granting agencies in an effort to provide timely notice of potential issues we found during our audits. The following are examples of these Management Advisory Memoranda.

- The OIG is auditing OJP's Edward Byrne Memorial Justice Formula Grants, which allow states and local governments to support activities to prevent and control crime and improve the criminal justice system. We recommended that OJP improve the transparency of its planned use and allocation of Byrne grant funds.

- The OIG is auditing grants provided by OVC and recommended that OVC improve performance measures for its Recovery Act grants and implement additional monitoring measures for high-risk Recovery Act grant recipients, such as additional site visits, additional desk reviews, and increased communication with award recipients during the award period.

- The OIG is auditing the COPS Hiring Recovery Program, a competitive grant program that provides funding directly to law enforcement agencies to create and preserve law enforcement jobs and enhance community policing efforts. We recommended that COPS strengthen vetting procedures in making award decisions, improve transparency in the award selection methodology, ensure compliance among grant recipients with the officer retention requirement, and ensure timely implementation and use of the funding.

- The OIG is auditing grants provided by OVW in five violence prevention programs. We recommended that OVW share lists of transitional housing assistance award recipients with the Department of Health and Human Services and the Department of Housing and Urban Development, which have programs with similar scopes and purposes. We also advised OVW of significant preliminary findings identified during our audit of a specific OVW Recovery Act grant recipient, including a recipient's lack of controls over other Department grant funds.

Top Management and Performance Challenges

The OIG has created a list of top management and performance challenges in the Department annually since 1998, initially in response to congressional requests but in recent years as part of the Department's annual *Performance and Accountability Report*.

The OIG's top challenges for this year are listed to the right. Many of the challenges from last year's list remain and are long-standing, difficult challenges that will not be solved quickly or easily. However, we removed the challenges of "Violent Crime" and "Cyber Crime" from the 2008 list, and added the new challenges of "Recovery Act Funding and Oversight" and "Financial Crimes."

Top Management and Performance Challenges in the Department of Justice – 2009

1. Counterterrorism
2. Restoring Confidence in the Department of Justice
3. Recovery Act Funding and Oversight
4. Civil Rights and Civil Liberties
5. Financial Crimes
6. Sharing of Intelligence and Law Enforcement Information
7. Grant Management
8. Detention and Incarceration
9. Information Technology Systems Planning, Implementation, and Security
10. Financial Management

Detailed information about the Department's management and performance challenges can be found online at http://www.usdoj.gov/oig/challenges/index.htm.

Congressional Testimony

On October 3, 2009, Inspector General Fine testified before the House Committee on the Judiciary concerning "The Investigation into the Removal of Nine U.S. Attorneys in 2006."

Legislation and Regulations

The IG Act directs the OIG to review proposed legislation and regulations relating to the programs and operations of the Department. Although the Department's Office of Legislative Affairs reviews all proposed or enacted legislation that could affect the Department's activities, the OIG independently reviews proposed legislation that affects it and legislation that relates to waste, fraud, or abuse in the Department's programs or operations.

During this reporting period, the OIG reviewed and provided comments through the Legislation Committee of the Council of Inspectors General on Integrity and Efficiency on *The American Recovery and Reinvestment Act of 2009*, which was signed into law on February 17, 2009, and on the proposed *Federal Agency Performance Review and Efficiency Act*.

Statistical Information

Audit Statistics

Audit Summary

During this reporting period, the OIG's Audit Division issued 42 internal and external audit reports, which contained more than $2.4 million in questioned costs and $172,184 in funds to be put to better use and made 153 recommendations for management improvement. Specifically, the Audit Division issued 15 internal audit reports of Department programs funded at more than $950 million and 27 external audit reports of contracts, grants, and other agreements funded at more than $59 million. In addition, the Audit Division issued 53 *Single Audit Act* audits funded at more than $91 million that contained more than $2.39 million in questioned costs and made 76 recommendations for management improvement. The Audit Division also issued eight Management Advisory Memoranda, one Technical Advice Report, and four Notifications of Irregularities.

Funds Recommended to Be Put to Better Use

Audit Reports	Number of Audit Reports	Funds Recommended to Be Put to Better Use
No management decision made by beginning of period	4	$3,092,634
Issued during period	2	$172,184
Needing management decision during period	6	$3,264,818
Management decisions made during period:		
◆ Amounts management agreed to put to better use[1]	3	$213,434
◆ Amounts management disagreed to put to better use	0	$0
No management decision at end of period	3	$3,051,384

[1] *Includes instances in which management has taken action to resolve the issue and/or the matter is being closed because remedial action was taken.*

Audits with Questioned Costs

Audit Reports	Number of Audit Reports	Total Questioned Costs (including unsupported costs)	Unsupported Costs
No management decision made by beginning of period	15	$13,166,707	$6,897,565
Issued during period	33[1]	$4,806,378	$3,860,526
Needing management decision during period	48	$17,973,085	$10,758,091
Management decisions made during period:			
◆ Amount of disallowed costs[2]	46	$12,276,799	$10,758,091
◆ Amount of costs not disallowed	0	$0	$0
No management decision at end of period	2	$5,696,286	$0

[1] *Of the audit reports issued during this period, 22 were Single Audit Act reports.*
[2] *Includes instances in which management has taken action to resolve the issue and/or the matter is being closed because remedial action was taken.*

Audits Involving Recommendations for Management Improvements

Audit Reports	Number of Audit Reports	Total Number of Management Improvements Recommended
No management decision made by beginning of period	22	60
Issued during period	63[1]	229
Needing management decision during period	85	289
Management decisions made during period:		
◆ Number management agreed to implement[2]	84[3]	287
◆ Number management disagreed with	1	1
No management decision at end of period	1	1

[1] *Of the audit reports issued during this period, 39 were Single Audit Act reports.*
[2] *Includes instances in which management has taken action to resolve the issue and/or the matter is being closed because remedial action was taken.*
[3] *Includes one instance where management agreed with all but one of the audit's recommendations.*

National Defense Authorization Act

OIG Reporting Required by the *National Defense Authorization Act* for FY 2008

The *National Defense Authorization Act* for FY 2008 requires all Inspectors General appointed under the IG Act to add an annex to their Semiannual Reports: 1) listing all contract audit reports issued during the reporting period containing significant audit findings; 2) briefly describing the significant audit findings in the report; and 3) specifying the amounts of costs identified in the report as unsupported, questioned, or disallowed. This Act defines significant audit findings as unsupported, questioned, or disallowed costs in excess of $10 million or other findings that the Inspector General determines to be significant. It defines contracts as a contract, an order placed under a task or delivery order contract, or a subcontract.

The OIG did not issue any audits that fit these criteria during this semiannual reporting period.

Audit Follow-up

OMB Circular A-50

OMB Circular A-50, *Audit Followup*, requires audit reports to be resolved within 6 months of the audit report issuance date. The Audit Division monitors the status of open audit reports to track the audit resolution and closure process. As of September 30, 2009, the OIG closed 173 audit reports and was monitoring the resolution process of 285 open audit reports.

Unresolved Audits

Audits Over 6 Months Old without Management Decisions

As of September 30, 2009, the following audits had no management decision or were in disagreement:

- Oversight of Intergovernmental Agreements by the USMS and the Office of the Federal Detention Trustee
- The BOP's Witness Security Program
- USMS Intergovernmental Service Agreement for Detention Facilities with the Blount County, Tennessee, Sheriff's Office
- USMS Intergovernmental Service Agreement for Detention Facilities with the Central Virginia Regional Jail
- USMS Intergovernmental Service Agreement for Detention Facilities with the Cumberland County Jail, Portland, Maine
- USMS Intergovernmental Service Agreement for Detention Facilities with the Hamilton County, Tennessee, Silverdale Correctional Facility
- USMS Intergovernmental Service Agreement for Detention Facilities with the Western Tidewater Regional Jail, Suffolk, Virginia

Evaluation and Inspections Statistics

The chart below summarizes the Evaluation and Inspections Division's (E&I) accomplishments for the 6-month reporting period ending September 30, 2009.

E&I Workload Accomplishments	Number of Reviews
Reviews active at beginning of period	7
Reviews cancelled	0
Reviews initiated	3
Final reports issued	5
Reviews active at end of reporting period	5

Unresolved Reviews

DOJ Order 2900.10, *Follow-up and Resolution Policy for Inspection Recommendations by the OIG*, requires reports to be resolved within 6 months of the report issuance date. As of September 30, 2009, there are no unresolved recommendations from the Evaluations and Inspection Division that meet this criterion.

Investigations Statistics

The following chart summarizes the workload and accomplishments of the Investigations Division during the 6-month period ending September 30, 2009.

Source of Allegations	
Hotline (telephone, mail, and e-mail)	1,154
Other sources	3,841
Total allegations received	4,995
Investigative Caseload	
Investigations opened this period	171
Investigations closed this period	187
Investigations in progress as of 9/30/09	357
Prosecutive Actions	
Criminal indictments/ informations	61
Arrests	55
Convictions/Pleas	55
Administrative Actions	
Terminations	16
Resignations	59
Disciplinary action	33
Monetary Results	
Criminal Fines/Restitutions/ Assessments	$1.2 million
Civil Fines/Restitutions/ Recoveries	$750,000

Integrity Awareness Briefings

OIG investigators conducted 217 Integrity Awareness Briefings for Department employees throughout the country. These briefings are designed to educate employees about the misuse of a public official's position and to deter employees from committing such offenses. The briefings reached more than 3,816 employees.

Appendix 1

Acronyms and Abbreviations

The following are acronyms and abbreviations widely used in this report.

ATF	Bureau of Alcohol, Tobacco, Firearms and Explosives
BJA	Bureau of Justice Assistance
BOP	Federal Bureau of Prisons
CODIS	Combined DNA Index System
COPS	Office of Community Oriented Policing Services
DEA	Drug Enforcement Administration
Department	U.S. Department of Justice
DHS	Department of Homeland Security
DOD	Department of Defense
EOUSA	Executive Office for U.S. Attorneys
FBI	Federal Bureau of Investigation
FY	Fiscal year
IG Act	*Inspector General Act of 1978*
JMD	Justice Management Division
NIJ	National Institute of Justice
NSA	National Security Agency
OIG	Office of the Inspector General
OJP	Office of Justice Programs
OJJDP	Office of Juvenile Justice and Delinquency Prevention
OMB	Office on Management and Budget
OPR	Office of Professional Responsibility
OVC	Office for Victims of Crime
OVW	Office on Violence Against Women
Recovery Act	*The American Recovery and Reinvestment Act of 2009*
SWBPI	Southwest Border Prosecution Initiative
USAO	U.S. Attorneys' Offices
USMS	U.S. Marshals Service
WMD	Weapons of Mass Destruction

Appendix 2

Glossary of Terms

The following are definitions of specific terms as they are used in this report.

Combined DNA Index System: A distributed database with three hierarchical levels that enables federal, state, and local forensic laboratories to compare DNA profiles electronically.

Drawdown: The process by which a grantee requests and receives federal funds.

External Audit Report: The results of audits and related reviews of expenditures made under Department contracts, grants, and other agreements. External audits are conducted in accordance with the Comptroller General's Government Auditing Standards and related professional auditing standards.

Internal Audit Report: The results of audits and related reviews of Department organizations, programs, functions, computer security and IT, and financial statements. Internal audits are conducted in accordance with the Comptroller General's Government Auditing Standards and related professional auditing standards.

Questioned Cost: A cost that is questioned by the OIG because of: 1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; 2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or 3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Recommendation that Funds be Put to Better Use: Recommendation by the OIG that funds could be used more efficiently if management of an entity took actions to implement and complete the recommendation, including: 1) reductions in outlays; 2) deobligation of funds from programs or operations; 3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; 4) costs not incurred by implementing recommended improvements related to the operations of the entity, a contractor, or grantee; 5) avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or 6) any other savings that specifically are identified.

Sole Source Contract: Soliciting and negotiating with only one vendor.

Southwest Border Prosecution Initiative: Administered by OJP, the Southwest Border Prosecution Initiative reimburses eligible jurisdictions in the four southwest border-states for costs associated with the prosecution of criminal cases either declined or referred by local USAOs.

Supervised Release: Court-monitored supervision upon release from incarceration.

Unsupported Cost: A cost that is questioned by the OIG because the OIG found that, at the time of the audit, the cost was not supported by adequate documentation.

Appendix 3

Evaluation and Inspections Division Reports

April 1, 2009 – September 30, 2009

Review of the FBI's Disciplinary System

Review of the Department's Use of Less-Lethal Weapons

Review of the Department's Effort to Prevent Staff Sexual Abuse of Federal Inmates

Review of ATF's Efforts to Prevent the Diversion of Tobacco

Interim Review of ATF's Project Gunrunner

Appendix 4

Audit Division Reports

April 1, 2009 – September 30, 2009

INTERNAL AND EXTERNAL AUDIT REPORTS

Audit of Newport News Police Department's Equitable Sharing Program Activities, Newport News, Virginia

Audit of Salem Police Department's Equitable Sharing Program Activities, Salem, Virginia

Compliance with Standards Governing Combined DNA Index System Activities at the North Louisiana Criminalistics Laboratory, Shreveport, Louisiana

Compliance with Standards Governing Combined DNA Index System Activities at the Rhode Island Department of Health Laboratories, Providence, Rhode Island

Compliance with Standards Governing Combined DNA Index System Activities at the Tennessee Bureau of Investigation Knoxville Crime Laboratory, Knoxville, Tennessee

Compliance with Standards Governing Combined DNA Index System Activities at the Texas Department of Public Safety Regional Crime Laboratory, El Paso, Texas

Compliance with Standards Governing Combined DNA Index System Activities at the Washington State Patrol Crime Laboratory, Seattle, Washington

Compliance with Standards Governing Combined DNA Index System Activities at the Wyoming State Crime Laboratory, Cheyenne, Wyoming

Follow-up Audit of the DEA's Handling of Cash Seizures

Follow-up Review and Investigation of the Hopi Tribe, Kykotsmovi, Arizona

Limited Scope Audit of the Committed Partners for Youth, Oregon

Limited Scope Audit of FY 2004 Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program, Saline County, Arkansas

Limited Scope Audit of FYs 2005, 2007, and 2008 Edward Byrne Memorial Justice Assistance Grants Awarded to Jonesboro, Arkansas

Limited Scope Audit of the Colorado Division of Criminal Justice, Denver, Colorado

Limited Scope Audit of the Edward Byrne Memorial Justice Assistance Grant Awarded to the City of Fort Wayne, Indiana

Limited Scope Audit of the New Mexico Crime Victims Reparation Commission

Limited Scope Audit of the Texas Department of Public Safety Convicted Offender DNA Backlog Reduction Program, Austin, Texas

Limited Scope Audit of the Wyoming Office of the Attorney General Division of Victim Services, Cheyenne, Wyoming

COPS Safe Schools Initiative Grants Administered by the Daniel Webster Council – Boy Scouts of America, Manchester, New Hampshire

OJP and COPS Grants Awarded to Team Focus, Inc., Mobile, Alabama

OJP BJA Grant Awarded to the Kane County Drug Rehabilitation Court, Kane County, Illinois

OJP BJA Grant Awarded to the Nebraska Department of Correctional Services, Lincoln, Nebraska

OJP Grants Awarded to the South Carolina Department of Juvenile Justice, Columbia, South Carolina

OJP NIJ Cooperative Agreements and Grants Awarded to the National Forensic Science Technology Center, Largo, Florida

OJP OJJDP Grants Awarded to TechMission, Inc., Boston, Massachusetts

OJP SWBPI Funding Received by Alameda County, California

OJP SWBPI Funding Received by Santa Clara County, California

OVW Grant to Encourage Arrest Policies and Enforcement of Protection Orders Awarded to Skagit County, Washington

Procedures Used by OJJDP to Award Discretionary Grants in FY 2007

The Civil Division's Laptop Computer Encryption Program and Practices

The Department's Management of the *Federal Employees' Compensation Act* Program

The DEA's Information Security Program Pursuant to FISMA, FY 2008

The DEA's Validation, Integrity and Penetration Response System Pursuant to FISMA, FY 2008

The FBI's BlackNet System Pursuant to FISMA, FY 2008

The FBI's Digital Collection System 3000 Pursuant to FISMA, FY 2008

The FBI's Information Security Program Pursuant to FISMA, FY 2008

The FBI's Terrorist Watchlist Nomination Practices

The FBI's WMD Coordinator Program

JMD's Automated Configuration Engineering System Pursuant to FISMA, FY 2008

JMD's Information Security Program Pursuant to FISMA, FY 2008

The U.S. National Central Bureau of INTERPOL

Audit of the NIJ's Practices for Awarding Grants and Contracts in FYs 2005 through 2007

Single Audit Act Reports of Department Activities

April 1, 2009 – September 30, 2009

A Child Is Missing, Inc., Fort Lauderdale, Florida

Ama Doo Alchini Bighan, Inc., Chinle, Arizona

American Prosecutors Research Institute, Alexandria, Virginia

Apache Tribe of OK, Anadarko, Oklahoma

Asotin County, Asotin, Washington

Boys & Girls Club of Truckee Meadows, Reno, Nevada

Chevak Traditional Council, Chevak, Arkansas

Children's Advocacy Center for the Pikes Peak Region, Inc., Colorado Springs, Colorado

City and County of Denver, Colorado

City of Chicago, Illinois

City of Gary, Indiana

City of Houston, Texas

City of Jackson, Mississippi

City of Jonesboro, Arkansas

City of Kenosha, Wisconsin

City of Marion, South Carolina

City of Orange Beach, Alabama

City of Poplar Bluff, Missouri

City of Port St. Lucie, Florida

City of San Diego, California

City of Socorro, Texas

City of Thomasville, Georgia

City of Wilmington, Delaware

Clark County, Neillsville, Wisconsin

Clayton County, Jonesboro, Georgia

Collier County, Naples, Florida

Family Development Foundation, Las Vegas, Nevada

Friendship Home of Lincoln, Inc., Lincoln, Nebraska

Guam Legal Services Corporation, Hagatna, Guam

Hopland Band of Pomo Indians, Hopland, California

Lockheed Martin Aspen Systems Corp., Rockville, Maryland

Logan County, Lincoln, Illinois

Manitowoc County, Manitowoc, Wisconsin

Municipality of Monroeville, Pennsylvania

National Association of Police Athletic/Activities Leagues, Inc., Jupiter, Florida

National Children's Alliance, Washington, D.C.

National District Attorneys Association, Alexandria, Virginia

Nebraska Domestic Violence Sexual Assault Coalition, Inc., Lincoln, Nebraska

New Mexico Crime Victims Reparation Commission, Albuquerque, New Mexico

New Mexico Department of Public Safety, Santa Fe, New Mexico

Nye County, Tonopah, Nevada

Oglala Sioux Tribe, Pine Ridge, South Dakota

Oneida County, Rhinelander, Wisconsin

Residential Care Consortium, Portland, Maine

Safehome, Inc., Overland Park, Kansas

Sheriffs' Association of Texas, Inc., Austin, Texas

Taylor County, Medford, Wisconsin

Team Focus, Inc., Mobile, Alabama

Texas Border Sheriffs' Coalition, El Paso, Texas

The Navajo Nation, Window Rock, Arizona

Tulsa County, Tulsa, Oklahoma

Waupaca County, Waupaca, Wisconsin

Yankton Sioux Tribe, Marty, South Dakota

Audit Division Reports

April 1, 2009 – September 30, 2009

Quantifiable Potential Monetary Benefits			
Audit Report	**Questioned Costs**	**Unsupported Costs**	**Funds Put to Better Use**
Audits Performed by the OIG			
Audit of Newport News Police Department's Equitable Sharing Program Activities, Newport News, Virginia	$3,674	$3,674	
Audit of Salem Police Department's Equitable Sharing Program Activities, Salem, Virginia	$550		
COPS Safe Schools Initiative Grants Administered by the Daniel Webster Council - Boy Scouts of America, Manchester, New Hampshire	$983,926	$882,737	
Follow-up Review and Investigation of the Hopi Tribe, Kykotsmovi, Arizona	$85,636		
OJP and COPS Grants Awarded to Team Focus, Inc., Mobile, Alabama	$718,443	$715,708	
OJP BJA Grant Awarded to the Kane County Drug Rehabilitation Court, Kane County, Illinois	$4,812		
OJP Grants Awarded to the South Carolina Department of Juvenile Justice, Columbia, South Carolina	$7,277	$3,870	
OJP NIJ Cooperative Agreements and Grants Awarded to the National Forensic Science Technology Center, Largo, Florida	$252,336	$11,348	
OJP SWBPI Funding Received by Alameda County, California	$8,451		
OJP SWBPI Funding Received by Santa Clara County, California	$323,859		$17,500
OVW Grant to Encourage Arrest Policies and Enforcement of Protection Orders Awarded to Skagit County, Washington	$21,706	$17,124	

Quantifiable Potential Monetary Benefits			
Audit Report	**Questioned Costs**	**Unsupported Costs**	**Funds Put to Better Use**
Procedures Used by OJJPD to Award Discretionary Grants in FY 2007			$154,684
Subtotal (Audits Performed by the OIG)	**$2,410,670**	**$1,634,461**	**$172,184**
Audits Performed by State/Local Auditors Under the *Single Audit Act*[1]			
American Prosecutors Research Institute, Alexandria, Virginia	$42,992	$42,992	
Boys & Girls Club of Truckee Meadows, Reno, Nevada	$22,158	$22,158	
Children's Advocacy Center for the Pikes Peak Region, Inc., Colorado Springs, Colorado	$50,000	$50,000	
City of Gary, Indiana	$63,456	$63,456	
City of Houston, Texas	$5,571	$5,571	
City of Jackson, Mississippi	$658,502	$658,502	
City of Jonesboro, Arkansas	$4,917	$4,917	
City of Port St. Lucie, Florida	$12,396	$12,396	
City of Thomasville, Georgia	$40,000	$40,000	
City of Wilmington, Delaware	$40,064	$40,064	
Guam Legal Services Corporation, Hagatna, Guam	$1,986	$1,986	
Hopland Band of Pomo Indians, Hopland, California	$10,347	$10,347	
National Association of Police Athletic/Activities Leagues, Inc., Jupiter, Florida	$42,971	$42,971	
National Children's Alliance, Washington, D.C.	$73,001		
New Mexico Crime Victims Reparation Commission, Albuquerque, New Mexico	$144,219	$144,219	

Quantifiable Potential Monetary Benefits

Audit Report	Questioned Costs	Unsupported Costs	Funds Put to Better Use
New Mexico Department of Public Safety, Santa Fe, New Mexico	$296,749	$296,749	
Nye County, Tonopah, Nevada	$21,777	$21,777	
Oglala Sioux Tribe, Pine Ridge, South Dakota	$368,500	$368,500	
Residential Care Consortium, Portland, Maine	$45,940	$45,940	
Sheriffs' Association of Texas, Inc., Austin, Texas	$111,032	$111,032	
Team Focus, Inc., Mobile, Alabama	$96,642		
The Navajo Nation, Window Rock, Arizona	$242,488	$242,488	
Subtotal (Audits Performed by State/Local Auditors Under the *Single Audit Act*)	$2,395,708	$2,226,065	$0
Total	**$4,806,378**	**$3,860,526**	**$172,184**

[1]*These audits are reviewed by the OIG to assess the quality and the adequacy of the entity's management of federal funds. The OIG issues these audits to the responsible component and performs follow up on the audit reports' findings and recommendations.*

Appendix 5

Reporting Requirements Index

The IG Act specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to the applicable pages.

IG Act References	Reporting Requirements	Page
Section 4(a)(2)	Review of Legislation and Regulations	46
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	8-44
Section 5(a)(2)	Significant Recommendations for Corrective Actions	8-42
Section 5(a)(3)	Prior Significant Recommendations Unimplemented	49-50
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	19-20, 25-27, 31-36, 40-42
Section 5(a)(5)	Refusal to Provide Information	None
Section 5(a)(6)	Listing of Audit Reports	54-59
Section 5(a)(7)	Summary of Significant Reports	8-42
Section 5(a)(8)	Audit Reports – Questioned Costs	48
Section 5(a)(9)	Audit Reports – Funds to Be Put to Better Use	47
Section 5(a)(10)	Prior Audit Reports Unresolved	49
Section 5(a)(11)	Significant Revised Management Decisions	None
Section 5(a)(12)	Significant Management Decisions with which the OIG Disagreed	None

Report Waste, Fraud, Abuse, or Misconduct

To report allegations of waste, fraud, abuse, or misconduct in Department of Justice programs, please visit the DOJ OIG web site at http://www.usdoj.gov/oig/ or call the OIG's Hotline at (800) 869-4499.

The DOJ OIG web site has complaint forms that allow you to report the following to the OIG:

- General allegations of fraud, waste, and abuse;
- Contract fraud, including mandatory disclosures required by contractors when they have credible evidence of violations of the civil *False Claims Act* or certain violations of criminal law;
- Grant fraud, including fraud, waste, or abuse related to the Department's award of Recovery Act funds; and
- Violations of Civil Rights or Civil Liberties by Department employees.

To submit information by mail or facsimile, send to:

Office of the Inspector General
U.S. Department of Justice
950 Pennsylvania Avenue, NW
Room 4706
Washington, DC 20530
Fax: (202) 616-9881

For further information on how to report a complaint to the DOJ OIG, please call (800) 869-4499.

U.S. Department of Justice
Office of the Inspector General