

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



SEMIANNUAL REPORT TO CONGRESS

APRIL 1, 2016 – SEPTEMBER 30, 2016



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Cover photo: Panel located above the Attorney General's office



Message from the Inspector General

It is my pleasure to submit this Semiannual Report on the operations of the Office of the Inspector General (OIG), which covers the period from April 1, 2016, to September 30, 2016.

The Report demonstrates the diversity and quality of the OIG's work over the past 6 months. During this time, we completed numerous reports pertaining to DOJ's law enforcement components, such as reviews of ATF's undercover storefront operations, the DEA's management and oversight of its confidential source program, and the FBI and ATF's processes for handling firearm purchase denials through the National Instant Criminal Background Check System. We also reviewed BOP's contraband interdiction efforts, oversight of private contract prisons, release preparation program, untimely release of inmates, and reimbursement rates for medical care provided to inmates outside of BOP facilities. In our ongoing commitment to identify whether DOJ funds are being used effectively and efficiently, we conducted dozens of audits and reviews, and we recommended numerous improvements to DOJ's programs.

In addition, the OIG's Investigations Division closed 172 criminal or administrative misconduct cases, and its work resulted in 45 convictions or pleas and 146 terminations, administrative disciplinary actions, and resignations. In particular, the OIG concluded two investigations finding fraud and other irregularities relating to the manufacture and sale of Kevlar combat helmets to the Department of Defense that led to a \$3 million civil settlement with the manufacturer. The quality of the investigations described in this report demonstrates the importance of effective, fair, and objective investigative oversight conducted by our Office.

Access by Inspectors General to information in agency files goes to the heart of our mission to provide independent and non-partisan oversight. During the past 6 months, we have continued to advocate for passage of the bipartisan *Inspector General Empowerment Act* that would permanently remedy the issues resulting from last year's opinion by DOJ's Office of Legal Counsel, which concluded that Section 6(a) of the *Inspector General Act* does not entitle the OIG to obtain independent access to all records in DOJ's possession. A further discussion on this important issue can be found on page 14. The House of Representatives passed the *Inspector General Empowerment Act* in June, and the entire IG community remains hopeful the Senate will do so later this year. I will continue to engage DOJ and Congress on these matters so that we can conduct our important work independently, and with access to all information.

Yet again, the impactful work in this Semiannual Report demonstrates the OIG's commitment to conducting professional, objective, fair, and independent oversight of DOJ. I sincerely appreciate the exceptional work of OIG personnel and their dedication to this important mission.

A handwritten signature in blue ink that reads "Michael E. Horowitz".

Michael E. Horowitz
Inspector General
October 31, 2016

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Highlights of OIG Activities



The following summaries highlight some of the OIG's audits, evaluations, inspections,

special reviews, and investigations, which are discussed further in this report. As the highlights illustrate, the OIG continues to conduct wide-ranging oversight of Department of Justice (DOJ) programs and operations.

Statistical Highlights

April 1, 2016 – September 30, 2016	
Allegations Received by the Investigations Division ¹	5,975
Investigations Opened	153
Investigations Closed	172
Arrests	44
Indictments/Informations	36
Convictions/Pleas	45
Administrative Actions	146
Monetary Recoveries ²	\$921,608.49
Audit Reports Issued	30
Questioned Costs	\$5,379,976
Funds for Better Use	\$1,326,705
Recommendations for Management Improvements	170
Single Audit Act Reports Issued	38
Questioned Costs	\$560,230
Recommendations for Management Improvements	68
Other Audit Division Reports Issued	2

¹ These figures represent allegations entered into the OIG's complaint tracking system. They do not include the approximate 39,400 additional Hotline e-mail and phone contacts that were processed and deemed non-jurisdictional and outside the purview of the federal government.

² Includes civil, criminal and non-judicial fines, restitutions, recoveries, assessments, penalties, and forfeitures.

Audits, Evaluations, Inspections, and Special Reviews Highlights

Examples of OIG audits, evaluations, inspections, and special reviews completed during this semiannual reporting period are:

- [Management and Oversight of the DEA's Confidential Source Program.](#)**
 The OIG issued a report of the Drug Enforcement Administration's (DEA) management and oversight of its Confidential Source Program and concluded that significant improvements are needed. Between October 1, 2010, and September 30, 2015, the DEA had over 18,000 active confidential sources assigned to its domestic offices, with over 9,000 of those sources receiving approximately \$237 million. The DEA did not adequately oversee payments to its sources, which exposes the DEA to an unacceptably increased potential for fraud, waste, and abuse. While DEA policy prohibits paying sources who were deactivated because of an arrest warrant or for committing a serious offense, the OIG estimated the DEA may have paid about \$9.4 million to more than 800 previously-deactivated sources between Fiscal Years (FY) 2011 and 2015. The DEA uses "Limited Use" sources, or "tipsters," a category the DEA regards as low-risk and that requires less supervision than its other categories of sources. Yet the OIG found that Limited Use sources were some of DEA's highest paid sources, with 477 such sources having received an estimated \$26.8 million during the period of the review. Among the DEA's Limited Use sources were Amtrak and Transportation Security Administration (TSA) employees. In November 2015, the OIG completed two separate investigations into DEA's use of two Amtrak employees and one TSA employee as sources, which determined the DEA's use of these individuals as

Highlights of OIG Activities

sources was improper. The OIG found that, between FYs 2011 and 2015, the DEA actually used at least 33 Amtrak employees and 8 TSA employees as sources, paying the Amtrak employees a total of over \$1.5 million and the TSA employees over \$94,000. The DEA also condoned its confidential sources' use of "sub-sources," who are individuals a source recruits and pays to perform activities or provide information related to the source's work for the DEA. The audit found that the DEA has no controls, policies, or procedures for interactions with these "sub sources," and the OIG was unable to determine the full extent of payments to "sub sources." Additionally, the OIG found the DEA has limited management, oversight, and tracking of source payments by the DEA's Intelligence Division. The DEA was unable to provide the OIG an itemized list and overall total of payments to intelligence-related confidential sources. However, the OIG found that the DEA's Intelligence Division paid more than \$30 million to sources who provided narcotics-related intelligence and contributed to law enforcement operations, \$25 million of which went to just 9 sources. The DEA did not appropriately track all confidential source activity; did not document proper justifications for all source payments; and, at times, did not adequately safeguard traveler information. Also, some Special Agents received tips by e-mail or text on non-government private accounts established by the Agents, thereby possibly compromising personally identifiable information, affecting government record maintenance requirements, and complicating the DEA's efforts to manage and access important case-related information. The OIG made seven recommendations to help the DEA address deficiencies in its Confidential Source Program. The DEA agreed with all of them, and DEA officials expressed a commitment to improve the program.

- **Monitoring of Private Contract Prisons.** The OIG examined the Bureau of Prisons' (BOP) monitoring of its contract prisons, after disturbances in several of the prisons caused extensive damage. The OIG compared data from 14 contract prisons and 14 BOP-managed institutions and found that the contract prisons incurred more safety and security incidents than the BOP institutions and that the BOP needs to improve how it monitors the contract prisons. The OIG found that the contract prisons confiscated eight times as many contraband cell phones annually, had a 28 percent higher rate of assaults, and had more uses of force and lockdowns compared to BOP prisons. The contract prisons had fewer incidents of positive drug tests and sexual misconduct. Additionally, the BOP identified safety and security deficiencies at contract prisons, but the contractors corrected the deficiencies. The OIG found that two of the three contract prisons it visited housed new inmates in Special Housing Units (SHU) pending availability of general population housing. When the OIG discovered this practice, it brought it to the attention of the BOP Director, who directed the contract prisons to end it. The OIG also found that a monthly checklist the BOP's onsite monitors use to monitor day-to-day contract compliance does not sufficiently address issues such as whether inmates receive basic medical services. Additionally, onsite monitoring of health services is not well coordinated with BOP staff responsible for health services oversight. The OIG made four recommendations, and the BOP agreed with all of them. Subsequent to the OIG's review, DOJ announced the eventual discontinuance of contract prisons.
- **Contraband Interdiction Efforts.** The OIG reviewed the BOP's efforts to prevent the introduction of contraband into federal institutions. According to

Highlights of OIG Activities

BOP data, the most common type of contraband recovered in federal prisons from FYs 2012 through 2014 was cell phones, which inmates can use to conduct myriad criminal activities undetected. The OIG found that while the BOP has taken steps to improve its contraband detection and interdiction efforts, it should comprehensively and reliably track all contraband recovered within its institutions and implement an effective staff search policy to deter contraband introductions by staff. The current policy contains no required frequency for conducting random pat searches; staff may possess and use within institutions tobacco products, which are prohibited for inmates; and there are no restrictions on the size or content of personal property that staff may bring into institutions. The OIG also found that although the BOP has deployed new technologies to detect contraband, more operational guidance and training is needed to maximize security. Deficiencies with the BOP's Cellular Telephone Laboratory reports and a lack of understanding by BOP managers and Lab analysts of how institution investigators use the reports could adversely affect the timeliness of proceedings against inmates. Finally, deficiencies within the BOP's security camera system adversely affect administrative and criminal proceedings against staff and inmates. The OIG made 11 recommendations to the BOP, and the BOP agreed with all of them.

- **Untimely Releases of Inmates.** Following reports that the BOP had confined an inmate for 13 months past the accurate release date, the OIG examined the BOP's process for releasing federal inmates on their correct release dates. The OIG found that the BOP categorized 157 of the 461,966 releases between 2009 and 2014 as "untimely" due to staff error. The BOP also classified 4,183 releases as untimely

for reasons other than staff error and that were beyond its control, such as a judge shortening a sentence to less time than an inmate had already served. The OIG found that the BOP does not always have complete information about these untimely releases, particularly regarding contributing actions by DOJ and non-DOJ entities. Untimely releases contravene judicial sentencing orders and can have serious consequences. Late releases deprive inmates of their liberty. Early releases can put communities at risk, and they can harm inmates and their families if the inmate's efforts to gain employment and reestablish ties with the community are interrupted by a re-arrest to complete a sentence. The OIG also estimated that the 152 late releases due to staff error, exclusive of litigation and settlement costs, cost the BOP \$669,814. Further, between 2009 and 2015, DOJ settled four untimely release lawsuits totaling \$680,000. The report makes seven recommendations to the BOP and DOJ to reduce untimely releases. Both the BOP and DOJ agreed with all of them.

- **Review of the FBI's Impersonation of a Journalist in a Criminal Investigation.** The OIG issued a report examining the Federal Bureau of Investigation's (FBI) impersonation of a journalist in a 2007 undercover criminal investigation and whether the actions violated FBI policies. The report details how an FBI Agent posed as a fictitious editor working for the Associated Press (AP) in order to locate and identify a suspect who anonymously e-mailed a series of bomb threats causing multiple evacuations of Timberline High School, near Seattle, Washington. The operation successfully located the suspect, a 15-year-old high school student, after he clicked on a link to a photograph e-mailed by the fictitious AP editor, triggering a hidden software program that disclosed the student's

Highlights of OIG Activities

location to the FBI. The OIG found that the FBI's policies in 2007 did not expressly address the tactic of Agents impersonating journalists. The OIG further found that the FBI's undercover policies then in effect provided some relevant guidance, but were less than clear. As a result, the OIG believes that the judgments agents made about aspects of the planned undercover activity in 2007 to pose as an editor for the AP did not violate the undercover policies in place at the time. The report also explains how in June 2016, as the OIG was finalizing its report, the FBI adopted a much more strict interim policy that makes it clear that FBI Agents are prohibited from impersonating journalists unless they obtain a series of special approvals. In order for such a tactic to be authorized under the new policy, Agents are required to submit an undercover operation application that must first be approved by the head of the local FBI field office, then reviewed by the Undercover Review Committee at FBI Headquarters, and finally approved by the FBI's Deputy Director, after consultation with the Deputy Attorney General (DAG). The report makes three recommendations, including that the FBI move expeditiously to update its undercover policy guide to incorporate its new interim policy, and widely inform and educate FBI employees about the policy's existence and application. The FBI agreed with all of them.

- [Firearm Purchase Denials through the National Instant Criminal Background Check System](#). The OIG issued an audit of the National Instant Criminal Background Check System (NICS). The audit found the FBI has effective internal controls, with an accuracy rate of more than 99 percent. However, even an isolated breakdown can have tragic consequences, as evidenced by the 2015 fatal shooting in a Charleston, South

Carolina church, where the NICS process lacked timely and accurate data from local agencies that could have prevented the alleged shooter from purchasing the gun he allegedly used. States that process their own NICS transactions did not fully update the NICS database. The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) generally has effective internal controls for processing NICS denials. There has been a longstanding dispute between the FBI and ATF over what constitutes a "Fugitive from Justice," and under what circumstances a purchase should be denied. The audit found the FBI denied 49,448 transactions that ATF did not consider to be appropriate denials. Of these transactions, 2,183 resulted in firearms transfers, but ATF did not agree with the denial and did not attempt to recover the firearms. While the number of defendants prosecuted by DOJ for gun crimes has increased recently, the number of NICS prosecutions dropped substantially between FY 2003 and FY 2013, with no significant change in the number of NICS cases prosecuted since a January 2013 White House plan for maximizing efforts to reduce gun violence. The OIG made seven recommendations to the FBI, ATF, and (Office of Legal Counsel) OLC, with which DOJ components agreed.

- [Review of ATF's Undercover Storefront Operations](#). The OIG released a report on ATF's use of undercover storefront operations, in which law enforcement agents operate a fake business from a location where illicit merchandise is exchanged or services rendered. ATF's use of these operations came under public scrutiny in 2013 after news reports described numerous problems with a storefront operation in Milwaukee, Wisconsin, including the theft of firearms, improper handling of sensitive information, and the alleged targeting of persons with disabilities. The report

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examines: (1) whether there are any systemic deficiencies in ATF's storefront policies; and (2) the effectiveness of ATF's Monitored Case Program (MCP). MCP is a program ATF established following the problems identified in its Operation Fast and Furious. The MCP is designed to provide for heightened management scrutiny of the agency's most sensitive cases. The OIG found that ATF failed to devote sufficient attention to how it was managing its undercover storefront operations. The OIG also found that events giving rise to the controversy surrounding ATF's undercover storefront operations were avoidable and were caused primarily by poor management, insufficient training and guidance to agents in the field, and a lax organizational culture that failed to place sufficient emphasis on risk management in these inherently sensitive operations. The OIG found no evidence that ATF intentionally targeted or used individuals with intellectual or developmental disabilities in its storefront investigations because of their disability. However, the OIG determined in the course of the review that DOJ had failed to apply Section 504 of the *Rehabilitation Act of 1973*, 29 U.S.C. § 794, which prohibits discrimination against persons with disabilities, to its federal law enforcement activities. This Act imposes important compliance responsibilities on DOJ's law enforcement components, which include ATF, FBI, DEA, and U.S. Marshals Service (USMS). The OIG report makes 13 recommendations to help ATF ensure that its storefront operations are managed expertly and appropriately and ATF agreed with all of them.

- **Pre-trial Diversion and Drug Court Programs**. The OIG issued an audit of DOJ's use of pretrial diversion and diversion-based court programs. The audit found that DOJ has taken steps to address its use of these programs, but

their availability and use varies across federal judicial districts. The OIG found that from FYs 2012 through 2014, nearly half of all United States Attorneys' Offices (USAO) had 5 or fewer successful pretrial diversion participants and most federal judicial districts had no diversion-based court program at all. The OIG also found that neither the Executive Office for U.S. Attorneys (EOUSA) nor the USAO track all participants nor has DOJ evaluated the potential for diversion programs to reduce costs or recidivism. The OIG identified 7,106 potentially suitable offenders, 1,520 of which had successfully completed a pretrial diversion program, but was unable to assess whether the remaining 5,586 would have met eligibility requirements. The OIG also identified 12,468 offenders potentially suitable for a diversion-based court program but was unable to assess whether these offenders would have met program eligibility requirements. The OIG believes there remains a population of offenders for whom diversion may be possible and concluded that the potential cost savings from increased use of diversion programs could be substantial. The OIG estimated that DOJ spent more than \$26 million over 3 years to incarcerate offenders who might be suitable for pretrial diversion. The OIG made five recommendations to the Office of the Deputy Attorney General (ODAG) and EOUSA to strengthen the use of pretrial diversion and diversion-based court programs within DOJ. The ODAG and EOUSA agreed with all of them.

- **Release Preparation Program**. The OIG issued a report on the BOP's Release Preparation Program (RPP), which, among other objectives, seeks to reduce recidivism. When former inmates recidivate and must be re-arrested, it strains DOJ resources and adds to the social costs in communities into which the inmates had been released. The

Highlights of OIG Activities

OIG identified weaknesses in the RPP's implementation that can hinder inmates' successful re-transition into society. BOP policy does not provide a nationwide RPP curriculum, which has led to widely inconsistent curricula, content, and quality among RPP courses. The BOP does not systematically identify specific inmate needs, which has been left to institutions' discretion. The OIG also determined that, given few incentives, less than a third of inmates required to participate in the RPP actually complete it. The BOP also does not fully leverage its relationships with other federal agencies and BOP institutions must contact local offices to advocate for services for inmates. In the OIG's judgment, the BOP could take advantage of its memberships in national reentry forums to develop national agreements and facilitate consistent access to information and services for inmates. Additionally, the OIG found that the BOP does not collect comprehensive re-arrest data on former inmates, has no performance metrics to gauge the RPP's effectiveness, and does not attempt to link the RPP to recidivism. The report made seven recommendations to improve the RPP's effectiveness, and the BOP agreed with all of them.

- **Reimbursement Rates for Outside Medical Care.** In examining the BOP's reimbursement rates for outside medical care, the OIG found that the BOP has consistently paid outside doctors and hospitals more to treat federal inmates than Medicare would pay for the same services. At the end of FY 2014, BOP institutions paid an average of 1.7 times the Medicare rate. As a result, in FY 2014 the BOP spent at least \$100 million more for this care than it would have if it had paid Medicare rates. The OIG also found that among federal agencies that pay for medical care, the BOP is the only agency that is not covered by a statute or

regulation under which the government sets the reimbursement rate, usually at the Medicare rate; but DOJ and the BOP have not fully explored other legislative options that could reduce the BOP's outside medical spending. Lastly, BOP officials the OIG interviewed had not engaged with states to understand how their prison systems address similar challenges, or with other federal agencies to discuss strategies for better ensuring access to medical care. The OIG made three recommendations to assist the BOP in exploring legislative and other options for economically providing medically necessary care while maintaining provider access, and the BOP agreed with all of them.

- **Review of Conduct by Former U.S. Attorney James L. Santelle.** The OIG issued a report summarizing the findings of an investigation into allegations that former U.S. Attorney James L. Santelle of the Eastern District of Wisconsin (EDWI) engaged in certain political and charitable fundraising activities in violation of DOJ policy and executive branch regulations. The OIG found that Santelle violated a DOJ policy restricting employees' participation in political activities based on his conduct with respect to two campaign events for partisan candidates Mary Burke and Jon Richards. With respect to both partisan campaign events, Santelle failed to obtain the requisite DOJ approval. The OIG also found that Santelle exhibited lack of candor in denying to the OIG that he ever intended for the Richard's event to be a fundraiser, but rather merely an opportunity for people "to listen to Jon Richards." The OIG found that Santelle plainly intended and expected that the purpose of the event was "to support" Richards's candidacy and that the "official hosts" of the event would solicit and accept political contributions during the event in Santelle's home. The

Highlights of OIG Activities

OIG also found that Santelle violated the Standards of Ethical Conduct for Employees of the Executive Branch governing fundraising and endorsements based on his unsanctioned participation in multiple non-political fundraising events. These regulations serve to avoid the impression that any group has special access to DOJ or that DOJ endorses particular groups, a concern that was brought specifically to Santelle's attention by his own District Ethics Advisor. The OIG referred its findings with respect to both the Burke and Richards events to the Office of Special Counsel (OSC), the agency responsible for investigating *Hatch Act* violations.

- **Administration and Enforcement of the Foreign Agents Registration Act.** The OIG issued an audit of the National Security Division's (NSD) enforcement of the *Foreign Agents Registration Act of 1938* (FARA), which requires persons acting as agents of foreign principals in a political or quasi-political capacity to make periodic public disclosure of their relationship with the foreign principal, as well as activities, receipts, and disbursements in support of those activities. The OIG concluded that DOJ lacks a comprehensive FARA enforcement strategy. Specifically, the OIG found that the number of FARA registrations has declined in the last 2 decades, and prosecutions and other enforcement actions are rare. NSD officials speculated that the imposition of FARA registration fees in 1993 and the passage of the *Lobbying Disclosure Act*, which carved out a significant exemption to FARA in 1995, were likely factors in the decline in FARA registrations. Between 1966 and 2015, DOJ only brought seven criminal FARA cases, and it has not sought civil injunctive relief under FARA since 1991. In addition, Investigative Agents and NSD officials do not appear to agree about the intent of FARA, or what constitutes

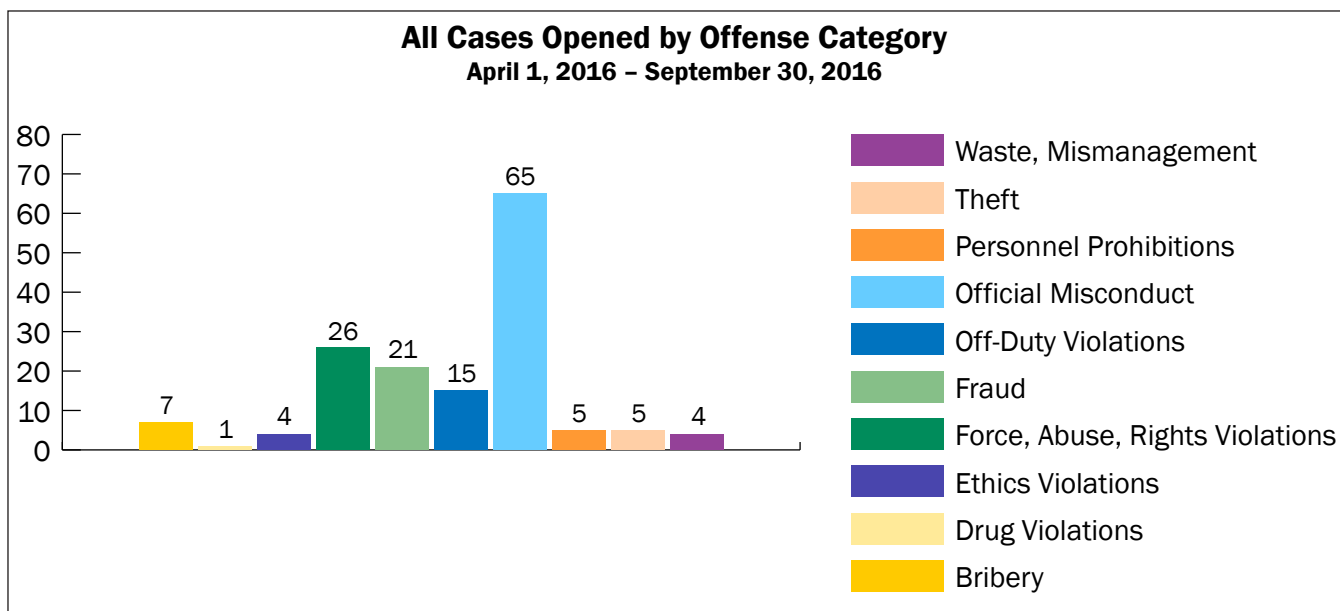
a "FARA case." The OIG believes these differing understandings are indicative of the lack of a comprehensive DOJ enforcement strategy on FARA. The OIG also believes the NSD needs to improve its controls and oversight of FARA registrations, particularly its efforts to ensure the timely submission of required documents and its inspections of registered foreign agents as well as further improve its monitoring efforts by developing a policy to ensure appropriate resolution of recommendations identified in its inspection reports. The OIG made 14 recommendations to help improve the NSD's enforcement and administration of FARA and the NSD agreed with all of them.

Investigative Highlights

As shown in the statistics at the beginning of this section and in the chart on the following page, the OIG investigates many allegations of misconduct involving DOJ employees or contractors and grantees who receive DOJ funds. Examples of such investigations are:

- On August 29, 2016, an FBI Special Agent was sentenced to 36 months in prison for conversion of property by a federal employee, obstruction of justice, falsification of records, and witness tampering, pursuant to his earlier guilty plea. He was also ordered to pay \$136,462 in restitution. The Special Agent, who was sentenced in the Central District of California, was terminated from the FBI. According to the plea agreement, the Special Agent admitted that he misappropriated \$136,462 of drug proceeds seized during the execution of three search warrants in June and August 2014, after they were transferred to his custody. He also admitted falsifying FBI documentation and forging a witness signature to conceal the theft. He later encouraged a witness to provide a false

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Source: Investigations Data Management System

cover story and lie on his behalf. The investigation was conducted by the OIG's Los Angeles Field Office with significant assistance provided by the OIG's Cyber Investigations Office.

- On May 4, 2016, a BOP Correctional Officer was sentenced to 7 years in prison for sexual abuse of an inmate under his supervision. The Correctional Officer, who resigned his position with the BOP, was sentenced in the Eastern District of New York. In his guilty plea in November 2015, the Correctional Officer admitted that he sexually assaulted an inmate in a hallway of a federal correctional facility. The investigation was conducted by the OIG's New York Field Office.
- In the *Semiannual Report to Congress, October 1, 2014 – March 31, 2015*, the OIG reported that a DEA Resident Agent in Charge (RAC) assigned outside the United States was arrested based on a complaint filed in the District of Columbia charging him with conspiracy and false statements. On May 18, 2016, the RAC, who retired

during the course of the investigation, pleaded guilty to making false statements on his annual financial disclosure reports. According to the factual statement in support of his plea, the RAC accepted over 100 free flights on private aircraft from a Mexican national businessman and a U.S. citizen, and failed to disclose the market value of those flights on his financial disclosure reports. Additionally, the RAC admitted that he made false derogatory statements to the Department of State (State) causing the revocation of visas held by three U.S. visa holders who were engaged in disputes with the Mexican national businessman. Sentencing is pending. The investigation was conducted by the OIG's Dallas Field Office.

- In the *Semiannual Report to Congress, October 1, 2015 – March 31, 2016*, the OIG reported that an ATF Task Force Officer (TFO) employed by the Puerto Rico Police Department, was found guilty by a jury of conspiracy to deprive a person of his civil rights by hiring corrupt police officers and other individuals to break into a home and steal property. On August 17, 2016, the

Highlights of OIG Activities

TFO was sentenced to 87 months in prison. The TFO, who was removed from the ATF Task Force the day he was indicted, was sentenced in the District of Puerto Rico. The investigation was conducted by the OIG's Miami Field Office and the FBI.

- The OIG conducted two investigations finding fraud and other irregularities related to the manufacture and sale of Kevlar combat helmets to the Department of Defense (DOD). The investigations were conducted by the OIG's Houston Area Office with the Defense Criminal Investigative Service (DCIS), and supported by elements of the U.S. Army, in response to whistleblower allegations made by two employees of Federal Prison Industries (FPI).

In 2006, ArmorSource, LLC (ArmorSource)—a private company headquartered in Hebron, Ohio—was awarded a DOD contract to manufacture Advance Combat Helmets (ACH). ArmorSource subsequently subcontracted the manufacturing to FPI, a wholly-owned government corporation and inmate reentry program operated within the BOP that employs federal inmates. In May 2008, FPI was also awarded a contract to manufacture a different Kevlar helmet, the Lightweight Marine Corps Helmets (LMCH), for the DOD. FPI manufactured both kinds of helmets at its facility in Beaumont, Texas.

The investigations determined that FPI had endemic manufacturing problems in Beaumont, and that both the ACH and LMCH helmets were defective and not manufactured in accordance with contract specifications. During the investigations, a surprise inspection by the OIG and military personnel uncovered inmates at the Beaumont FPI facility openly using improvised tools on the ACH helmets, which damaged the helmets' ballistic

material, and created the potential for the tools' use as weapons in the prison, thereby endangering the safety of factory staff and degrading prison security. In addition to the manufacturing defects at FPI, the investigations uncovered several irregularities in the testing and quality control procedures to which the helmets were subjected. For example, FPI pre-selected helmets for inspection, even though the contracts required such selections to be done randomly. In addition, manufacturing documents were altered by inmates at the direction of FPI staff to falsely indicate that helmets passed inspection and met contract specifications.

Additionally, ArmorSource did not provide adequate oversight of the manufacture of the ACH helmets and Defense Contract Management Agency inspectors did not perform proper inspections and lacked training. These inspectors also submitted false inspection records wherein they attested that ACH lots were inspected, when in fact they were not. In at least one instance, an inspector certified the lots as being inspected over a fax machine.

The investigations did not develop any information to indicate military personnel sustained injury or death as a result of the defective ACH helmets. However, all 126,052 ACH helmets were recalled, and monetary losses and costs to the government totaled more than \$19 million. Of the approximately 23,000 LMCH helmets, 3,000 were sold and delivered to the DOD, but FPI did not receive payment for them, and the remaining helmets were ultimately quarantined. The non-payment and quarantine were due to actions taken by the OIG and DCIS that resulted in a stop work order. The FPI's Beaumont facility that manufactured the ACH and LMCH helmets was closed and its entire staff transferred to other duties within

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the BOP. Criminal prosecution resulting from these investigations was declined, and the DOJ Civil Division's Commercial Litigation Section and the USAO for the Eastern District of Texas entered into a civil settlement agreement, in which ArmorSource agreed to pay \$3 million, an amount that was based on ArmorSource's demonstrated ability to pay, to resolve potential claims against it under the *False Claims Act*. The settlement agreement did not constitute an admission of liability by ArmorSource, or a concession by the United States that its claims were not well founded.

- In the *Semiannual Report to Congress, April 1, 2015 – September 30, 2015*, the OIG reported that U.S. Congressman Chaka Fattah and four other individuals were indicted in the Eastern District of Pennsylvania related to their participation in a racketeering conspiracy which included a bribery scheme and the misuse of federal, charitable, and campaign funds. On June 21, 2016, U.S. Congressman Chaka Fattah and the four other individuals were found guilty of various charges following a 5-week jury trial. The evidence at the trial showed that the defendants engaged in five distinct fraud schemes, including one committed during an OIG audit and investigation of the Educational Advancement Alliance's (EAA) use of \$1,873,228 in DOJ grant funds. According to evidence presented at the trial, in 2007, Fattah and others conspired to repay an illegal \$1,000,000 campaign loan related to Fattah's failed 2007 attempt to serve as the mayor of Philadelphia with stolen federal and charitable funds. In 2008, Fattah and others, including conspirators Robert Brand and EAA's Executive Director Karen Nicholas, created a false contract inflated by \$600,000 between EAA and Brand in order to repay a portion of the campaign loan. In 2008, during the OIG

investigation related to EAA's use of the DOJ grant funds, Brand provided this false contract to the OIG in response to an OIG subpoena seeking documents related to the use of DOJ funds. The investigation was conducted by the Fraud Detection Office and was partially predicated by an audit conducted by the OIG's Philadelphia Regional Audit Office.

- In the *Semiannual Report to Congress, October 1, 2015 – March 31, 2016*, the OIG reported that an Information Technology Specialist was arrested pursuant to a federal Indictment charging him with interstate travel with the intent to engage in sex with a minor. On August 25, 2016, the Information Technology Specialist was sentenced in the District of Maryland to 82 months in prison. The Information Technology Specialist, who resigned his position with DOJ following his arrest, In addition to his prison sentence, the Information Technology Specialist was ordered to forfeit his vehicle and all of its contents. In his guilty plea, the Information Technology Specialist admitted to traveling across state lines, for the purpose of knowingly engaging in a sexual act with a 15-year-old female. The case was investigated by the OIG's Washington Field Office; Worcester County, Maryland, Sheriff's Office; and the Department of Homeland Security Investigation's Baltimore Field Office. Substantial forensic assistance was provided by the OIG's Cyber Investigations Office.
- The OIG conducted an investigation based on information it received from EOUSA alleging that a U.S. Attorney had an inappropriate relationship with a subordinate Assistant U.S. Attorney (AUSA). The OIG determined that the U.S. Attorney had been engaged in an intimate personal relationship with the AUSA for more than a year and

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that because the relationship was not acknowledged, the U.S. Attorney did not decline to participate in matters involving the AUSA. The relationship, and the multiple harassing communications the U.S. Attorney sent to the AUSA after their intimate relationship ended, violated laws and regulations against sexual harassment. In addition, the OIG concluded that the U.S. Attorney lied to DOJ officials about the nature of the relationship when first confronted about it; violated instructions from the Associate Deputy Attorney General not to have any contact with the AUSA; and attempted to influence or impede the OIG investigation by communicating to the AUSA that the AUSA was the subject of the OIG's investigation and that the AUSA should get an attorney and not speak with the OIG. Prosecution was declined. The U.S. Attorney resigned during the OIG's investigation. The OIG provided its report to the ODAG and EOUSA for their information, and to the DOJ Office of Professional Responsibility for a determination of whether the U.S. Attorney's conduct warrants referral to appropriate bar authorities.

- On July 21, 2016, a BOP Cook Supervisor was sentenced to 21 months in prison after pleading guilty to four counts of sexual abuse of an inmate. The Cook Supervisor, who resigned his position with the BOP, was sentenced in the Southern District of Texas. According to the Indictment, from June 2014 to February 2015, the Cook Supervisor engaged in various sexual acts with two female inmates at a federal prison camp. The investigation was conducted by the OIG's San Antonio Domicile.
- On June 27, 2016, a Los Angeles Police Department (LAPD) Detective who was assigned as a DEA TFO was sentenced to 1 year in prison followed by 6 months

of home confinement and fined \$5,000 for making a false statement concerning the theft of money seized in connection with a federal narcotics investigation. The TFO, who retired from the LAPD, was charged in the Central District of California. According to the factual statement in support of his guilty plea, the TFO admitted that while assisting with an arrest and a consensual search of a business, he stole \$6,000 from the business and subsequently falsely told his superiors later that he earned the cash while working off-duty. A search warrant of the TFO's vehicle had resulted in the seizure of \$6,000. The investigation was conducted by the OIG's Los Angeles Field Office and the LAPD.

- On June 2, 2016, a DEA Special Agent pleaded guilty to viewing child pornography. The Special Agent, who resigned his position with the DEA after his arrest, was charged in the Southern District of Texas. A search warrant executed at the Special Agent's residence on August 14, 2015, resulted in the seizure of two computers. The Special Agent admitted he downloaded and viewed child pornography from the Internet and used forensic wiping software to delete the files. A forensic examination of the Special Agent's computers found images that included children under the age of 12 and images of known victims as identified through the National Center for Missing and Exploited Children. The investigation is being conducted by the OIG's San Antonio Domicile, DEA Office of Professional Responsibility, and FBI.
- On September 1, 2016, a Finance and Operations Manager of an Office on Violence Against Women (OVW) grantee was sentenced in the Western District of Wisconsin to 10 months of home confinement, 3 years of probation, and ordered to pay \$49,014 in restitution,

Highlights of OIG Activities

pursuant to her guilty plea to theft of federal program funds. According to the Indictment to which she pleaded guilty, from January 2012 to May 2014, the Finance and Operations Manager stole federal grant funds by issuing checks totaling more than \$50,000 to herself, but recorded the funds in the grantee's accounting system as being paid to various vendors. The grantee had received the affected funds from the OVW through several sub-grants administered by the Wisconsin Department of Justice. The Finance and Operations Manager resigned her position before the theft was discovered. The investigation was conducted by the OIG's Chicago Field Office.

Ongoing Work

The OIG continues its important ongoing work, including the following audits, evaluations, inspections, and special reviews:

- DOJ's efforts to address patterns or practices of police misconduct and provide technical assistance on accountability reform to police departments, which is examining how the Civil Rights Division identifies and selects potential patterns or practices of unlawful police conduct for investigation; how the Office of Community Oriented Policing Services (COPS) and the Office of Justice Programs (OJP) direct technical assistance for accountability reforms to police departments addressing concerns over alleged misconduct; and how these agencies coordinate their efforts and assess their results.
- Review of DOJ's violent crime initiatives, which will assess DOJ's strategic planning and accountability measures for combatting violent crime, including coordination across DOJ prosecution, law enforcement, and grant making components; and strategic planning for providing assistance to communities that are confronting significant increases in homicides and gun violence.
- DOJ's implementation of certain principles regarding prosecution and sentencing reform it announced in the Smart on Crime initiative, including compliance with DOJ policy on the development of prosecution priorities and DOJ's revisions to its charging and sentencing policies, specifically related to charging drug quantities implicating mandatory minimum sentences, and the application of recidivist enhancements in certain drug cases.
- Joint review on domestic sharing of counterterrorism information, which will identify and examine the federally supported field based intelligence entities engaged in counterterrorism information-sharing; determine whether counterterrorism information is being adequately and appropriately shared with all participating agencies; and identify any gaps and/or duplication of effort among these entities.
- DOJ's clemency process, focusing on the period from FY 2012 to the present and assessing DOJ's procedures and the impact of the new criteria for prioritizing commutation petitions.
- DOJ's asset seizure and forfeiture activities from FY 2007 through 2014, with particular attention paid to the forfeiture of seized cash. Additionally, the OIG is reviewing the effects of recent DOJ policy limiting the ability of DOJ agencies to adopt assets seized under state law.
- Gender equity in DOJ's law enforcement components, specifically ATF, DEA, FBI, and USMS. The review will include an

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examination of component demographics, promotions, awards, and gender discrimination complaints. The OIG will also assess staff perceptions related to gender equity and the reasons why staff have those perceptions.

- ATF's management and oversight of confidential informants, which will evaluate ATF's policies and practices for the identification, approval, and oversight of its confidential informants.
- Post-incident responses by the State and the DEA to three drug interdiction missions in Honduras in 2012, all involving the use of deadly force; the State OIG is also participating in the review.
- Follow-up audit of the handling of known or suspected terrorists admitted into the federal Witness Security Program (Program), which will review DOJ's handling of known or suspected terrorists admitted to the Program, practices for watchlisting and processing encounters with this group of Program participants, and procedures for mitigating risks to the public through restrictions placed on this high-risk group of Program participants.
- Tribal Justice Systems Infrastructure Program (TJSIP), which will assess OJP's management and oversight of the funding provided under the TJSIP, including the contracting activities of grantees, and determine the extent of OJP's cooperation and coordination with the Department of the Interior's Bureau of Indian Affairs (BIA) to ensure efficient and effective correctional services in Indian Country.
- The OIG is reviewing DOJ's administration of the September 11th Victim Compensation Fund, which was re-authorized by the *James Zadroga 9/11 Health and Compensation Act of 2010*. Title

II of the Act reactivated the 9/11 Victim Compensation Fund of 2001, provided an additional \$2.8 billion to compensate claimants, and added new categories of beneficiaries for the fund. In this audit, the OIG is reviewing how the Civil Division and Special Master manage the fund, as well as how the Justice Management Division (JMD) supports the Victim Compensation Fund operations through legal and administrative contracts.

The OIG's ongoing work is available at oig.justice.gov/ongoing/.

Disagreement with a Significant Department Management Decision

Section 5(a)(12) of the *Inspector General Act of 1978* (IG Act), as amended, directs each Inspector General to include in each Semiannual Report to Congress “information concerning any significant management decision with which the Inspector General is in disagreement.” In the OIG’s preceding Semiannual Report to Congress, the OIG described its disagreement with a significant management decision based on the OLC opinion and the OIG’s concern that it would interfere with its timely and complete access to documents it needs to complete its reviews. While pending legislation in Congress—the *Inspector General Empowerment Act*—would amend the IG Act to overturn the OLC opinion, it has not been adopted by Congress and therefore the concerns the OIG discussed in its prior Semiannual Report remain.

A bedrock principle of the IG Act is that Inspectors General must have access to “all” agency records and information necessary to conduct oversight. Since the OIG’s last Semiannual Report to Congress, the OIG has continued working with Congress to obtain a permanent remedy to the opinion issued by OLC. The OLC opinion, which was issued in July 2015, provides that, in all instances involving certain categories of records that the OIG needs to conduct effective oversight of DOJ programs, DOJ employees will decide whether access by the OIG is warranted—placing agency staff in the position of deciding whether to grant, or deny, the Inspector General access to information necessary to conduct its oversight.

As a result of the OLC opinion and its subsequent integration into DOJ policy, the Inspector General community remains concerned that federal agencies may object to the production to Inspectors General of other categories of records that are subject to non-disclosure provisions in other statutes. Further, the OLC opinion creates potential ambiguity and uncertainty as to what information witnesses and agency personnel can provide to Inspectors General conducting oversight.

This may result in agency employees becoming less forthcoming or fearful of being accused of improperly divulging information. Such a shift in mindset could deter whistleblowers from directly providing information to Inspectors General about waste, fraud, abuse, or mismanagement. Under the OLC opinion, a potential whistleblower could be concerned that the agency might later claim the disclosure was improper and use that decision to retaliate against the whistleblower.

In December 2015, the *Consolidated Appropriations Act for FY 2016* was enacted. It included a provision (Section 540) that re-emphasized Congress’s strong intent that Inspectors General should have access to all documents within the possession of the agency. Section 540 restricts the use of appropriated funds by DOJ to deny the OIG timely access to any records or impede the OIG’s access to these records unless a provision of law expressly limits the OIG’s right of access. The OIG is required to report failures to comply with this requirement within 5 days to Congress.

In April 2016, the OLC issued an opinion addressing the effect of Section 540 on the OIG’s access rights. This OLC opinion concluded that Section 540 “effectively prohibits the Department of Justice, for the remainder of fiscal year 2016, from denying the [OIG] timely access to materials requested by the OIG, or preventing or impeding OIG’s access to” grand jury, wiretap, and credit information. Subsequently, the DAG instructed DOJ component heads in a memorandum dated May 2, 2016, that at least for programs funded by FY 2016 appropriations, DOJ and its components may now produce these materials to the OIG without additional procedures or delay, regardless of whether the other statutes would otherwise prohibit the disclosure. During the past 6 months, the OIG, to its knowledge, has not been denied access to agency documents. While these are positive steps, a permanent solution beyond FY 2016 is

Disagreement with a Significant Department Management Decision

necessary to ensure that the OIG and all federal Inspectors General can conduct their oversight work and continue to have complete and timely access to documents.

DOJ's Inspector General will continue to work with Congress, the Inspector General community, and DOJ to ensure that Inspectors General obtain complete and timely access to agency records in order to conduct their important oversight work.

OIG Profile



The OIG is a statutorily created, independent entity whose mission is to detect and deter waste, fraud, abuse, and misconduct involving DOJ programs and personnel and promote economy and efficiency

in DOJ operations. The OIG investigates alleged violations of criminal and civil laws, regulations, and ethical standards arising from the conduct of DOJ employees in their numerous and diverse activities. The OIG also audits and inspects DOJ 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, USMS, and all other organizations within DOJ, as well as DOJ's contractors and grant recipients..

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 DOJ programs, computer systems, and financial statements. The Audit Division has regional offices in the Atlanta, Chicago, Denver, Philadelphia, San Francisco, and Washington, D.C., areas. Its Financial Statement Audit Office and Computer Security and Information Technology Audit Office are located in Washington, D.C., along with Audit Headquarters. 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.
- **Investigations Division** is responsible for investigating allegations of bribery, fraud, abuse, civil rights violations, and violations of other criminal laws and administrative procedures governing DOJ employees, contractors, and grantees. The Investigations Division has field offices in Chicago, Dallas, Denver, Los Angeles, Miami, New York, and Washington, D.C. The Investigations Division has smaller, area offices in Atlanta, Boston, Detroit, El Paso, Houston, New Jersey, San Francisco, and Tucson. The Fraud Detection Office and the Cyber Investigations Office are co-located with the Washington Field Office. The Cyber Investigations Office also includes personnel in the Dallas and Los Angeles Field Offices. Investigations Headquarters in Washington, D.C., consists of the immediate office of the Assistant Inspector General for Investigations and the following branches: Operations I, Operations II, Investigative Support, and Administrative Support.
- **Evaluation and Inspections Division** conducts program and management reviews that involve on-site inspection, statistical analysis, interviews, and other techniques to review DOJ programs and activities and makes recommendations for improvement.
- **Oversight and Review Division** blends the skills of attorneys, investigators, program analysts, and paralegals to conduct special reviews and investigations of sensitive allegations involving DOJ 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, records management, quality assurance, internal controls, and general support.

OIG Profile

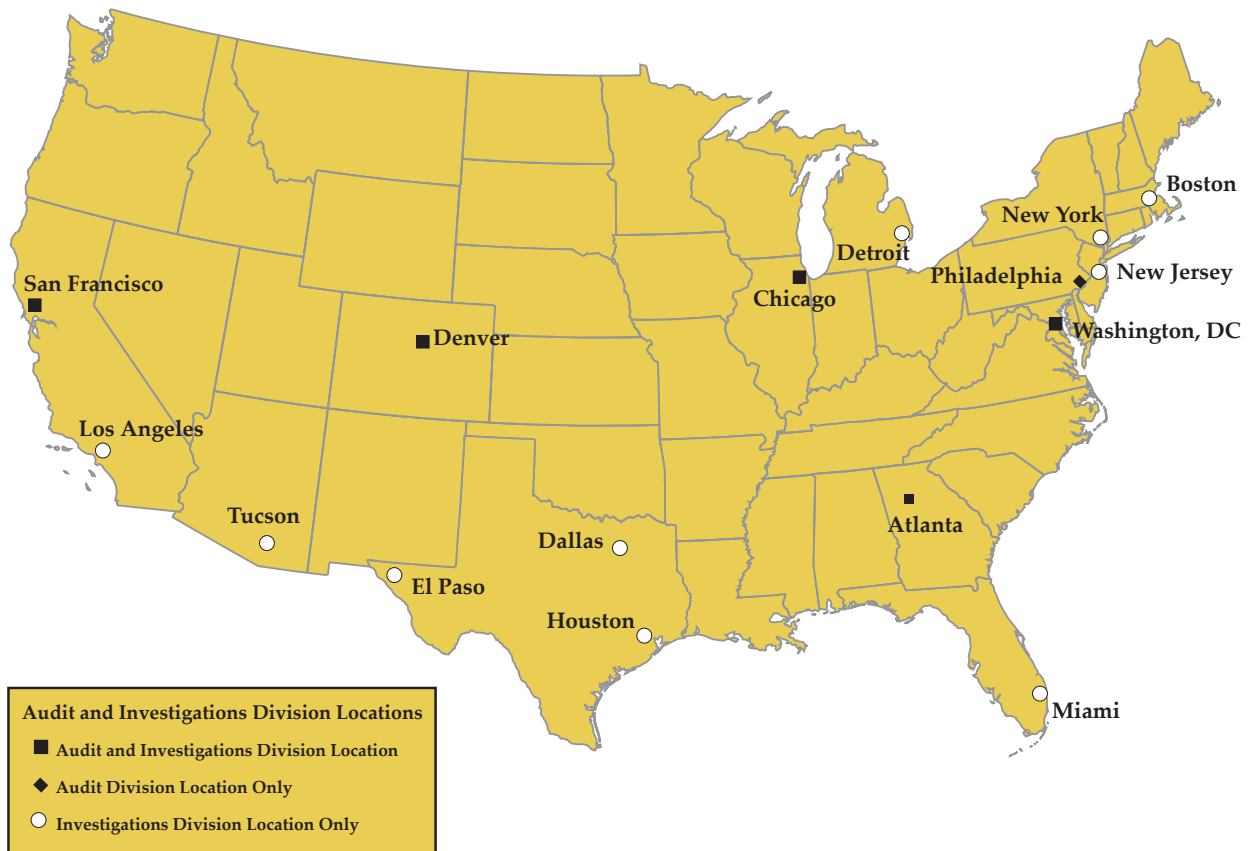
- **Office of General Counsel** provides legal advice to OIG management and staff. It also drafts memoranda on issues of law; prepares administrative subpoenas; represents the OIG in personnel, contractual, and legal matters; and responds to *Freedom of Information Act* requests.

The map below shows the locations for the Audit and Investigations Divisions.

The OIG has a nationwide workforce of more than 460 special agents, auditors, inspectors, attorneys, and support staff. For FY 2016, the OIG direct appropriation was approximately \$93.7 million, and the OIG anticipates earning an additional \$6.2 million in reimbursements.

As required by Section 5 of the IG Act, as amended, this Semiannual Report to Congress is reviewing the accomplishments of the OIG for the 6-month period of April 1, 2016, through September 30, 2016.

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



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



Reports Issued

Firearm Purchase Denials through the National Instant Criminal Background Check System

The OIG issued an audit of the NICS, which is administered by the FBI, and used by Federal Firearms Licensees, importers, and manufacturers to determine whether a prospective purchaser is legally prohibited from buying a firearm. The FBI processed more than 51 million NICS transactions from 2008 to 2014, of which 556,496, or about 1 percent, were denied. When the FBI denies a sale, it refers the matter to ATF for additional review, possible firearm recovery, and consideration to pursue prosecution by the USAO. Between 2008 and 2015, ATF formally referred 509 NICS denial cases that included 558 subjects for possible prosecution, and the USAOs accepted 254 of these subjects, or less than 32 subjects per year, for consideration of prosecution.

The OIG assessed the effectiveness of the FBI quality control processes for NICS transactions, the impact of state reporting and recording on FBI NICS determinations, and the FBI's referral of denied NICS transactions to ATF. For ATF, the report addressed initial screening and referral of denied transactions to its field offices for investigation, and field office investigation of denied transactions. The report also addressed USAO prosecution of crimes associated with denials. The OIG was unable to assess the

FBI's accuracy in approving NICS transactions because, for approved transactions, identifying information about the purchaser and firearm is purged from NICS within 24 hours pursuant to federal law.

Specifically, the OIG found that the FBI generally has an effective internal control system for processing NICS transactions and for referring denied transactions to ATF, and found the overall FBI error rate was exceedingly low. However, the audit identified weaknesses in the FBI's system for following up on pending transactions. As the report noted, even an isolated NICS process breakdown can have tragic consequences, as evidenced by the June 2015 fatal shooting at a Charleston, South Carolina church, where the NICS process lacked timely and accurate data from local agencies that could have prevented the alleged shooter from purchasing the gun he allegedly used. States, which handled about 68 million NICS transactions during our review period, are required to update the database with supporting documents as necessary after processing a transaction. The OIG reviewed a judgmental sample of 631 state-processed transactions and determined that in 630 of them the states did not fully update the NICS database or inform the FBI of the transaction's outcome.

The audit also found that ATF generally has an appropriate system of internal controls for processing denials and referring them to the

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proper field division for investigation, but it could strengthen its quality control process by documenting in more detail its selection process and results of its quality control reviews. For 15 years, the FBI and ATF have had a longstanding disagreement regarding the definition of “Fugitive from Justice,” a category that disqualifies prospective gun purchasers. According to ATF records, there were 49,448 transactions in this category between November 1999 and May 2015 that the FBI denied under its interpretation of the law, but that the ATF did not consider appropriate denials. Of these transactions, 2,183 resulted in firearms transfers that the FBI believed should have been denied, but ATF did not agree and did not attempt to recover the firearms. This disagreement was referred to DOJ’s OLC in 2008, and OLC provided informal advice in July 2008. In August 2010, the FBI requested formal reconsideration of that advice, but 6 years later OLC still has not rendered a decision. The OIG believes this issue should be addressed as soon as possible.

Further, while the number of defendants prosecuted by DOJ for gun crimes has increased recently, the number of NICS prosecutions has dropped substantially since FY 2003. There also has been no significant change in the number of NICS cases pursued for prosecution since a January 2013 White House plan, issued after the school shooting in Sandy Hook, Connecticut, that requested DOJ to maximize enforcement efforts to prevent gun violence and prosecute gun crime. The OIG found that each USAO has substantial discretion in deciding whether to prosecute criminal cases, and USAOs usually require that a potential NICS case involve aggravating circumstances.

The OIG made seven recommendations to help improve the NICS process throughout DOJ and to better ensure that state points of contact appropriately and timely update NICS. DOJ agreed with all of them.

DOJ’s Implementation of and Compliance With Certain Classification Requirements

The OIG issued an audit report examining DOJ’s efforts to ensure the proper classification of information. This report follows up on a September 2013 OIG report that assessed DOJ’s classification policies, procedures, rules, and regulations. Both audits were initiated in response to the *Reducing Over-Classification Act*. While the 2013 report did not find evidence of widespread misclassification, it identified deficiencies relating to the implementation of DOJ’s classification program, including a persistent misunderstanding and lack of knowledge of certain classification processes by DOJ officials. As a result, that report made 14 recommendations to improve DOJ’s classification management program, 11 of which have been closed as a result of the improvements described in this report.

In this audit, the OIG found areas in which DOJ still needs to improve its classification procedures and practices. Specifically, the OIG found that the Security and Emergency Planning Staff (SEPS) has not thoroughly evaluated the DEA’s use of the “ORCON” dissemination control marking, which limits access to information to ensure that its use is appropriate, as recommended in the previous audit report. In fact, between the issuance of FY 2013 audit report and initiation of this follow-up audit, the DEA had not changed its use of the ORCON marking. In addition, the DEA may be implementing classification practices that result in the under- or over-classification of information. For example, the OIG found that the DEA’s practices could result in it classifying the same piece of information as unclassified law enforcement sensitive information in a DEA investigative case file, but as classified information in a DEA intelligence report. Also, some of SEPS’s newly-developed oversight and review processes had not yet been successfully implemented because of insufficient resources, deficient oversight, or inadequate assistance from DOJ components. These include DOJ’s enhanced process for reviewing component

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self-inspections reports, and the incorporation of classification management into performance plans and evaluations. Further, DOJ did not publish updated procedures for the Mandatory Declassification Review process, as required by Executive Order 13526, Classified National Security Information.

Finally, the audit found that SEPS continues to report, as it did in 2013, that resource constraints hinder its classification management program. The OIG found that the amount of SEPS and DOJ component personnel devoted to security and classification management is less than during the initial audit. Resource limitations can reduce DOJ's ability to proactively manage and oversee classification programs and put DOJ at a higher risk for classification-related issues and problems. Resource limitations could also complicate DOJ's impending efforts to implement the new government-wide program for controlled unclassified information— unclassified information that requires controls for safeguarding or dissemination— which will result in an expansion of SEPS's responsibilities.

The OIG made three new recommendations to SEPS to help further improve DOJ's classification management program and implementation of classification procedures. SEPS agreed with all of them.

Cybersecurity Logical Access Controls and Data Security Management Practices

The OIG issued a report on DOJ's Cybersecurity Logical Access Controls and Data Security Management Practices Pursuant to the *Cybersecurity Act of 2015*. Section 406 of this Act requires the OIG to submit a report to Congress on DOJ's cybersecurity policies, procedures, practices, and capabilities for national security systems and systems that provide access to personally identifiable information. Specifically, the audit reviewed DOJ's cybersecurity logical access policies and procedures, multi-factor authentication for privileged users, data security management practices, and data security management practices over contractors.

For Logical Access Policies and Multi-factor Authentication, the auditors found that DOJ is making progress in implementing personal identity verification (PIV) logical access for privileged and unprivileged users across the organization, but significant work still needs to occur related to the PIV multi-factor authentication implementation. DOJ management told the auditors that for unclassified systems, currently the PIV multi-factor authentication implementation is at 60 percent for privileged users and 58 percent for unprivileged users. This is primarily due to an Intelligence Community Component starting its PIV implementation at the beginning of FY 2016. The auditors noted that DOJ created a corrective plan to satisfy the Office of Management and Budget (OMB) requirement for 100 percent PIV implementation for privileged users. DOJ management indicated that the PIV implementation projected completion date is September 30, 2016, for privileged users and September 30, 2017, for unprivileged users. For those network and application accounts that are not yet able to accept PIV authentication, secure ID tokens and usernames with strong passwords are still used for multi-factor authentication.

In the area of Data Security Management Practices, DOJ management stated that the required network monitoring tools for forensics and visibility capability are deployed across DOJ; however, more coordination needs to occur at the component level to fully deploy all of the tools to all of the components. Lastly, in terms of Data Security Management Practices over Contractors, DOJ released the Procurement Guidance Document 15-03, *Security of Information and Information Systems*, requiring mandatory security clauses be included in DOJ procurement documents. DOJ management agreed with the contents of the report, which did not contain any recommendations.

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FY 2015 Compliance under the *Improper Payments Elimination and Recovery Act of 2010*

The OIG issued a report examining DOJ's FY 2015 compliance under the *Improper Payments Elimination and Recovery Act of 2010* (IPERA), as set forth in OMB Circular A-123, *Management's Responsibility for Internal Control*, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*; and OMB Circular A 136, *Financial Reporting Requirements*, as they relate to the *Improper Payments Information Act of 2002*, as amended, for FY 2015. The OIG concluded that DOJ complied, in all material respects, with the aforementioned requirements for FY 2015.

Federal Information Security Modernization Act Audits

The *Federal Information Security Modernization 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. OMB is responsible for the submission of the annual FISMA report to Congress. The Department of Homeland Security (DHS) prepares the FISMA metrics and provides reporting instructions to agency Chief Information Officers, Inspectors General, and Senior Agency Officials for Privacy. The FY 2015 FISMA results are due to OMB by November 10, 2016.

For FY 2015, the OIG reviewed the security programs of five DOJ components: the NSD, FBI, JMD, EOUSA, and USMS. Within these components, the OIG selected classified systems within NSD and the FBI and the following four sensitive but unclassified systems: the FBI's LabNet, JMD's Information Security Technology Application Suite, EOUSA's Enterprise Vulnerability Management System, and USMS' Detention Services Network. In these audits, the OIG identified deficiencies

in continuous monitoring management, configuration management, identity and access management, risk management, security training, plan of action and milestones, and contingency planning. The OIG audit reports provided 63 recommendations for improving implementation of DOJ's information security program and practices for its sensitive but unclassified, classified, and national security systems. The components agreed with all of them.

For FY 2016, the OIG reviewed the security programs of six DOJ components: the FBI, JMD, BOP, DEA, Environment and Natural Resources Division, and OJP. Within these components, the OIG selected for review classified systems within the FBI and DEA and the following four sensitive but unclassified systems: JMD's Joint Biometric Data Exchange Joint Biometric Data Environment, BOP's Electronic Medical Records System, Environment and Natural Resources Division's Justice Consolidated Office Network, and OJP's Bulletproof Vest Partnership Program System. The OIG plans to issue reports evaluating each of these systems as well as reports on each component's information security program.

In addition, FISMA requires an annual evaluation of the information security programs and practices of Intelligence Community (IC) agencies. The IC Inspector General is responsible for analyzing, summarizing, and consolidating the IC OIG FISMA reports into one capstone annual report. On September 15, 2016, the OIG submitted the IC FISMA Metrics Report for the FBI to the IC Inspector General.

Single Audit Act Reports

The *Single Audit Act of 1984*, as amended, promotes sound financial management of federal financial assistance provided to state, local, and tribal governments, colleges, universities, and nonprofit organizations. Under 2 C.F.R. 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform

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Guidance), such entities that expend \$750,000 or more in federal funds in 1 year must have a “single audit” performed annually covering all federal funds expended that year.¹ Single audits are conducted by state and local government auditors, as well as independent public accounting firms. The OIG reviews these audit reports when they pertain to DOJ funds in order to determine whether the single audit reports meet federal requirements and generally accepted government auditing standards. In addition, the OIG reviews single audit reports to determine whether they contain audit findings related to DOJ funds. As a result of the OIG’s review of the single audits, during this semiannual period the OIG issued to OJP 38 single audit reports encompassing approximately 200 contracts, grants, and other agreements totaling more than \$69.2 million. The OIG also monitors these audits through the resolution and closure process.

The single audits disclosed that costs charged to DOJ grants were not always related to the grant programs or properly allocated. In addition, some required financial and program reports were inaccurate or not filed in a timely manner, if at all. The state and local government auditors and independent public accounting firms who conducted the single audits also found examples of incomplete or missing records, inadequate segregation of duties, failure to conduct physical inventories of assets purchased with federal funds, failure to submit timely single audit reporting packages to the Federal Audit Clearinghouse (an office operating on behalf of OMB that facilitates federal oversight of entities expending federal money), and failure to reconcile significant accounting records with the general ledger and subsidiary ledgers. They also reported that grantees 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. To address these deficiencies, the auditors recommended 68 management improvements and questioned costs totaling \$560,230.

Civil Rights and Civil Liberties

Section 1001 of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act* (Patriot Act) directs the OIG to receive and review complaints of civil rights and civil liberty violations by DOJ employees, to publicize how people can contact the OIG to file a complaint, and to send a semiannual report to Congress discussing the OIG’s implementation of these responsibilities. In September 2016, the OIG issued its most recent report, which summarized the OIG’s Section 1001 activities from January 1 through June 30, 2016. The report described the number of complaints the OIG received under this section, the status of investigations conducted by the OIG and DOJ components in response to those complaints, and an estimate of the OIG’s expenses for conducting these activities. The report also describes other OIG reviews that are related to potential civil rights and civil liberty issues but not required by Section 1001.

Ongoing Work

Review of DOJ’s Violent Crime Initiatives

The OIG is reviewing DOJ’s strategic planning and accountability measures for combatting violent crime, including coordination across DOJ prosecution, law enforcement, and grant making components; and strategic planning for providing assistance to communities that are confronting significant increases in homicides and gun violence.

¹ On December 26, 2014, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, was superseded by the Uniform Guidance. The new guidance, which affects all audits of fiscal years beginning on or after December 26, 2014, raised the audit threshold from \$500,000 to \$750,000. According to OMB, although OMB Circular A-133 has been replaced by the Uniform Guidance, the Circular will have a continuing effect. The first audits performed under the requirements of the new Uniform Guidance are just now being submitted.

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Review of the Department's Oversight of Asset Seizure and Forfeiture Activities

The OIG is examining DOJ's asset seizure and forfeiture activities from FYs 2007 through 2014, with particular attention paid to the forfeiture of seized cash. Additionally, the OIG is reviewing the effects of recent DOJ policy limiting the ability of DOJ agencies to adopt assets seized under state law.

DOJ's Efforts to Address Patterns or Practices of Police Misconduct and Provide Technical Assistance on Accountability Reform to Police Departments

The OIG is examining how (1) the Civil Rights Division identifies and selects potential patterns or practices of unlawful police conduct for investigation, (2) COPS' and OJP's direct technical assistance for accountability reforms to police departments addressing concerns over alleged misconduct, and (3) these agencies coordinate their efforts and assess their results, including any opportunities to leverage programs within the Community Relations Service.

Review of the Department's Clemency Process

The OIG is assessing DOJ's clemency process. Following the OIG's 2011 report on DOJ's processing of clemency petitions, this review will focus on the period from FY 2012 to the present and will assess the procedures utilized by DOJ and the impact of DOJ's new criteria for prioritizing commutation petitions.

Joint Review on Domestic Sharing of Counterterrorism Information

In response to a congressional request, the Inspectors General of the IC, DOJ, and DHS initiated a coordinated, joint review focusing on the domestic sharing of counterterrorism information. The objectives of this review are to: (1) identify and examine the federally

supported field-based intelligence entities engaged in counterterrorism information-sharing to determine the overall missions, specific functions, capabilities, funding, and personnel and facility costs; (2) determine if counterterrorism information is being adequately and appropriately shared with all participating agencies; and (3) identify any gaps and/or duplication of effort among these entities.

Follow-up Audit of the Handling of Known or Suspected Terrorists Admitted into the Federal Witness Security Program

The OIG is conducting a follow-up audit of DOJ's handling of known or suspected terrorists admitted into the federal Witness Security Program (Program). The preliminary objectives are to review DOJ's handling of known or suspected terrorists admitted to the Program, practices for watchlisting and processing encounters with this group of Program participants, and procedures for mitigating risks to the public through restrictions placed on this high-risk group of Program participants.

Gender Equity in DOJ's Law Enforcement Components

The OIG is examining gender equity in DOJ's law enforcement components, specifically ATF, DEA, FBI, and USMS. The review will include an examination of component demographics, gender discrimination complaints, and the complaint process. The OIG will also assess staff perceptions related to gender equity and the reasons why staff have those perceptions.

Implementation of the Principles regarding Prosecution and Sentencing Reform under the Smart on Crime Initiative

The OIG initiated a review of DOJ's implementation of certain principles regarding prosecution and sentencing reform it announced in the Smart on Crime initiative. The OIG will assess compliance with DOJ policy on the

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development of prosecution priorities and DOJ's revisions to its charging and sentencing policies, specifically related to charging drug quantities implicating mandatory minimum sentences, and the application of recidivist enhancements in certain drug cases.

Administration of the September 11th Victim Compensation Fund

The OIG is conducting an audit with the preliminary objective of reviewing DOJ's administration of the September 11th Victim Compensation Fund, which was re-authorized by the *James Zadroga 9/11 Health and Compensation Act of 2010*. Title II of the Act reactivated the 9/11 Victim Compensation Fund of 2001, provided an additional \$2.8 billion to compensate claimants, and added new categories of beneficiaries for the fund, including individuals with health conditions that took a long period to develop. As part of this audit, the OIG is reviewing how the Civil Division and Special Master manage the fund, as well as how JMD supports the Victim Compensation Fund operations through legal and administrative contracts. In December 2015, Congress passed the *Federal Government Consolidated Appropriations Act of FY 2016*, which extended the fund for 5 years and provided an additional \$4.6 billion for compensation and administrative costs.

Review of DOJ's Tribal Law Enforcement Activities

The OIG is assessing the DOJ's tribal law enforcement activities and responsibilities pursuant to the *Tribal Law and Order Act of 2010*. The review will focus on DOJ's legal assistance, investigative training, and other technical assistance used to enhance law enforcement efforts in Indian Country.

Award Closeout Process

The OIG is auditing DOJ's award closeout process. The preliminary objectives are to: (1) ensure that expired awards are closed

properly and in a timely manner; (2) ensure that award funds are appropriately managed after award periods have ended, including deobligations and subsequent drawdowns; and (3) determine whether appropriate controls are in place to ensure that closeout data reported by recipients is accurate and supported.

Audits of DOJ and Select Components' Annual Financial Statements

The OIG is conducting audits of DOJ and select components' annual financial statements for FY 2016. Pursuant to Section 304(a) of the *Chief Financial Officers Act of 1990*, as expanded by Section 405(b) of the *Government Management Reform Act of 1994*, the OIG is required to perform an audit of DOJ's annual financial statements. In addition, the following components will receive a standalone audit for FY 2016: the Assets Forfeiture Fund and Seized Asset Deposit Fund, FBI, BOP, and FPI.

The OIG is also conducting an audit of the annual closing package financial statements of DOJ in accordance with Volume 1, Part 2-Chapter 4700 of the Department of the Treasury's (Treasury) *Treasury Financial Manual*. Its purpose is to assist Treasury in preparing the U.S. Government Financial Report by reclassifying DOJ's general-purpose financial statements into a standard format that will be consolidated with other federal agencies, and by reporting DOJ's intragovernmental balances by federal agency to facilitate elimination of transactions between federal agencies.

Review of DOJ's FY 2016 Drug Control Funds and Performance Summary Reporting

The OIG is reviewing the FY 2016 annual accounting of drug control funds and related performance of DOJ's Assets Forfeiture Fund, Criminal Division, DEA, BOP, OJP, USAOs, Organized Crime Drug Enforcement Task Forces, and USMS, hereinafter referred to as "the components." Pursuant to 21 U.S.C. § 1703(d)

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(7), the Office of National Drug Control Policy (ONDCP) issued ONDCP Circular, *Accounting of Drug Control Funding and Performance Summary*, dated January 18, 2013, which requires the OIG to perform annual reviews of the components' drug control funds and related performance.

Compliance under the *Improper Payments and Elimination Recovery Act of 2010 for FY 2016*

As required by IPERA, the OIG is performing an annual review of DOJ's FY 2016 annual financial report to determine its accuracy and compliance with IPERA's requirements.

Implementation of the *Digital Accountability and Transparency Act of 2014*

The *Digital Accountability and Transparency Act of 2014* (DATA Act) is intended to standardize federal spending data to make it more accessible, searchable, and reliable and to serve as a tool for better oversight and decision making. The OIG is reviewing DOJ's implementation efforts of the DATA Act.

Federal Bureau of Investigation

The FBI seeks to protect the United States against terrorist and foreign intelligence threats; enforces the criminal laws of the United States; and provides 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 350 resident agencies in cities and towns across the nation; and more than 60 legal attachés in U.S. embassies worldwide.



Reports Issued

Audit of FBI's Cyber Threat Prioritization

The OIG issued a report examining the FBI's Cyber Threat Prioritization. Protecting the United States against cyber-based attacks and high-technology crimes is the FBI's number three priority, behind counterterrorism and counterintelligence. The OIG found that while the FBI has an annual process, known as Threat Review and Prioritization (TRP), to identify the most severe and substantial threats and direct resources to them, the process employs subjective terminology that is open to interpretation, and as such does not prioritize cyber threats in an objective, data-driven, reproducible, and auditable manner. Also, because TRP is conducted annually, it may not be agile enough to identify emerging cyber threats in a timely manner.

The OIG also found that the FBI's Cyber Division made progress in developing an objective, data-driven methodology to augment the TRP process. However, implementation of this tool was never fully contemplated, and was hampered by the lack of written policies and procedures outlining who should enter the data, and how the data should be used in the TRP process. In addition, the audit found that entering data into the Cyber Division's tool was time consuming because it was not integrated

with Sentinel, the FBI's case management system. The audit found that if the Cyber Division's tool is integrated with Sentinel, the tool could be updated more frequently, and it would have the potential to provide a more current picture of the cyber threat landscape, including emerging cyber threats. Further, the audit identified that the FBI is not currently able to track the resources allocated to each specific cyber threat because of limitations in the FBI's existing timekeeping system. This prevents the FBI from ensuring that it is aligning its cyber resources to its highest priority threats. The OIG made two recommendations to assist the FBI in cyber threat prioritization and cyber resource allocation. The FBI agreed with both of them.

Audit of FBI's Fuel Procurement with Petroleum Traders Corporation

The OIG issued an audit of two contracts between the FBI and the Petroleum Traders Corporation, a wholesale supplier of gasoline and fuel products headquartered in Fort Wayne, Indiana, to purchase bulk automotive fuel for fleet vehicle use. One of the contracts was for the FBI Miami Field Office (FBI Miami) and the other was for the FBI Northern Virginia Resident Agency. The OIG audited these contracts for FY 2015, during which the total amount expended by the FBI was \$460,084.

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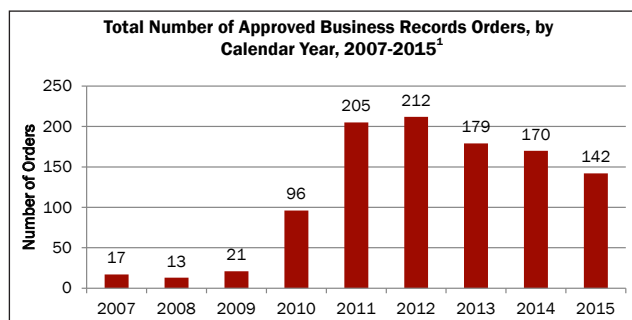
The OIG's report identified several deficiencies with the FBI's contract award and administration processes that prevented the FBI from ensuring that it received the best fuel prices, received the proper amount of fuel at the agreed upon prices, and used the fuel in the most efficient manner. Specifically, the audit found that the FBI did not award the FBI Miami contract in accordance with the Federal Acquisition Regulation (FAR) that identifies the mandatory source to use for bulk fuel contracts. Also, FBI Miami purchased premium fuel, but the FBI could not support the need for this more costly fuel. The audit found that the FBI spent approximately \$57,000 more on the premium fuel than it would have spent on regular fuel. In addition, FBI contracting officers did not comply with the FAR in that they did not adequately review invoices or ensure the timely payment of invoices, and they did not maintain complete contract files and ensure the accuracy of information entered into the Federal Procurement Data System. Finally, FBI contracting officers did not adequately verify the amount of fuel received as required by FBI policy. While the deficiencies the OIG identified were limited to the Petroleum Traders Corporation contracts that it audited, the OIG believes some of the issues could also exist with respect to other contracts through which the FBI purchases fuel in bulk.

In addition, the audit identified concerns about the location and security of the FBI Miami fuel pump. The fuel pump and above-ground tank, located in Pembroke Pines, a 12-mile roundtrip from the field office, were not adequately secured, and FBI Miami had placed a sign on the fuel pump identifying it as an FBI pump. The OIG made 10 recommendations to the FBI that address the deficiencies it identified. The FBI agreed with all of them, and it has already taken corrective actions that were sufficient for the OIG to close three recommendations.

[Review of the FBI's Use of Section 215 Orders for Business Records in 2012 through 2014](#)

The OIG issued a report examining the FBI's use of the investigative authority granted by Section 215 of the Patriot Act between 2012 and 2014. Section 215 is often referred to as the *Foreign Intelligence Surveillance Act* (FISA) "business records" provision. This report, which was mandated by the *USA Freedom Act of 2015*, is the OIG's fourth review of the FBI's use of FISA business records. Three previous reports issued in March 2007, March 2008, and May 2015 addressed the FBI's use of Section 215 authority between 2002 and 2009.

From 2012 through 2014 the DOJ, on behalf of the FBI, submitted 561 Section 215 applications to the FISA Court, all of which were approved. The OIG found that while the number of business records orders obtained by the FBI increased significantly between 2007 and 2012—an increase that was largely driven by the refusal of several communications providers to produce electronic transactional records in response to FBI National Security Letters—the number of Section 215 orders peaked in 2012 with 212 orders and has declined annually since that time. The OIG further found the orders were used far more frequently in counterintelligence cases than as a counterterrorism or cyber tool.



Source: FBI

¹ As described in the [report](#), one submission in 2013 was a copy of the final minimization procedures, which did not result in a FISA Court order.

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The report also analyzes the timeliness of the Section 215 process, both generally and at each stage of the approval process. The OIG found that the median time needed to obtain business records orders during its review period, from initiation of a request by a field office until issuance of the order by the FISA Court, was 115 days. Agents described the process to the OIG as lengthy and said the delay in obtaining orders often had a negative impact on their investigations, a point emphasized in particular by agents who conduct cyber investigations. However, agents also told the OIG consistently that Section 215 orders continued to be a valuable investigative tool. As with the OIG's previous reviews, the majority of agents the OIG interviewed did not identify any major case developments that resulted from use of the records obtained in response to the orders, but told the OIG that the material produced was valuable as a building block of their investigations. The report also examines three compliance incidents that affected numerous business records orders between 2012 and 2014. These incidents included the systemic overproduction of full and partial e-mail subject lines by two providers, a system-wide error in an FBI database, and a third incident the details of which remain mostly classified.

The report also examines the progress DOJ and the FBI have made addressing three recommendations in the OIG's March 2008 and May 2015 reports concerning minimization procedures for information obtained under Section 215 authority. In the 2008 report, the OIG recommended that DOJ implement final minimization procedures, develop procedures for reviewing materials received in response to business records orders to identify overproduced information, and develop procedures for handling overproductions. In the OIG's May 2015 report, the OIG recognized that DOJ had adopted final procedures implementing the OIG's recommendations, but the OIG also identified several terms used in the procedures that it believed required clarification. Based on the information obtained during this

current review, the OIG concluded that DOJ and the FBI made these clarifications and the OIG therefore have closed the recommendations. The OIG's report recommends that based upon the concerns expressed by agents about the time needed to obtain Section 215 orders, that the FBI and DOJ continue to pursue ways to make the business records process more efficient, particularly for applications related to cyber cases. The FBI and DOJ agreed with this recommendation.

Review of the FBI's Impersonation of a Journalist in a Criminal Investigation

The OIG issued a report examining the FBI's impersonation of a journalist in a 2007 undercover criminal investigation and whether the actions violated FBI policies. The report details how an FBI Agent posed as a fictitious editor working for the AP in order to locate and identify a suspect who anonymously e-mailed a series of bomb threats causing multiple evacuations of Timberline High School, near Seattle, Washington. The operation successfully located the suspect, a 15-year-old high school student, after he clicked on a link to a photograph e-mailed by the fictitious AP editor, triggering a hidden software program that disclosed the student's location to the FBI.

The FBI became involved after local law enforcement officials, who were unable to identify or locate the suspect, requested assistance from a cybercrime task force supervised by the FBI's Seattle Field Division. At the time of the student's arrest on June 14, 2007, the FBI did not publicize the assistance its Agents provided local law enforcement. However, on July 18, 2007, 2 days after the student pleaded guilty, an online technology news website published an article that detailed the method by which the FBI identified the student. Seven years later, in October 2014, *The Seattle Times* published an article, based upon e-mails obtained by the Electronic Frontier Foundation through a *Freedom of Information Act* request, disclosing that an FBI employee

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posed as a member of the news media when it contacted and then identified the student. Later that same month, the AP sent a letter to then-Attorney General Eric Holder protesting the FBI's impersonation of a member of the news media in connection with the Bureau's investigation. In addition, several newspapers wrote articles questioning the tactics the FBI used to identify and arrest the subject who sent the threats.

The OIG initiated this review to examine whether under DOJ and FBI policies in effect at the time of the 2007 investigation, agents obtained the appropriate approval for the undercover activities used in this investigation. The report also examines whether the undercover activities in 2007 would require a higher level of approval if conducted today under current DOJ and FBI policies. As described in its report, the OIG concluded that the FBI's policies in 2007 did not expressly address the tactic of agents impersonating journalists. The OIG further found that the FBI's undercover policies then in effect provided some relevant guidance, but were less than clear. As a result, the OIG believes that the judgments Agents made about aspects of the planned undercover activity in 2007 to pose as an editor for the AP did not violate the undercover policies in place at the time. The OIG also determined that once the undercover plan was launched, the undercover Agent included representations in his communications with the subject that could have increased the level of approval required under FBI policy, a possibility the investigative team did not appear to fully consider.

The report also explains how in June 2016, as the OIG was finalizing its report, the FBI adopted a much more strict interim policy that makes it clear that FBI Agents are prohibited from impersonating journalists unless they obtain a series of special approvals. In order for such a tactic to be authorized under the new policy, Agents are required to submit an undercover operation application that must first be approved by the head of the local FBI field

office, then reviewed by the Undercover Review Committee at FBI Headquarters, and finally approved by the FBI's Deputy Director, after consultation with the DAG. The report describes the FBI's new interim policy as a significant improvement to policies that existed in 2007 during the Timberline investigation, as well as to those policies that would have governed similar undercover activities prior to June 2016. The report also finds that the FBI's new interim policy is an important extension of policies DOJ previously implemented to regulate certain law enforcement activities that affect members of the news media, such as obtaining information from, or about, members of the news media in criminal and civil investigations.

The report makes three recommendations, including that the FBI move expeditiously to update its undercover policy guide to incorporate its new interim policy, and widely inform and educate FBI employees about the policy's existence and application. The FBI agreed with all of them.

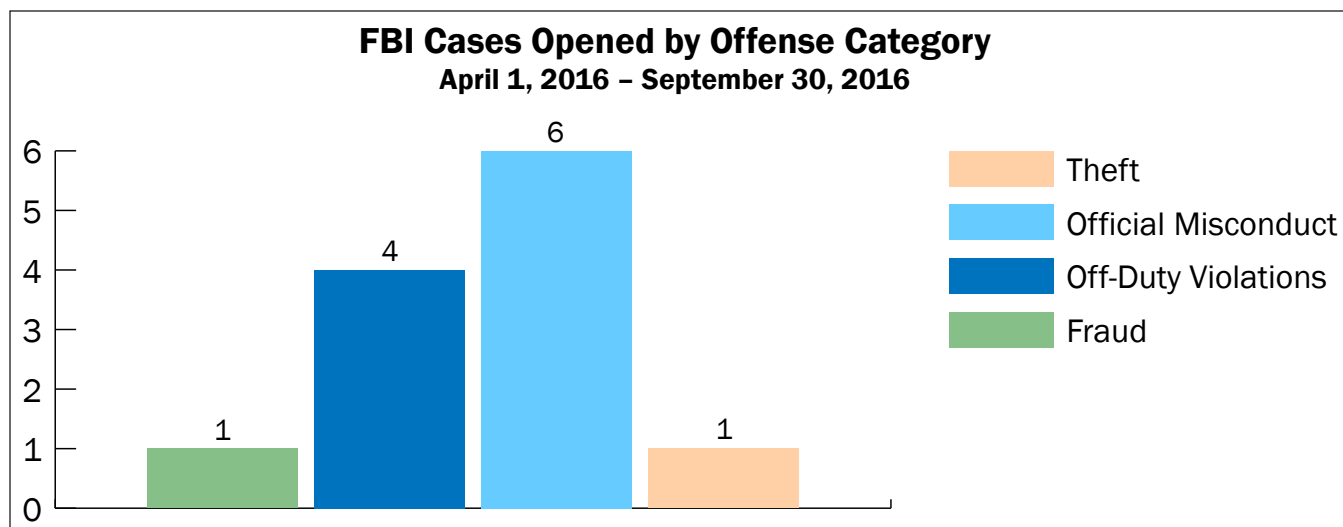
The OIG released a video message to accompany this report, which is available [here](#).

Investigations

During this reporting period, the OIG received 502 complaints involving the FBI. The most common allegations made against FBI employees were official misconduct, and waste and mismanagement. Most of the complaints received during this period were considered management issues and were provided to FBI management for its review and appropriate action.

During this reporting period, the OIG opened 12 investigations and referred 20 allegations to the FBI's Inspection Division for action or investigation. At the close of the reporting period, the OIG had 51 open criminal or administrative investigations of alleged misconduct related to FBI employees. The criminal investigations covered a wide range of

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Source: Investigations Data Management System

offenses including official misconduct and fraud. The administrative investigations involved serious allegations of misconduct.

The following are examples of cases involving FBI employees that the OIG investigated during this reporting period:

- The OIG initiated an investigation into alleged financial mismanagement of a Federal Bureau of Investigation Recreation Association (FBIRA), a non-profit entity selling FBI-themed merchandise as well as food and beverages. The OIG initiated the investigation after the FBI Inspection Division conducted a preliminary audit of one of the FBIRAs (FBIRA-1) in May 2015 and reported to the OIG that it discovered FBIRA-1's president and vice president (both of whom were FBI employees at the time) were using their personal credit cards to purchase inventory for FBIRA-1's store and then receiving reimbursements from the organization for those purchases. The FBI Inspection Division was concerned that the president and vice president might be purchasing items for their personal use and then obtaining improper reimbursements for these items from FBIRA-1.

The OIG found that during a 3 ½ year period, FBIRA-1's president and vice president used their personal credit cards to purchase inventory for FBIRA-1's store to sell and then obtained \$668,000 reimbursements from FBIRA-1 for those purchases. Although the OIG was able to substantiate the validity of a majority of reimbursements, the OIG found numerous accounting and bookkeeping errors resulting in the over-reimbursement of the two FBI employees. The president has fully reimbursed the FBIRA-1 for the over-reimbursements. The vice-president has agreed to reimburse FBIRA-1 for some reimbursements but disputes others. Both individuals separated from the FBI for reasons unrelated to this investigation.

The OIG also found that: (1) FBIRA-1 was operated in contravention of applicable state not-for-profit corporation laws and applicable FBI policy; (2) that Field Division managers violated FBI policy by using FBIRA-1 funds to pay for food and drinks in support of official FBI events; (3) FBIRA-1's president misused the organization's credit card terminal by using it as an indirect means to deposit currency generated from certain

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FBIRA-1 cash sales into the organization's bank account; and (4) FBIRA-1 filed informational tax returns with the Internal Revenue Service that contained inaccurate information for tax years 2012, 2013, and 2014.

The OIG made three recommendations to the FBI that address the deficiencies it identified, including changes to FBI policy and the provision of appropriate training to FBI employees involved with such organizations. The FBI agreed with all three recommendations and has already taken corrective actions to address the deficiencies.

- On August 29, 2016, an FBI Special Agent was sentenced to 36 months in prison for conversion of property by a federal employee, obstruction of justice, falsification of records, and witness tampering, pursuant to his earlier guilty plea. He was also ordered to pay \$136,462 in restitution. The Special Agent, who was sentenced in the Central District of California, was terminated from the FBI. According to the plea agreement, the Special Agent admitted that he misappropriated \$136,462 of drug proceeds seized during the execution of three search warrants in June and August 2014, after they were transferred to his custody. He also admitted falsifying FBI documentation and forging a witness signature to conceal the theft. He later encouraged a witness to provide a false cover story and lie on his behalf. The investigation was conducted by the OIG's Los Angeles Field Office with significant assistance provided by the OIG's Cyber Investigations Office.
- On August 5, 2016, a former FBI Assistant Special Agent in Charge (ASAC) was sentenced to 2 years of probation and fined \$12,500. The ASAC, who retired from the FBI, was indicted in the District

of Massachusetts. According to the Indictment to which he pleaded guilty, the ASAC intentionally lied several times during his testimony in the James "Whitey" Bulger trial in Boston, Massachusetts, in 2013. The investigation was conducted by the OIG's Boston Area Office.

- The OIG conducted an investigation of an FBI Special Agent following the Special Agent self-reporting that he had disclosed information to a member of the media about the FBI's planned execution of search warrants in an FBI investigation. The Special Agent made the self-disclosure to prosecutors in the criminal case after the warrants were executed. The OIG found that the Special Agent intentionally disclosed to a member of the media the exact date, time, and locations of two search warrants before the warrants were executed. The investigation also found that the Special Agent knew that the existence of the search warrants was under seal by court order, and that the information about the timing of the execution of the warrants was non-public, sensitive law enforcement information that he was not authorized to disclose. The OIG concluded that the Special Agent's disclosure to the media member violated the court's sealing order, as well as FBI standards of conduct and FBI policies relating to the handling of sensitive information and media relations. After a review of the available evidence, prosecution was declined. The OIG completed its investigation and provided a report to the FBI for appropriate action.
- The OIG initiated an investigation of an FBI ASAC based on information it received from the FBI that the ASAC: (1) submitted a fraudulent temporary quarters voucher for payments to which he was not entitled in connection with a transfer associated with his promotion to ASAC; (2) attempted to defraud the

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FBI's relocation contractor by soliciting sham offers for the purchase of his home; and (3) misused his official government travel card to purchase tickets for personal air travel. The OIG investigation substantiated all of the allegations. The ASAC's submission of false vouchers regarding temporary quarters and his personal trips constituted false claims in violation of federal law. The false vouchers and the ASAC's lack of candor with his supervisors about them also violated FBI administrative policies. The ASAC's soliciting sham offers for the sale of his residence in connection with his promotion and relocation constituted a violation of FBI policy and a potential violation of law. Prosecution was declined. The OIG completed its investigation and provided a report to the FBI and to JMD, for appropriate action, including seeking repayment of improper reimbursement for travel and temporary quarters.

- The OIG initiated an investigation of a former FBI ASAC based on information it received from the FBI that, among other things, the ASAC engaged in the misuse of his position and acted unprofessionally by: (1) obtaining all-access passes for the ASAC and two friends to a professional football game; (2) soliciting gifts from subordinates who traveled overseas; and (3) making disparaging remarks in front of subordinates concerning partner law enforcement officers and agencies. The OIG investigation found that the ASAC, in violation of FBI ethical guidelines, engaged in a misuse of position to obtain all-access passes to a professional football game for the ASAC and two friends. However, the OIG noted the significant mitigating aspect of the ASAC's use of the passes to access the field for a very brief period of time, and the ASAC's reason for the misuse of position, which was to provide a unique experience for a friend suffering from a terminal illness. The OIG

further found that, in violation of federal ethical regulations, the ASAC solicited, and thereby improperly coerced, gifts from subordinates, and accepted gifts from subordinates who traveled overseas. The OIG also concluded that, in violation of FBI ethical guidelines, the ASAC made unprofessional and disparaging comments about partner law enforcement officials in the presence of subordinates. The OIG completed its investigation and provided a report to the FBI for appropriate action.

Ongoing Work

Bulk Telephony Review

The OIG is reviewing the FBI's use of information derived from the National Security Agency's collection of telephony metadata obtained from certain telecommunications service providers under Section 215 of the Patriot Act. The review will examine the FBI's procedures for receiving, processing, and disseminating leads the National Security Agency develops from the metadata, as well as any changes that have been made to these procedures over time. The review will also examine how FBI field offices respond to leads and the scope and type of information field offices collect as a result of any investigative activity that is initiated. In addition, the review will examine the role the leads have had in FBI counterterrorism efforts.

Insider Threat Program

The OIG is auditing the FBI's Insider Threat Program. The preliminary objective is to evaluate the FBI's Insider Threat Program as it relates to the November 2012 standards for the Executive Branch Insider Threat Programs, which requires departments and agencies, including the FBI, to establish a program for deterring, detecting, and mitigating insider threats.

Federal Bureau of Investigation

Review of the FBI's Identification and Handling of Alleged Deception or Countermeasures in Employee Polygraph Examinations

The OIG is conducting a review of the FBI's process for identifying and handling alleged deception or countermeasures in employee polygraph examinations. The OIG will also evaluate the FBI's process for taking adverse personnel actions in cases where the FBI finds that an employee has used countermeasures or where an employee's polygraph examination indicates deception.

Efforts to Protect Seaports and Maritime Activity

The OIG is auditing the FBI's efforts to protect the nation's seaports and maritime activity. The preliminary objectives are to review the FBI's roles and responsibilities for: (1) assessing maritime terrorism threats, (2) preventing and responding to maritime terrorist incidents, and (3) coordinating with the DHS components to ensure seaport security.

Aircraft Lease Contract Awarded to Midwest Jet Center, LLC

The OIG is auditing an aircraft lease contract awarded by the FBI to Midwest Jet Center, LLC. The preliminary objectives are to: (1) determine whether the FBI adhered to federal regulations during the contract award and administration processes, (2) assess the adequacy of FBI's contract oversight, and (3) determine if Midwest Jet Center, LLC properly invoiced the government and complied with the terms and conditions of the contract award.

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 more than 39,000 employees and operates 122 institutions, 6 regional offices, a central office (Headquarters), and 25 Residential Reentry Management field offices. The BOP is responsible for the custody and care of more than 191,000 federal offenders. Approximately, 156,100 of these inmates are confined in BOP-operated facilities, while the remainder is confined in privately managed or community-based facilities and local jails.

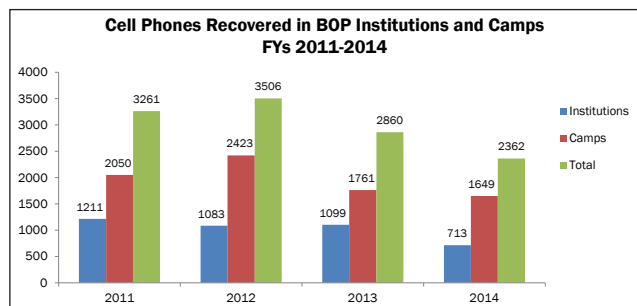


Reports Issued

Contraband Interdiction Efforts

The OIG issued a report on the BOP's efforts to prevent the introduction of contraband into federal institutions. The introduction of contraband into BOP institutions hinders the BOP's mission of providing a safe, secure environment and poses grave dangers to the approximately 200,000 federal inmates in BOP custody, as well as to staff, visitors, and the public.

Items classified as contraband by the BOP include weapons, drugs, currency, tobacco, telephones, and electronic devices. According to BOP data, the most common type of contraband recovered from FYs 2012 through 2014 was cell phones, with at least 8,700 recovered in federal prisons during this period. Using a cell phone, an inmate can carry out criminal activities undetected, including threatening and intimidating witnesses, victims, and public officials, and can coordinate escape attempts.



Source: BOP Cell Phones Recovered Reports for FYs 2011–2014

The OIG found that while the BOP has taken steps to improve its contraband detection and interdiction efforts, it can take additional steps to further deter contraband introduction and make its institutions safer for inmates, staff, and the public. The BOP should comprehensively and reliably track all contraband recovered within its institutions and implement an effective, comprehensive staff search policy to deter the introduction of contraband by staff. In a January 2003 report, the OIG first recommended that the BOP revise its staff search policy to require searches of staff and their property when entering institutions. However, over 13 years later, the BOP's current policy is still not comprehensive. For example, the policy contains no required frequency for conducting random pat searches; staff may possess and use within institutions items such as tobacco that are prohibited for inmates; and there are no restrictions on the size or content of personal property that staff may bring into institutions.

In addition, the OIG found that although the BOP has deployed new technologies to detect contraband, it needs to provide more operational guidance and training to maximize security. The utility of the BOP's Cellular Telephone Laboratory (Lab) reports was often hampered by repetition and excessive jargon, and BOP managers and Lab analysts did not understand how institution investigators use

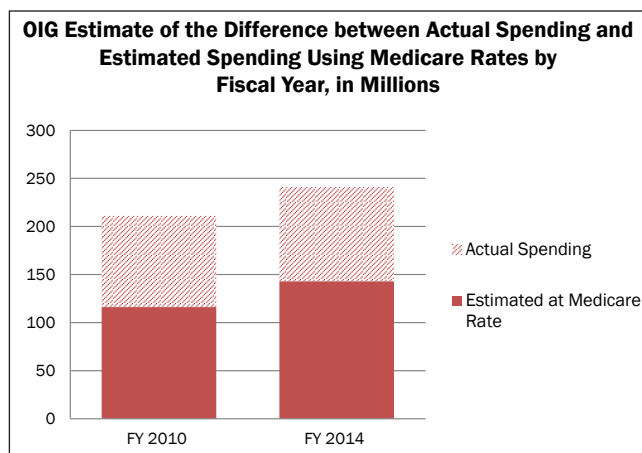
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the Lab's reports to further an investigation. The OIG found that this could adversely affect the timeliness of proceedings against inmates. Finally, deficiencies within the BOP's security camera system (such as blind spots) adversely affect administrative and criminal proceedings against staff and inmates.

The OIG's report made 11 recommendations to the BOP to help improve its contraband interdiction efforts, and the BOP agreed with all of them. Recommendations focus on improving the accuracy of the BOP's recording and tracking of recovered contraband, implementing policies to effectively deter the introduction of contraband by staff into BOP institutions, ensuring the effective and efficient operation of new contraband detection technologies, and ensuring that Lab reports and the BOP's security camera system effectively assist in the investigation of inmates and staff who introduce and/or possess recovered contraband. The OIG released a video message to accompany this report, which is available [here](#).

Reimbursement Rates for Outside Medical Care

The OIG issued a report examining the BOP's reimbursement rates for outside medical care. The OIG found that the BOP has consistently paid outside doctors and hospitals more to treat federal inmates than Medicare would pay for the same services. As a result, in FY 2014 the BOP spent at least \$100 million more for this care than it would have if it had paid Medicare rates. The OIG also found that among federal agencies that pay for medical care the BOP is the only agency that is not covered by a statute or regulation under which the government sets the reimbursement rate, usually at the Medicare rate.



Source: OIG

Specifically, the OIG found that all 69 institutions we analyzed paid reimbursement rates that were higher than the Medicare rate. The OIG found that, at the end of FY 2014, BOP institutions paid an average of 1.7 times the Medicare rate, the highest of which was more than triple the Medicare rate.

Instead of using the Medicare rate, the BOP reimburses for medical services at a rate that is negotiated with providers serving each institution. All other federal agencies that regularly pay for medical care reimburse outside providers at rates set by the government. This includes three law enforcement agencies that, under 18 U.S.C. § 4006(b)(1), pay no more than the Medicare rate for outside medical services provided to individuals in their custody: the USMS, FBI, and DHS. This also includes other agencies whose rates are covered by other statutes and regulations, such as the DOD, Department of Veterans Affairs (VA), and Indian Health Service. As a result, medical providers are required to accept the Medicare rate when reimbursed by the federal government for treating members of the military and their dependents, Veterans, Native Americans, federal pre-trial detainees, and immigration detainees; but those same providers are allowed to charge the BOP a premium above the Medicare rate when treating BOP inmates.

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Both BOP officials and institution staff expressed concern that adding the BOP to the list of agencies in 18 U.S.C. § 4006(b)(1) could result in fewer medical providers being willing to treat BOP inmates, some of whom need long-term care. However, DOJ and the BOP have not fully explored other legislative options that might help the BOP control its medical costs without compromising provider access. For example, a provision of the *Social Security Act of 1935*, 42 U.S.C. § 1395cc, requires providers who participate in Medicare to accept a government-set rate for some agencies' patients, including those of the DOD and the VA. Were that provision extended to the BOP, it could allow the government to set the BOP's reimbursement rates without compromising provider access. Yet neither DOJ nor the BOP has explored this possibility. Lastly, BOP officials the OIG interviewed had not engaged with states to understand how their prison systems address similar challenges, or with other federal agencies to discuss strategies for better ensuring access to medical care. The OIG made three recommendations to assist the BOP in exploring legislative and other options for economically providing medically necessary care while maintaining provider access. The BOP agreed with all of them.

The OIG released a video message to accompany this report, which is available [here](#).

Release Preparation Program

The OIG issued a report examining the effectiveness of the BOP's RPP, a reentry program consisting of classes, instruction, and other assistance relating to various inmate needs. Among other objectives, the RPP seeks to reduce recidivism. When former inmates commit new crimes and must be re-arrested, it strains BOP resources and adds to the social costs in communities into which the inmates had been released. The OIG identified several weaknesses in the BOP's implementation of the RPP that hinder the BOP's efforts to successfully transition inmates back into the community.

The OIG's review found that the BOP does not ensure that RPPs across its institutions meet inmate needs. Specifically, the BOP policy does not provide a nationwide RPP curriculum, or even a centralized framework to guide curriculum development, which has led to widely inconsistent curricula, content, and quality among RPP courses. Moreover, the BOP does not use a systematic method to identify specific inmate needs when determining the curriculum each inmate is to receive. Instead, institution staffs exercise their discretion in determining an inmate's needs.

The OIG also determined that less than a third of inmates required to participate in the RPP actually complete the entire program. There are often few incentives for inmates to participate and no repercussions for those who refuse or choose not to complete the program. The OIG found that the BOP does not fully leverage its relationships with other federal agencies to enhance RPP efforts. Presently, the BOP has only one formal, national agreement with another agency that relates to release preparation services. Except for this partnership, individual BOP institutions are left to contact local offices of federal agencies on an ad hoc basis to advocate for services. To reduce the need for institutions to create local level partnerships, the BOP could take advantage of its memberships in national reentry forums to develop national agreements that would enable all inmates to have consistent access to information and services as they reenter society.

Additionally, the OIG found that the BOP does not measure the effect of the RPP on recidivism. Currently, the BOP does not collect comprehensive re-arrest data on its former inmates, has no performance metrics to gauge the RPP's impact on recidivism, and does not make any attempt to link RPP efforts to recidivism. Such analyses would help the BOP know whether the RPP is effectively accomplishing its objective of reducing recidivism. The report made seven

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recommendations for the BOP to improve the effectiveness of the RPP, and the BOP agreed with all of them.

Monitoring of Private Contract Prisons

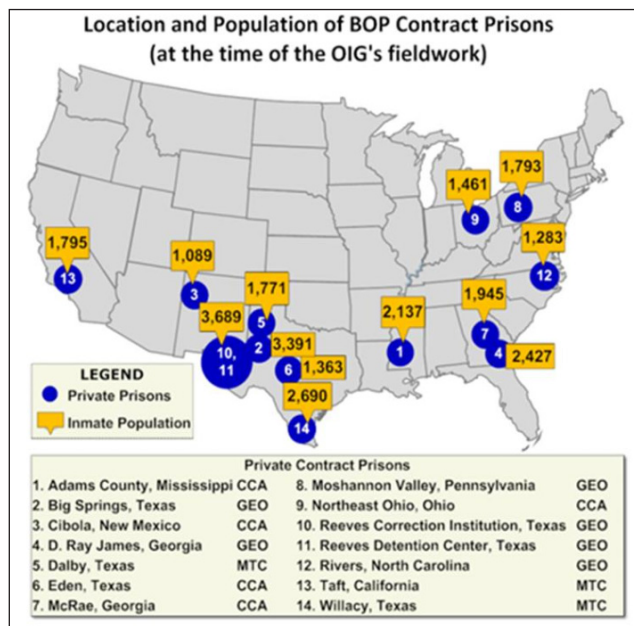
In recent years, disturbances in several federal contract prisons resulted in extensive property damage, bodily injury, and the death of a Correctional Officer. The OIG issued a report examining the BOP's efforts to monitor the safety and security of privately operated institutions, or "contract prisons." As part of this review, the OIG assessed data from 14 contract prisons and compared it to similar data from BOP-managed institutions from FYs 2011 through 2014. The OIG's review found that, in most key areas, contract prisons incurred more safety and security incidents per capita than comparable BOP institutions and that the BOP needs to improve how it monitors contract prisons in several areas.

eight times as many contraband cell phones annually as the BOP institutions, and they had higher rates of assaults, both by inmates on other inmates and by inmates on staff. Contract prisons had fewer incidents per capita of positive drug tests and sexual misconduct.

In addition, the OIG found that in some instances the BOP had identified serious or systemic safety and security deficiencies at contract prisons. In each of these cases, the contractor corrected the deficiencies and the BOP determined that the prison was sufficiently compliant with the safety and security aspects of its contract to continue operations. The OIG also found that two of the three contract prisons we visited were improperly housing new inmates in SHUs. SHUs are normally used for disciplinary or administrative segregation, yet these two prisons were improperly housing new inmates there until beds became available in general population housing. When the OIG discovered this practice, we brought it to the attention of the BOP Director, who immediately directed all 14 contract prisons to remove from the SHU any inmate not subject to administrative detention or disciplinary segregation and instead place them in the general population.

The OIG identified two principle areas of concern with the BOP's multilayered approach to monitoring contract prisons. First, the checklist that the BOP's onsite monitors use to monitor day-to-day contract compliance does not sufficiently address some important health services and correctional services requirements, such as whether inmates are receiving certain basic medical services and whether certain areas of the prison are appropriately searched. Second, the onsite monitoring of health services for contract compliance is not well coordinated with BOP staff responsible for health services oversight.

The OIG made four recommendations to the BOP to improve monitoring and oversight efforts and to help ensure contract prisons are, and remain, a safe and secure place to house



Source: BOP

The OIG found that contract prisons had more frequent incidents per capita of contraband finds, assaults, uses of force, lockdowns, guilty findings on inmate discipline charges, and selected categories of grievances. For example, the contract prisons confiscated on average

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federal inmates. The BOP agreed with all of them. Subsequent to the OIG’s review, DOJ announced that it will reduce and ultimately end the use of privately operated institutions.

The OIG released a video message to accompany this report, which is available [here](#).

Untimely Releases of Inmates

Following news reports that the BOP had confined an inmate for 13 months past his correct release date, the OIG issued a report examining the BOP’s process for ensuring that federal inmates are released on their correct release dates and number of times inmates were released before or after the correct release date due to staff error between 2009 and 2014. The OIG found that of the 461,966 inmate releases between 2009 and 2014, the BOP categorized 157 as “untimely” due to staff error.

Among the 157 untimely releases attributable to staff error, which were the focus of the review, the OIG identified 152 late releases and 5 early releases. Three of the late releases and three of the early releases involved an error resulting in more than 1 year of over- or under-served time. The OIG found that 127 of the 157 untimely releases due to staff error were the result of errors made by the BOP office responsible for computing inmate release dates. The most common errors resulted from incorrect application of jail credit, incorrect determinations of primary jurisdiction between federal and state custody, and errors relating to concurrent versus consecutive sentences. The other 30 untimely releases were the result of staff errors at other entities, such as BOP institutions; BOP Residential Reentry Management field offices; residential reentry centers (RRC), which were previously known as Community Corrections Centers; and private contract prisons.

Number of Untimely Releases from Prison Caused by Staff Errors, By Days Over- or Under-served, 2009-2014

	Days Over- or Under-served	2009–2014	
		Count	Percent of Total
LATE RELEASE	0 to 30 Days	91	60%
	31 Days to 1 Year	58	38%
	1+ Years	3	2%
EARLY RELEASE	0 to 30 Days	1	20%
	31 Days to 1 Year	1	20%
	1+ Years	3	60%

Source: OIG analysis of BOP data, calendar years 2009-2014

According to the BOP, the vast majority of the 4,183 untimely releases that it attributed to reasons other than staff error were due to circumstances beyond its control, such as a judge shortening a sentence to less time than an inmate had already served. However, the OIG found that the BOP does not always have complete information about the circumstances of these untimely releases, particularly with regard to the actions of other entities, both inside and outside DOJ. The OIG therefore concluded that DOJ should work with all relevant entities to review the full range of causes for untimely releases and how to address those that are preventable.

The consequences of an untimely release can be extraordinarily serious. Late releases from prison deprive inmates of their liberty. Early releases can put communities at risk if the inmates are dangerous, and they can harm an inmate and the inmate’s family, particularly if the inmate’s efforts to gain employment and reestablish ties with the community are interrupted by a re-arrest for the purpose of completing the sentence. Additionally, untimely releases, whether early or late, contravene judicial sentencing orders.

Late releases can be costly. For the 152 late releases due to staff error, the OIG estimated the total cost to the BOP, exclusive of litigation and settlement costs, was \$669,814. In addition, between 2009 and 2015, DOJ settled four lawsuits by inmates alleging untimely release, one for \$90,000; another for \$120,000; another for \$295,000; and the fourth for \$175,000. This does not include additional costs DOJ incurred as a result of these cases, such as salary costs expended to handle the lawsuits.

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The report makes seven recommendations to the BOP and DOJ to better identify the full range of reasons that untimely releases occur in order to help reduce those that are preventable, and to improve the untimely release notification and sentence computation processes, untimely release tracking, and awareness of untimely release issues with non-BOP officials. Both the BOP and DOJ agreed with the recommendations.

The OIG released a video message to accompany this report, which is available [here](#).

Contract with Mirror, Inc., for the Residential Reentry Center in Wichita, Kansas

The OIG issued an audit of a BOP contract awarded to Mirror, Inc. (Mirror), to operate and manage a RRC located in Wichita, Kansas. The BOP uses RRCs, which are also known as halfway houses, to provide inmates nearing release with a structured, supervised environment, along with support in job placement, counseling, and other services, to facilitate successful reentry into the community. The BOP's contract with Mirror began in September 2012 and runs through August 2017, with an estimated award amount of over \$10.5 million. Actual contract costs through February 2016 were \$6,361,821. The audit found that Mirror did not consistently comply with its contract requirements in several areas, including requirements related to inmate progress reviews, release plans, and terminal reports; subsistence payments; employment verifications; staff clearance; and record keeping. Most significantly, the OIG found that Mirror did not always collect required inmate subsistence payments, report collected subsistence on invoices submitted to the BOP, or administer inmate discipline for non-payment, which resulted in questioned costs totaling \$9,636. The OIG made eight recommendations to the BOP to improve the management and oversight of the contract and the BOP agreed with all of them. Mirror

agreed with three recommendations and did not specifically agree or disagree with the other five recommendations.

Contract with Liberty Management Services for the Residential Reentry Center in Philadelphia, Pennsylvania

The OIG issued an audit of a BOP contract awarded to Liberty Management Services (LMS), to operate and manage an RRC located in Philadelphia, Pennsylvania. The audit found that LMS's overall performance under the contract was unsatisfactory, as LMS did not fully comply with contract requirements, and internal control deficiencies were identified in all of the areas audited, including offender recordkeeping, offender accountability, and financial management and oversight. For example, the audit found that LMS did not always complete resident offenders' Individualized Reentry Plans, drug tests were not always completed as required, and signatures were missing from nearly half of the sign-in/sign-out logs reviewed. Additionally, the audit found that many of LMS's written policies and procedures had not been updated since before it was awarded the BOP contract, and in some cases did not exist. The OIG made 14 recommendations to the BOP to help improve its oversight of the LMS contract, and the BOP agreed with all of them. Additionally, in response to the report, the BOP stated it had declined to exercise any further option year periods on its contract with LMS, and its contractual relationship with LMS ended on August 31, 2016.

The Investigation of ArmorSource, LLC, and the Federal Prison Industries Manufacturing of Military Helmets

The OIG conducted two investigations finding fraud and other irregularities related to the manufacture and sale of Kevlar combat helmets to the DOD. The investigations were conducted by the OIG's Houston Area Office with the DCIS, and supported by elements of the U.S. Army, in response to whistleblower allegations made by two employees of FPI.

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In 2006, ArmorSource—a private company headquartered in Hebron, Ohio—was awarded a DOD contract to manufacture ACH's. ArmorSource subsequently subcontracted the manufacturing to FPI, a wholly-owned government corporation and inmate reentry program operated within the BOP that employs federal inmates. In May 2008, FPI was also awarded a contract to manufacture a different Kevlar helmet, the LMCH, for the DOD. FPI manufactured both kinds of helmets at its facility in Beaumont, Texas.

The investigations determined that FPI had endemic manufacturing problems in Beaumont, and that both the ACH and LMCH helmets were defective and not manufactured in accordance with contract specifications. During the investigations, a surprise inspection by the OIG and military personnel uncovered inmates at the Beaumont FPI facility openly using improvised tools on the ACH helmets, which damaged the helmets' ballistic material, and created the potential for the tools' use as weapons in the prison, thereby endangering the safety of factory staff and degrading prison security. In addition to the manufacturing defects at FPI, the investigations uncovered several irregularities in the testing and quality control procedures to which the helmets were subjected. For example, FPI pre-selected helmets for inspection, even though the contracts required such selections to be done randomly. In addition, manufacturing documents were altered by inmates at the direction of FPI staff to falsely indicate that helmets passed inspection and met contract specifications.

Additionally, ArmorSource did not provide adequate oversight of the manufacture of the ACH helmets and Defense Contract Management Agency inspectors did not perform proper inspections and lacked training. These inspectors also submitted false inspection records wherein they attested that ACH lots were inspected, when in fact they were not. In at least one instance, an inspector certified the lots as being inspected over a fax machine.

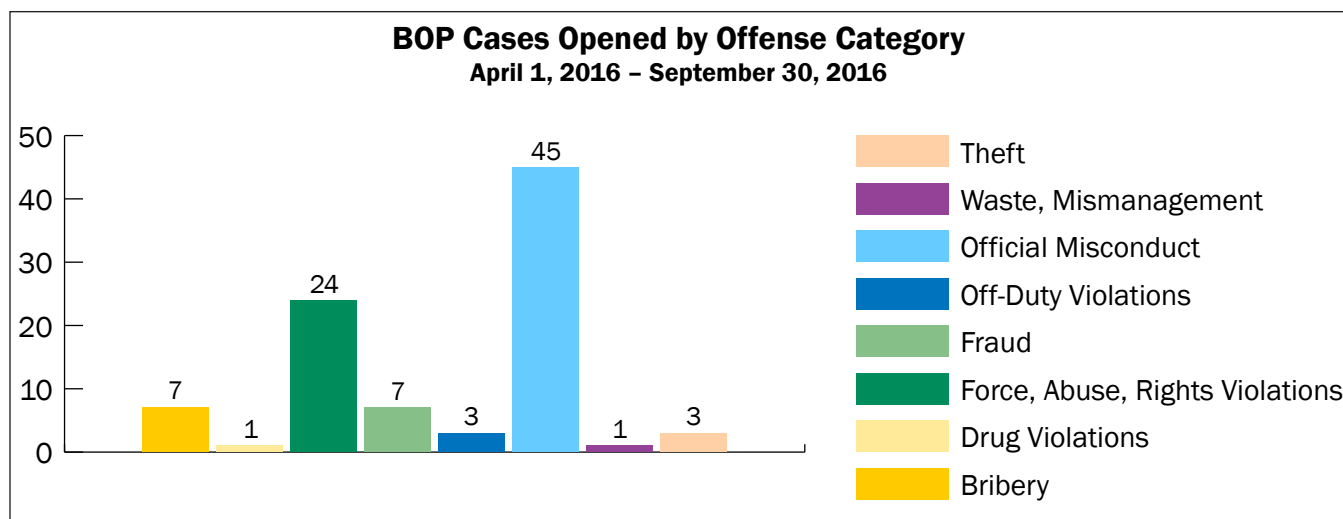
The investigations did not develop any information to indicate military personnel sustained injury or death as a result of the defective ACH helmets. However, all 126,052 ACH helmets were recalled, and monetary losses and costs to the government totaled more than \$19 million. Of the approximately 23,000 LMCH helmets, 3,000 were sold and delivered to the DOD, but FPI did not receive payment for them, and the remaining helmets were ultimately quarantined. The non-payment and quarantine were due to actions taken by the OIG and DCIS that resulted in a stop work order. The FPI's Beaumont facility that manufactured the ACH and LMCH helmets was closed and its entire staff transferred to other duties within the BOP. Criminal prosecution resulting from these investigations was declined, and the DOJ Civil Division's Commercial Litigation Section and the USAO for the Eastern District of Texas entered into a civil settlement agreement, in which ArmorSource agreed to pay \$3 million, an amount that was based on ArmorSource's demonstrated ability to pay, to resolve potential claims against it under the *False Claims Act*. The settlement agreement did not constitute an admission of liability by ArmorSource, or a concession by the United States that its claims were not well founded.

Investigations

During this reporting period, the OIG received 3,864 complaints involving the BOP. The most common allegations made against BOP employees included official misconduct; and force, abuse, and rights violations. The majority of complaints dealt with non-criminal issues that the OIG referred to the BOP's Office of Internal Affairs for its review.

During this reporting period, the OIG opened 91 investigations and referred 46 allegations to the BOP's Office of Internal Affairs for action or investigation. At the close of the reporting period, the OIG had 209 open cases of alleged misconduct against BOP employees. The

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Source: Investigations Data Management System

criminal investigations covered a wide range of allegations, including official misconduct; and force, abuse, and rights violations.

The following are examples of cases involving BOP employees that the OIG investigated during this reporting period:

- On July 21, 2016, a BOP Cook Supervisor was sentenced to 21 months in prison after pleading guilty to four counts of sexual abuse of an inmate. The Cook Supervisor, who resigned his position with the BOP, was sentenced in the Southern District of Texas. According to the Indictment, from June 2014 to February 2015, the Cook Supervisor engaged in various sexual acts with two female inmates at a federal prison camp. The investigation was conducted by the OIG's San Antonio Domicile.
- On May 31, 2016, a BOP Correctional Officer pleaded guilty to one count of bribery. The Correctional Officer, who resigned his position with the BOP, was charged in the Southern District of Georgia. According to the plea agreement, the Correctional Officer admitted that he received \$1,500 for bringing contraband, to include synthetic marijuana and

tobacco, into the correctional facility. The investigation was conducted by the OIG's Atlanta Area Office.

- On July 18, 2016, a BOP Recreational Specialist was sentenced to 12 months and 1 day in prison and ordered to register as a sex offender after pleading guilty to sexual contact with an inmate. The Recreational Specialist, who resigned his position with the BOP, was charged in the District of Arizona. According to the plea agreement, between January 2015 and April 2015, the Recreational Specialist engaged in sexual acts with an inmate in a storage room. The investigation was conducted by the OIG's Denver Field Office with assistance from the OIG's Seattle Area Office. Forensic assistance was provided by the OIG's Cyber Investigations Office.
- On June 27, 2016, a BOP Correctional Officer was sentenced to 14 months in prison for bribery of a public official. The Correctional Officer, who resigned his position with the BOP, was indicted in the Eastern District of Michigan. According to the factual statement in support of his guilty plea, the Correctional Officer provided an inmate with his phone number and told the inmate that he would

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smuggle contraband for the inmate in exchange for \$500. A family member of the inmate called the Correctional Officer to arrange a meeting, during which the family member gave the Correctional Officer \$500 in exchange for smuggling magazines, tobacco, 2 cell phones and marijuana into the facility for the inmate. The investigation was conducted by the OIG's Detroit Area Office and the FBI.

- On May 4, 2016, a BOP Correctional Officer was sentenced to 7 years in prison for sexual abuse of an inmate under his supervision. The Correctional Officer, who resigned his position with the BOP, was sentenced in the Eastern District of New York. In his guilty plea in November 2015, the Correctional Officer admitted that he sexually assaulted an inmate in a hallway of a federal correctional facility. The investigation was conducted by the OIG's New York Field Office.
- On September 7, 2016, a BOP Correctional Officer was indicted on charges of assault with a dangerous weapon, deprivation of rights under color of law, falsification of records, and false statements. The investigation is being conducted by the OIG's Los Angeles Field Office with investigative support provided by the OIG's Cyber Investigations Office.

Ongoing Work

Contract with the Corrections Corporation of America for Operation of the Adams County Correctional Center

The OIG is auditing a BOP contract valued at about \$579 million awarded to the Corrections Corporation of America (CCA) to operate the Adams County Correctional Center located in Natchez, Mississippi. The preliminary objectives are to: (1) assess CCA's contract performance; (2) determine whether CCA complied with the terms, conditions, laws, and regulations

applicable to the contract; and (3) assess the BOP's formation and administration of the contract. The scope of this audit is focused on but not limited to the period of contract performance from April 1, 2012, through March 31, 2015.

BOP's Management of its Female Inmate Population

The OIG is reviewing the BOP's management of its female inmate population. As part of this review, the OIG will examine trends in the female inmate population between FYs 2012 and 2016, the BOP's implementation of its Management of Female Offenders program statement, and the impact of the 2013 decision to convert Federal Correctional Institution Danbury to a male institution.

Use of Restrictive Housing for Inmates with Mental Illness

The OIG is examining the BOP's use of restrictive housing for inmates with mental illness. The review will examine trends in the use of restrictive housing and the screening, treatment, and monitoring of inmates with mental illness who are housed in restrictive housing units.

Management of Inmate Placement in Residential Reentry Centers

The OIG is conducting an audit of BOP's management of inmate placement in RRCs. The preliminary objectives are to evaluate BOP's: (1) RRC placement policy and practices, (2) RRC capacity planning and management, and (3) performance management and strategic planning regarding utilization of RRCs.

Contract with Spectrum Services Group, Inc., Sacramento, California

The OIG is auditing a BOP contract awarded to Spectrum Services Group, Inc., located in Sacramento, California, for dental services provided to prisoners at the Victorville Federal

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Correctional Complex. The preliminary objective of the audit is to assess BOP's and Spectrum Services Group, Inc.'s administration of the contract and assess their performance, which might include financial management, monitoring, reporting, and progress toward meeting the contract goals and objectives.

Residential Reentry Center Contracts Awarded to Reynolds & Associates, Inc.

The OIG is auditing three BOP contracts awarded to Reynolds & Associates, Inc., for the RRC located in Washington, D.C. The preliminary objective of the audit is to assess the BOP's and Reynolds & Associates, Inc.'s, administration and performance of, and their respective compliance with, the terms, conditions, laws, and regulations applicable to these contracts.

U.S. Marshals Service

The USMS is responsible for ensuring the safe and secure conduct of judicial proceedings, protecting approximately 2,200 federal judges and about 26,000 federal prosecutors, federal public defenders, and other court officials at approximately 440 court 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 USMS Director and Deputy Director work with 94 U.S. Marshals to direct approximately 5,200 employees at 218 sub-offices and 3 foreign field offices.



Report Issued

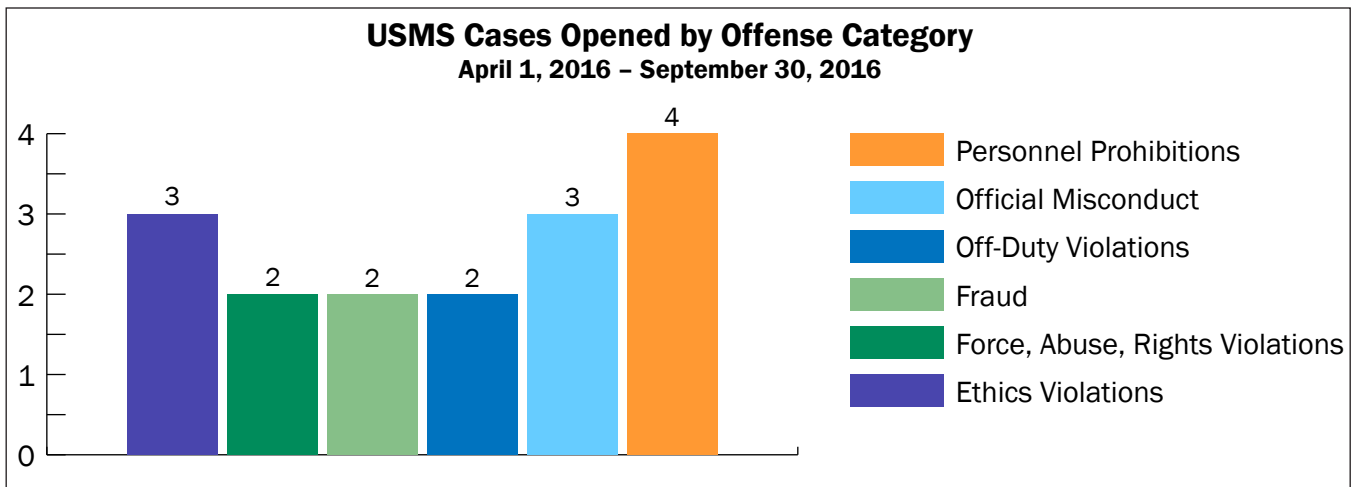
Akal Security Contract Audit

The OIG issued an audit of a USMS contract with Akal Security, Inc. (Akal), to provide court security services at the James A. Byrne U.S. Courthouse in Philadelphia, Pennsylvania. Akal is one of the largest providers of contracted federal judicial security services, protecting 112 federal courthouses in 12 states. The OIG audited the services provided at the Philadelphia courthouse during FY 2013, which were valued at approximately \$3.9 million. The audit concluded that Akal's performance was satisfactory in the areas of Court Security Officer (CSO) performance monitoring, medical examinations, background checks, firearms qualifications, and training. However, the audit found that Akal did not account for its contract costs in sufficient detail, as required by the contract and the FAR. As a result, neither the USMS nor the OIG was able to identify and evaluate whether the costs incurred by Akal and billed to USMS were allowable and allocable. The OIG also found that Akal incorrectly billed the USMS for start-up costs, such as uniform expenses, medical examinations, and weapons qualification costs, using the contract ceiling rate instead of lower actual costs as required by the FAR for time-and-materials contracts such as this. This resulted in billings of \$1,271 above actual costs during the time audited.

The OIG discussed both the tracking and start-up issues with USMS officials, who stated that while they agree that Akal did not comply with these contract requirements, the USMS does not intend to continue including these requirements in future CSO contracts. The USMS believes it can provide adequate oversight of contractor performance and exercise effective billing controls over contract security services through other means. As the objective of this audit was to determine Akal's compliance with the existing contract and not to evaluate USMS's future CSO contract policies, the OIG does not take a position on USMS's response. However, the OIG is conducting a separate audit of USMS's overall court security procurement practices and, as part of that audit, plans to assess the USMS's assertions as well as other USMS contracting practices related to its CSO program.

The OIG made two recommendations to the USMS to help improve its oversight of the Akal contract. In their formal responses to the audit report, neither the USMS nor Akal stated whether they agree with the recommendations, but both described actions they have taken to address the issues identified during the audit.

U.S. Marshals Service



Source: Investigations Data Management System

Investigations

During this reporting period, the OIG received 401 complaints involving the USMS. The most common allegations made against USMS employees were official misconduct; and force, abuse, and rights violations. The majority of the complaints were considered management issues and were provided to the USMS's Office of Internal Affairs for its review and appropriate action.

During this reporting period, the OIG opened 16 investigations and referred 15 other allegations to the USMS's Office of Internal Affairs for its review. At the close of the reporting period, the OIG had 42 open cases of alleged misconduct against USMS employees. The most common allegations were fraud and official misconduct.

The following are examples of cases involving USMS employees that the OIG investigated during this reporting period:

- On June 30, 2016, a Deputy U.S. Marshal was sentenced to 2 years of confinement that was suspended, 36 months of probation, ordered to perform 50 hours of community service, and fined \$250 for computer tampering and obtaining criminal offender information under

false pretenses. The Deputy Marshal, who retired from his position with the USMS, was charged in Alabama state court. According to the Indictment to which he pleaded guilty, the Deputy Marshal accessed and provided sensitive law enforcement information at the request of a convicted felon, with whom the Deputy Marshal had a personal and business relationship. The investigation was conducted by the OIG's Atlanta Area Office, the Alabama Law Enforcement Agency, and the FBI.

- The OIG initiated an investigation upon receipt of information from the USMS reporting that a Chief Deputy U.S. Marshal was arrested and charged in state court with driving under the influence of alcohol (DUI) and for having an open container of alcohol in his official government vehicle. The Chief Deputy Marshal was on-duty at the time of his arrest. The OIG substantiated that the Chief Deputy Marshal was under the influence of alcohol when he was arrested and that he possessed an open container of alcohol in his official government vehicle. The OIG determined that the Chief Deputy Marshal's conduct violated

U.S. Marshals Service

numerous USMS policy directives pertaining to operating a government vehicle while consuming alcohol, possessing alcohol while on duty, and being under the influence of alcohol while on duty. In addition, the investigation concluded that the Chief Deputy Marshal's negligent operation of his government vehicle resulted in damage to the vehicle, and towing and storage fees totaling more than \$5,000. Lastly, the Chief Deputy Marshal violated DOJ regulations and USMS policy when he refused to be interviewed by the OIG after being compelled to do so, and after being told that none of the statements he made to the OIG would be shared with or used in connection with the still pending state DUI prosecution. The OIG has completed its investigation and provided its report to the USMS for appropriate action. The Chief Deputy Marshal subsequently retired from the USMS.

Contract Awarded to Operate the Leavenworth Detention Center

The OIG is conducting an audit of a contract valued at nearly \$700 million awarded to CCA to operate the Leavenworth Detention Center located in Leavenworth, Kansas. The preliminary objective is to assess USMS and the contractor's administration of and compliance with contract terms and conditions.

Ongoing Work

USMS Hiring Practices

The OIG is investigating multiple allegations of improper or inappropriate hiring practices by officials at the USMS, including allegations of nepotism, favoritism, and quid pro quo arrangements. The OIG is also examining DOJ's response to a letter from a Member of Congress to DOJ regarding allegations of inappropriate hiring practices at the USMS and whether officials at the USMS Office of General Counsel failed to ensure DOJ's response to the Member of Congress was accurate and complete.

Court Security Procurement Process

The OIG is conducting an audit of USMS CSO services procurement. The objective is to assess the USMS's management of and processes for procuring CSO services contracts.

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 more than 9,000 employees staffing its 221 domestic offices and 86 foreign offices in 67 countries.



Report Issued

Management and Oversight of the DEA's Confidential Source Program

The OIG issued an audit of the DEA's oversight and management of its confidential source program. This is the OIG's second report; the first report, issued in July 2015, found that the DEA's confidential source policies were not in full compliance with the Attorney General's Guidelines Regarding the Use of Confidential Informants. In this audit, the OIG concluded that the DEA's management and oversight of its Confidential Source Program require significant improvement.

Between October 1, 2010, and September 30, 2015, the DEA had over 18,000 active confidential sources assigned to its domestic offices, with over 9,000 of those sources receiving approximately \$237 million in payments for information or services they provided to the DEA.

In addition, the DEA did not adequately oversee payments to its sources, which exposes the DEA to an unacceptably increased potential for fraud, waste, and abuse, particularly given the frequency with which DEA offices use and pay confidential sources. While DEA policy prohibits paying sources who were deactivated because of an arrest warrant or for committing a serious offense, the OIG found concerning instances of payments to previously-deactivated sources. In one such case, the DEA reactivated a confidential source who previously had been deactivated after providing false testimony in trials and depositions. During the approximately 5-year period of reactivation, this source was

used by 13 DEA field offices and paid \$469,158; the source received more than \$61,000 of the \$469,158 after being deactivated a second time for again making false statements to a prosecutor. Based on its review of DEA's confidential source data, the OIG estimated the DEA may have paid about \$9.4 million to more than 800 previously-deactivated sources between FYs 2011 and 2015.

The DEA categorizes sources who make information available independently and without direction by the DEA as "Limited Use" sources, often referred to as "tipsters," which DEA policy specifies are sources who make information available independently without direction by the DEA. Although this category is regarded by the DEA as low-risk and requires less supervision than for other categories of sources, the OIG found that Limited Use sources were some of DEA's highest paid sources, with 477 such sources having received an estimated \$26.8 million during the period of our review. The audit also found that Special Agents gave instructions and guidance to Limited Use confidential sources about what information to provide and what actions to take that tested the boundaries of what it means to provide information "without direction." For example, some Agents requested that these sources provide them with suspicious travel itineraries that met criteria defined by the Agents, and in some cases requested entire passenger manifests almost daily. Similarly, some parcel employees were told to provide information related to suspicious parcels and, at times, followed DEA instructions to directly transfer customer packages to the DEA. Some of these sources

Drug Enforcement Administration

also received significant payments for their assistance, such as an airline employee who received more than \$600,000 in less than 4 years and a parcel employee who received over \$1 million in 5 years.

Among the Limited Use sources the DEA established were Amtrak and TSA employees. In November 2015, the OIG completed two separate investigations into DEA's use of two Amtrak employees and one TSA employee as sources. These investigations determined the DEA's use of these individuals as sources was improper. The OIG found that, between FYs 2011 and 2015, the DEA actually used at least 33 Amtrak employees and 8 TSA employees as sources, paying the Amtrak employees a total of over \$1.5 million and the TSA employees over \$94,000.

Further, the DEA condoned its confidential sources' use of "sub-sources," who are individuals a source recruits and pays to perform activities or provide information related to the source's work for the DEA. The OIG found evidence of sources who were paid based, in part, on the need to pay "sub-sources," but the information in the files was insufficient to allow us to determine the full extent of such payments. The audit also found that the DEA has no controls, policies, or procedures for interactions with these "sub sources."

The DEA has limited management, oversight, and tracking of source payments by the DEA's Intelligence Division, which oversees several programs under which sources provide information or conduct narcotics related intelligence-gathering activities. The DEA was unable to provide the OIG an itemized list and overall total of payments to intelligence-related confidential sources. However, the audit determined that the DEA's Intelligence Division paid more than \$30 million to sources who provided narcotics related intelligence and contributed to law enforcement operations, \$25 million of which went to just 9 sources. Furthermore, the DEA's Intelligence Division

did not independently validate the credibility of these sources, or the accuracy of the information they provide.

Finally, the audit found that the DEA did not appropriately track all confidential source activity; did not document proper justifications for all source payments; and, at times, did not adequately safeguard traveler information. Also, some Special Agents received tips by e-mail or text on non-government private accounts established by the Agents, thereby possibly compromising personally identifiable information, affecting government record maintenance requirements, and complicating the DEA's efforts to manage and access important case-related information.

The OIG made seven recommendations to help the DEA address deficiencies in its Confidential Source Program. The DEA agreed with all of them, and DEA officials expressed a commitment to improve the program.

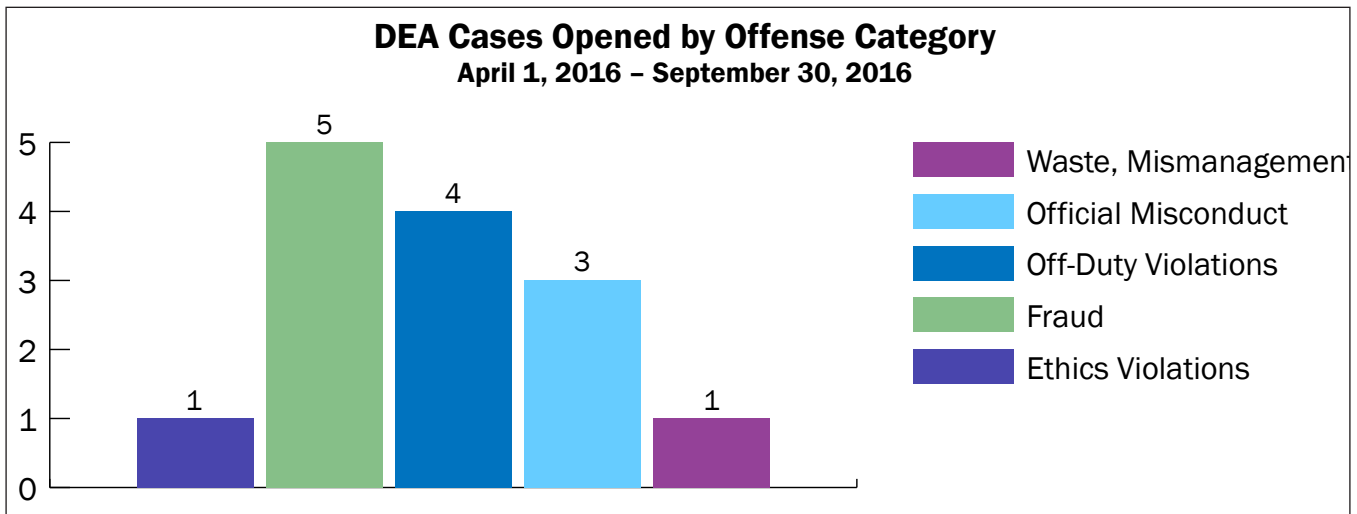
Investigations

During this reporting period, the OIG received 277 complaints involving the DEA. The most common allegations made against DEA employees included official misconduct, and waste and mismanagement. The majority of the complaints were considered management issues and were provided to the DEA for its review and appropriate action.

During this reporting period, the OIG opened 14 cases and referred 22 allegations to the DEA's Office of Professional Responsibility for action or investigation. At the close of the reporting period, the OIG had 52 open cases of alleged misconduct against DEA employees. The most common allegations were official misconduct and fraud.

The following are examples of cases involving DEA employees that the OIG investigated during this reporting period:

Drug Enforcement Administration



Source: Investigations Data Management System

- On June 2, 2016, a DEA Special Agent pleaded guilty to viewing child pornography. The Special Agent, who resigned his position with the DEA after his arrest, was charged in the Southern District of Texas. A search warrant executed at the Special Agent's residence on August 14, 2015, resulted in the seizure of two computers. The Special Agent admitted he downloaded and viewed child pornography from the Internet and used forensic wiping software to delete the files. A forensic examination of the Special Agent's computers found images that included children under the age of 12 and images of known victims as identified through the National Center for Missing and Exploited Children. The investigation is being conducted by the OIG's San Antonio Domicile, the DEA Office of Professional Responsibility, and the FBI.
- In the *Semiannual Report to Congress, October 1, 2014 – March 31, 2015*, the OIG reported that a DEA RAC assigned outside the United States was arrested based on a complaint filed in the District of Columbia charging him with conspiracy and false statements. On May 18, 2016, the RAC, who retired during the course of the investigation, pleaded guilty to making false statements on his annual financial disclosure reports. According to the factual statement in support of his plea, the RAC accepted over 100 free flights on private aircraft from a Mexican national businessman and a U.S. citizen, and failed to disclose the market value of those flights on his financial disclosure reports. Additionally, the RAC admitted that he made false derogatory statements to the State causing the revocation of visas held by three U.S. visa holders who were engaged in disputes with the Mexican national businessman. Sentencing is pending. The investigation was conducted by the OIG's Dallas Field Office.
- On June 27, 2016, an LAPD Detective who was assigned as a DEA TFO was sentenced to 1 year in prison followed by 6 months of home confinement and fined \$5,000 for making a false statement concerning the theft of money seized in connection with a federal narcotics investigation. The TFO, who retired from the LAPD, was charged in the Central District of California. According to the factual statement in support of his guilty plea, the TFO admitted that while assisting with an arrest and a consensual search of a business, he stole \$6,000 from the

Drug Enforcement Administration

business and subsequently falsely told his superiors later that he earned the cash while working off-duty. A search warrant of the TFO's vehicle had resulted in the seizure of \$6,000. The investigation was conducted by the OIG's Los Angeles Field Office and the LAPD.

- In the *Semiannual Report to Congress, April 1, 2015 – September 30, 2015*, the OIG reported that a DEA ASAC and a DEA Information Technology Specialist were arrested in the Southern District of New York and charged with making false statements by failing to disclose during their national security background checks that they had outside employment at an adult entertainment establishment in which they had ownership interests. On June 9, 2016, the two DEA employees were found guilty after a trial of making false statements on national security forms and to background investigators. The ASAC was also found guilty of failing to disclose his romantic relationship with an entertainer at the club, who was a foreign national, on his National Security Questionnaire and to background investigators. Additionally, both DEA employees were found guilty of conspiracy to conceal their outside employment from the federal government. The ASAC retired from the DEA. The investigation was conducted by the OIG's New Jersey Area Office, FBI, and Internal Revenue Service, with significant digital forensic assistance provided by the OIG's Cyber Investigations Office.
- On May 13, 2016, a Tangipahoa Sheriff's Office Investigator, who was assigned as a DEA TFO in the New Orleans Division, was arrested on federal charges of misprision of a felony, conversion of property, obstruction of justice, falsification of records in a federal investigation, and possession with intent to distribute cocaine and

oxycodone. On May 12, 2016, a second Tangipahoa Sheriff's Office Investigator who was assigned as a DEA TFO in the New Orleans Division was arrested on federal charges of falsification of records in a federal investigation. Both were removed from the task force. The investigation is being conducted by the OIG's Houston Area Office, the FBI New Orleans Division, and the DEA Office of Professional Responsibility.

Ongoing Work

Post-Incident Response to Missions in Honduras Involving the Use of Deadly Force

The DOJ OIG is conducting a joint review with the State OIG of the post-incident responses by the DEA and State to three drug interdiction missions in Honduras in 2012, all involving the use of deadly force. The missions were conducted jointly among the Government of Honduras, DEA, and State as part of an aerial interdiction program known as Operation Anvil. The joint review will address, among other things, pertinent pre-incident planning and the rules of engagement governing the use of deadly force, the post-incident investigative and review efforts by State and the DEA, the cooperation by State and DEA personnel with the post-shooting reviews, and the information provided to Congress and the public by DOJ and State regarding the incidents.

DEA's El Paso Intelligence Center

The OIG is reviewing the DEA's El Paso Intelligence Center. The review, following a 2010 report, will focus on how the El Paso Intelligence Center contributes to the law enforcement community.

Task Orders Awarded to Maximus, Inc.

The OIG is auditing DEA task orders issued to Maximus, Inc., for financial investigative support services. The audit objectives are

Drug Enforcement Administration

to: (1) determine whether Maximus and its subcontractor complied with the terms, conditions, laws, and regulations applicable to the contract; (2) assess contract performance; and (3) assess how the DEA and JMD administered the subject task orders.

Administrative Subpoenas

The OIG is examining the DEA's use of administrative subpoenas to obtain broad collections of data or information. The review will address the legal authority for the acquisition or use of these data collections; the existence and effectiveness of any policies and procedural safeguards established with respect to the collection, use, and retention of the data; the creation, dissemination, and usefulness of any products generated from the data; and the use of "parallel construction" or other techniques to protect the confidentiality of these programs.

DEA Linguistic Contract Awarded to Conduit Language Specialists, Inc.

The OIG is auditing a DEA linguistics contract awarded to Conduit Language Specialists, Inc., located in Paris, Kentucky. The preliminary objective is to assess DEA and Conduit Language Specialists, Inc.'s, administration of and performance in accordance with the terms, conditions, laws, and regulations applicable to this contract in the areas of: (1) contractor performance; (2) billings and payments; and (3) contract management, oversight, and monitoring.

Bureau of Alcohol, Tobacco, Firearms and Explosives

ATF's approximately more than 5,000 employees enforce federal criminal laws and regulate 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. Foreign offices are located in Mexico, Canada, Europe, Colombia, El Salvador, and the Caribbean.



Report Issued

Review of ATF's Undercover Storefront Operations

The OIG released a report on ATF's use of undercover storefront operations, in which law enforcement agents operate a fake business from a location where illicit merchandise is exchanged or services rendered. ATF's use of these operations came under public scrutiny in 2013 after news reports described numerous problems with a storefront operation in Milwaukee, Wisconsin, including the theft of firearms, improper handling of sensitive information, and the alleged targeting of persons with disabilities.

The report examines: (1) whether there are any systemic deficiencies in ATF's storefront policies; and (2) the effectiveness of ATF's MCP. MCP is a program ATF established following the problems identified in its Operation Fast and Furious. The MCP is designed to provide for heightened management scrutiny of the agency's most sensitive cases. The OIG's report focuses on five ATF undercover storefront operations that continued, or began, after the inception of the MCP. These ATF storefronts were operated in Milwaukee, Pensacola, St. Louis, Wichita, and Boston, the latter of which was operated from a cargo van. In addition, due to allegations that ATF was targeting persons with disabilities for enforcement action, the OIG examined this issue at ATF's storefront in Portland, Oregon, as well as at the other five storefronts identified above.

The OIG found that ATF failed to devote sufficient attention to how it was managing its undercover storefront operations. The OIG also found that events giving rise to the controversy surrounding ATF's undercover storefront operations were avoidable and were caused primarily by poor management, insufficient training and guidance to agents in the field, and a lax organizational culture that failed to place sufficient emphasis on risk management in these inherently sensitive operations.

The OIG further concluded that ATF must do a better job in future storefront operations defining the crime problem that the storefront is designed to address and explaining how the underlying strategy will lead to the apprehension of persons warranting federal prosecution. While the goals of a storefront may vary depending on local crime circumstances, the OIG found that ATF should ensure that its use of this technique is appropriately targeted. And then, during and after such operations, ATF should evaluate the impact of the storefront on the crime problem that it was designed to address.

Additionally, the OIG found that ATF undercover storefront operations should not proceed unless ATF Headquarters concurs that they are properly designed and are being implemented appropriately, and Headquarters' staff should be accountable for the success of these operations.

Bureau of Alcohol, Tobacco, Firearms and Explosives

The OIG found no evidence that ATF intentionally targeted or used individuals with intellectual or developmental disabilities in its storefront investigations because of their disability. However, the OIG determined in the course of the review that DOJ had failed to apply Section 504 of the *Rehabilitation Act of 1973*, 29 U.S.C. § 794, which prohibits discrimination against persons with disabilities, to its federal law enforcement activities. This Act imposes important compliance responsibilities on DOJ's law enforcement components, which include ATF, FBI, DEA, and USMS. The OIG raised this issue with the ODAG and, on September 3, 2015, the OIG wrote to the Attorney General and DAG to request quarterly updates on DOJ's efforts to ensure compliance with the Act. The OIG intends to carefully monitor DOJ's progress in meeting its significant duties under the Act. The OIG report makes 13 recommendations to help ATF ensure that its storefront operations are managed expertly and appropriately and ATF agreed with all of them.

The OIG released a video message to accompany this report, which is available [here](#).

Investigations

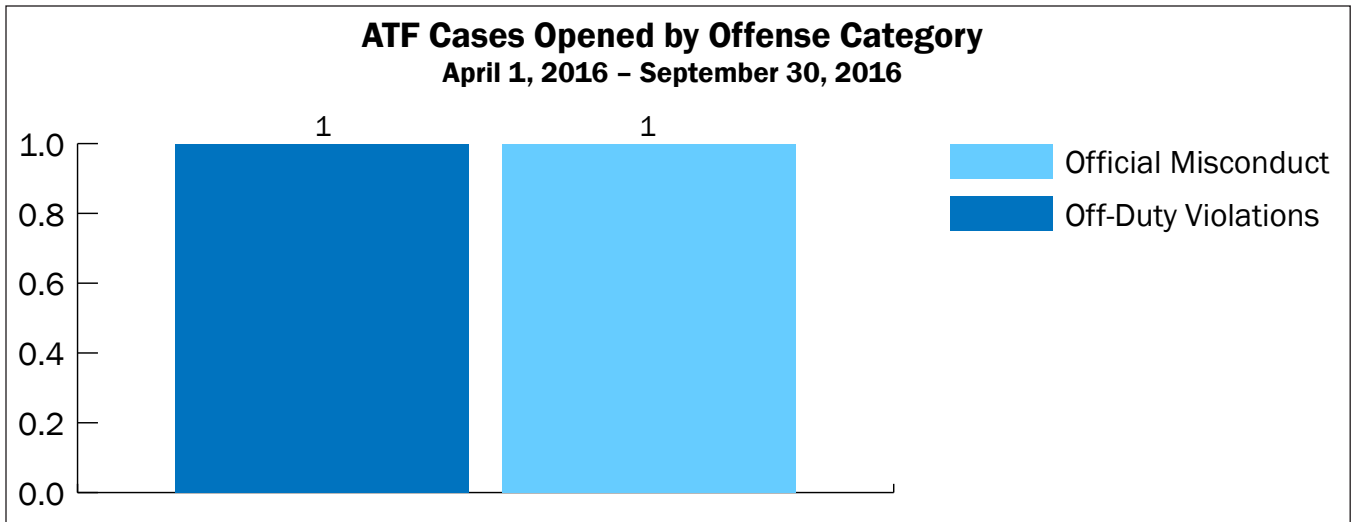
During this reporting period, the OIG received 173 complaints involving ATF personnel. The most common allegations made against ATF employees were official misconduct, and waste and mismanagement. The majority of the complaints were considered management issues and were provided to ATF for its review and appropriate action.

During this reporting period, the OIG opened 2 cases and referred 8 allegations to ATF's Office of Professional Responsibility for action or investigation. At the close of the reporting period, the OIG had 12 open criminal or administrative investigations of alleged misconduct related to ATF employees. The allegations were official misconduct and off-duty misconduct.

The following are examples of cases involving ATF employees that the OIG investigated during this reporting period:

- On August 10, 2016, an ATF Special Agent agreed to pay \$40,000 to resolve a potential civil action based on an OIG investigation that found he may have submitted false claims to the government for paid sick leave. The investigation determined that the Special Agent claimed more than 80 days of paid sick leave from January 2009 until his retirement in June 2009. The Special Agent represented to his supervisors that he was undergoing extensive cancer treatment and submitted a letter, purportedly from a physician, to support his claims. The investigation found that during this period, the Special Agent was employed in two positions in the private sector. The settlement did not constitute an admission of liability by the Special Agent. The investigation was conducted by the OIG's Fraud Detection Office.
- In the *Semiannual Report to Congress, October 1, 2015 – March 31, 2016*, the OIG reported that an ATF TFO employed by the Puerto Rico Police Department, was found guilty by a jury of conspiracy to deprive a person of his civil rights by hiring corrupt police officers and other individuals to break into a home and steal property. On August 17, 2016, the TFO was sentenced to 87 months in prison. The TFO, who was removed from the ATF Task Force the day he was indicted, was sentenced in the District of Puerto Rico. The investigation was conducted by the OIG's Miami Field Office and the FBI.
- On August 16, 2016, an ATF Investigative Assistant was indicted for misprision of a felony and her husband was indicted for social security fraud, theft of money from the Social Security Administration, making a false claim to the VA, and theft

Bureau of Alcohol, Tobacco, Firearms and Explosives



Source: Investigations Data Management System

of money from the VA. The investigation was conducted by the OIG's San Francisco Area Office and the VA OIG, is ongoing.

Ongoing Work

ATF's Investigation of the Osorio and Barba Firearms Trafficking Rings

The OIG is reviewing allegations that ATF failed to timely investigate and arrest subjects involved in trafficking firearms that were used in an attack on U.S. Immigration and Customs Enforcement (ICE) Agents in Mexico in 2011. One of the Agents, Jaime Zapata, died from injuries he sustained during the attack. The OIG investigation is examining the information that was available to ATF about the firearms traffickers prior to Agent Zapata's death.

Management and Oversight of Confidential Informants

The OIG is conducting an audit of ATF's management and oversight of confidential informants. The audit objective is to evaluate ATF's policies and practices for the identification, approval, and oversight of its confidential informants.

Office of Justice Programs

OJP manages the majority of DOJ's grant programs and is responsible for developing initiatives to address crime at the state and local levels. OJP has six bureaus and program offices—Bureau of Justice Assistance, Bureau of Justice Statistics, National Institute of Justice, Office of Juvenile Justice Delinquency Prevention, Office for Victims of Crime, and the Office of Sex Offender Sentencing, Monitoring, Apprehending, Registering, and Tracking. In this section, the report discusses OJP's oversight of grant funds and OIG reviews of grant recipients.



Reports Issued

[Memorandum to OJP Concerning Allegations of Potential Violations of 8 U.S.C. Section 1373 by Grant Recipients](#)

OJP notified the OIG that it had received information indicating that some jurisdictions receiving DOJ grant funds may be in violation of 8 U.S.C. Section 1373 (Section 1373), and asked the OIG to investigate the allegations. Section 1373 provides that federal, state, and local government officials cannot prohibit or restrict communication of information regarding the citizenship or immigration status of an individual to federal immigration officials. The OIG selected a sample of 10 state and local jurisdictions from a list of grantees provided to the OIG by OJP for further review. For each of these jurisdictions, the OIG researched the local laws and policies that govern their interactions with ICE, assessed these laws and policies, and interviewed ICE officials to gain their perspective on ICE's relationship with the selected jurisdictions. Based on the OIG's research, the OIG found that each of the 10 jurisdictions had laws or policies that placed limitations on how they could respond to an ICE detainer request, which provisions would not violate Section 1373. However, the OIG found that the laws and policies of several of the jurisdictions it reviewed went beyond placing limitations on complying with civil immigration detainer requests and potentially limited the sharing of immigration status information

with federal immigration authorities. The OIG also found that the laws and policies of other jurisdictions in its sample group that addressed the handling of ICE detainer requests might have a broader practical impact on the level of cooperation with ICE, and might be inconsistent with the intent of Section 1373. In the memorandum to DOJ, the OIG suggested steps that DOJ should consider to provide it with assurances that recipients of grant funds from DOJ are operating in compliance with Section 1373.

[Review of Certain Public Safety Officers' Benefits Act Claim Determinations by the Director of the Bureau of Justice Assistance](#)

The OIG issued a report summarizing the findings of a review of determinations made by Bureau of Justice Affairs (BJA) Director Denise O'Donnell in certain claims filed pursuant to the *Public Safety Officers' Benefit Act* (PSOBA). The OIG determined that O'Donnell had improperly awarded benefits in one claim.

The PSOBA provides death benefits to the eligible survivors of public safety officers (police persons, firefighters, and other first responders) who die, and disability benefits to public safety officers who become permanently disabled, as a result of a personal injury sustained in the line of duty. Claims for benefits are administered by DOJ's Public Safety Officers' Benefits Office, an

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office within the BJA. The BJA Director makes the final administrative determination regarding the award of benefits. The OIG conducted its review after receiving a complaint that Director O'Donnell approved and directed payment in direct contravention of the PSOBA in at least one, and possibly six, claims. The OIG reviewed the administrative record for each of the six identified claims in which O'Donnell had issued a final determination. The OIG found that O'Donnell had applied the relevant portions of the statute and regulations in making her determinations, and had not systemically failed to follow the law. However, the OIG found O'Donnell's decision to award benefits in one case to be arbitrary and capricious and not supported by substantial evidence. The OIG referred the report to DOJ for its review and any appropriate action.

Audits of Grants to State and Local Entities

During this reporting period, the OIG audited nine external OJP grant recipients, as described by the examples below.

- The OIG issued an audit identifying significant contract management deficiencies in the [Boys and Girls Clubs of America's](#) (Boys and Girls Clubs) management of 45 contracts that it awarded to subcontractors and paid for using OJP grant funds. As a result, the OIG questioned \$2.9 million—93 percent—of the \$3.1 million expended through these 45 contracts from July 2008 through September 2013. First, regarding sole source contracts, the OIG found that the Boys and Girls Clubs awarded all 45 contracts on a “sole source” basis, which means that the Boys and Girls Clubs entered the contracts without first conducting an open, free, and fair contract competition. Sole source contracting is allowed, but only under certain circumstances and only when necessary. For most of these contracts, the

Boys and Girls Club did not sufficiently establish the need to use sole source contracting. Deficiencies identified with these contracts included insufficient or missing rationales for awarding contracts on a sole source basis; insufficient documentation showing how contract prices were determined; and sole-source justification documents that did not adequately show that only one contractor was available to provide the required services. As a result, the OIG questioned \$2.9 million in contract expenditures as unsupported. Second, pertaining to the disclosure of lobbying activities, the audit found that the Boys and Girls Clubs and one of its contractors did not comply with several requirements concerning lobbying activities. Specifically, the OIG found that the Boys and Girls Clubs did not require the contractor to complete and submit required forms certifying that no appropriated funds had been used to pay for lobbying activity. Also, the Boys and Girls Clubs and the same contractor hired lobbyists with non-federal funds, but did not properly disclose this as required. The audit determined that no OJP funds were used to pay for lobbying activities. Third, regarding code of conduct and conflicts of interest requirements, the OIG determined that the employee code of conduct for one of the Boys and Girls Clubs' contractors, which received \$2.5 million in contracts during the audit period, was not in compliance with OJP requirements because it did not specifically address gifts or gratuities and family financial interests. The OIG also found that the Boys and Girls Clubs did not consistently ensure that its staff and contractors were in compliance with rules pertaining to ethics and conflict of interest, as required. Finally, the OIG found that the Boys and Girls Clubs and its contractors generally retained sufficient documentation of specific billings and payments, although the audit questioned about \$75,000 in

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contract expenditures as unsupported or, in one instance of double billing, as unallowable. These expenditures were also questioned based on the inadequate sole-source justifications described above. The OIG made 11 recommendations to OJP to improve oversight of grant-funded contracts awarded by the Boys and Girls Clubs of America, and to address the \$2.9 million in questioned costs. OJP agreed with all of them. The Boys and Girls Clubs explicitly agreed with two recommendations in whole or in part, and either disagreed or did not explicitly agree with the remaining recommendations.

- The OIG issued an audit of a grant totaling \$1,094,031 to the [Minnesota Council on Crime and Justice](#) (CCJ) in Minneapolis, which was awarded in 2012 for the purpose of developing a pro-bono legal assistance network that offers legal services to victims of crime. The OIG discovered that CCJ was in a critical financial situation and identified significant performance deficiencies, material weaknesses in internal controls, non-compliance with grant requirements, and unallowable and unsupported grant-related expenditures. Given the OIG's concerns about CCJ's ability to accomplish grant objectives and oversee government funds, the OIG briefed OJP on its preliminary audit findings. OJP subsequently designated CCJ as a high-risk grantee, froze the disbursement of all remaining grant funds to CCJ, and required CCJ to take corrective actions. In June 2016, CCJ filed dissolution paperwork with the court and all of its assets and debts were transferred to a court-appointed receiver. Given CCJ's impending dissolution, it appears that the \$1 million program will not establish a statewide victim legal assistance network as the grant goals intended. In total, the OIG questioned \$424,334 in grant related expenses, some of which were

questioned for more than one reason, and recommended that OJP put the \$602,359 in unspent grant funds to better use. The OIG made 13 recommendations to OJP to remedy these dollar-related findings, and to help OJP safeguard DOJ funds in the future. OJP agreed with all of them, and CCJ's Board of Directors stated that CCJ would work with OJP to address the questioned costs.

- The OIG issued an audit of two grants totaling \$28.4 million to the [National Children's Alliance](#) (NCA), based in Washington, D.C. The OJJDP awarded these *Victims of Child Abuse Act* grants in 2012 and 2014, and NCA then awarded subgrants to local children's advocacy centers that coordinate investigations and respond to child abuse. The OIG found that the NCA has achieved the goals and objectives of the grants by successfully implementing a national subgrants program to expand the geographic coverage of children's advocacy centers. However, the audit also found that the NCA's method of combining progress reports for its awards does not allow DOJ to measure accurately the outcomes achieved with the specific funding provided by each award. In addition, the audit identified \$300,046 in dollar-related findings, of which \$269,346 were unused funds from the 2012 award, which had closed. The OIG recommended OJP put these funds to better use, and OJP subsequently deobligated them. The remaining amounts were \$27,000 in unallowable mortgage costs, and \$3,700 in unsupported rent and personnel expenses by a subrecipient that NCA has already repaid to OJP. The OIG made five recommendations to assist OJP in addressing the findings of the audit. Both OJP and NCA agreed with all of them.

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- The OIG issued an audit of three grants totaling \$1.2 million to the [University of Rhode Island](#) in Kingston, Rhode Island (URI). The purpose of these grants, awarded in 2009, 2011, and 2012, were to allow URI to develop software to assist law enforcement in detecting child pornography, and in searching for, collecting, and presenting data for use in investigations involving cloud applications and cloud service providers. Although the audit determined that URI achieved the goals and objectives of the grants, the OIG concluded that URI did not adequately manage the grants based on findings of non-compliance or discrepancies in several areas it tested, including URI's management of financial awards, its compliance with award conditions, and its use of funds. The audit also identified \$266,374 in net questioned costs, some of which were questioned for multiple reasons. Most of these questioned costs related to unallowable and unsupported payroll and personnel costs, as well as associated fringe benefit costs. The OIG made 11 recommendations to OJP to improve its management and oversight of grants to URI. OJP agreed with all of them. URI agreed in whole with one recommendation and in part with one recommendation, and disagreed with the rest of the recommendations.
- The OIG issued an audit of five grants totaling \$3,798,294 to the [University of North Dakota](#) (UND) in Grand Forks, North Dakota. These OJP grants, which were all awarded between 2009 and 2013, served several purposes, including to help recruit and retain Native American law students; provide forensic science training to state and local practitioners; fund research into the impact of the oil industry on domestic violence in the Dakotas and Montana; and provide training and other assistance to tribal governments who receive OJP grant funds. As of the date of the audit, three of the grants were completed and two were ongoing, and UND had drawn down about \$2.3 million of the total grant funds. The OIG found that UND met all of the grant goals and objectives for the three completed grants, and it appeared to be achieving the stated goals and objectives of the two ongoing grants. However, the audit also found that UND did not consistently report quarterly indirect cost information in its financial reports to OJP. Finally, the audit identified instances where UND charged unallowable travel and overtime to the grants, which resulted in the OIG questioning \$2,191 in grant expenses. The OIG made two recommendations to OJP to improve UND's financial reporting and to remedy the questioned costs. Both OJP and UND agreed with both of them.
- The OIG issued an audit of three grants totaling \$9,487,212 to the [Delaware Criminal Justice Council](#) (CJC) in Wilmington, Delaware. These OJP grants were awarded in 2013, 2014, and 2015 through the Crime Victims Fund (CVF), which distributes money directly to states to support compensation and assistance services for victims and survivors of domestic violence, sexual assault, child abuse, drunk driving, homicide, and other crimes. The OIG found that CJC was effective overall at meeting essential award requirements in the areas we tested. Specifically, the expenditures the OIG tested were allowable and supported; drawdowns were based on expenditures recorded in the accounting system; reports were supported with sufficient documentation; and CJC's subgrantee monitoring policies were effective at preventing unallowable expenditures. Additionally, CJC's activities were furthering its goal of providing direct services to crime victims. Because the audit identified an opportunity for CJC to potentially improve its subgrantee

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reimbursement practices, the OIG made one recommendation to OJP to help CJC improve its management of DOJ grant funds. Both OJP and CJC agreed with the recommendation.

- The OIG issued an audit of six grants totaling over \$34 million to the [Crime Victim Assistance Division](#) (CVAD) of the Iowa Department of Justice's Office of the Attorney General in Des Moines, Iowa. All six grants were awarded by OJP pursuant to the *Victims of Crime Act* from 2013 to 2015, for the purpose of supporting eligible programs that provide services and compensation to crime victims. At the time of the audit, CVAD had expended a total of \$15.4 million of these grant funds. Based on a sample of CVAD's expenditures, the OIG found CVAD properly maintained financial records for each grant and for each type of activity tested, and that CVAD's activities were furthering the goals of providing services and compensation to crime victims. However, the OIG found that CVAD did not provide complete and accurate performance statistics in its progress reports, and that CVAD should more clearly communicate to grantees that a paid membership in the Iowa Coalition Against Sexual Assault or the Iowa Coalition Against Domestic Violence is not required to receive funding. The OIG made three recommendations to OJP to help improve the accuracy of CVAD's performance reporting, and to clarify that subgrantees can receive funding without membership in a coalition. OJP agreed with all of them. CVAD agreed with two recommendations and disagreed with one recommendation.

Investigations

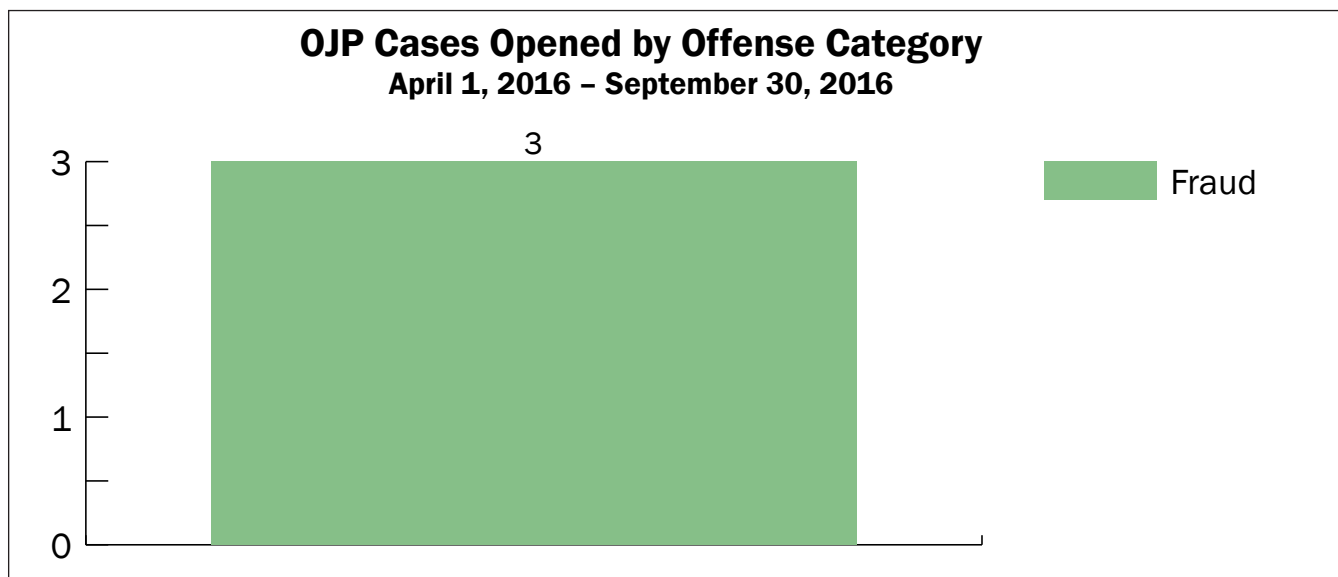
During this reporting period, the OIG received 27 complaints involving OJP. The most common allegation made against OJP employees, contractors, or grantees was fraud.

During this reporting period, the OIG opened 3 cases. At the close of the reporting period, the OIG had 20 open criminal or administrative investigations of alleged misconduct related to OJP employees, contractors, or grantees. The majority of these criminal investigations were related to grantee fraud.

The following are examples of cases involving OJP grant recipients that the OIG investigated during this reporting period:

- On May 5, 2016, Drakontas LLC, a technology company headquartered in Camden, New Jersey, agreed to pay the United States \$155,322 to settle allegations it improperly spent funds related to DOJ cooperative agreements. An OIG audit and subsequent investigation found that Drakontas violated DOJ cooperative agreements when it failed to maintain an adequate and reliable accounting system and paid some employees in excess of agreed upon salary caps. From 2005 to 2011, Drakontas was awarded over \$10 million in National Institute of Justice funding to develop communications solutions for law enforcement and public safety personnel. In addition to the \$155,322 payment, Drakontas agreed to institute a strict compliance program that requires the organization to engage in regular audits, both internally and by independent auditors, and employ risk assessment tools to detect abuses that might otherwise go undetected. No determination of liability was made by this settlement. The OIG's Philadelphia Regional Audit Office

Office of Justice Programs



Source: Investigations Data Management System

initially identified potential violations, and the OIG's Fraud Detection Office conducted the investigation.

- On April 26, 2016, the Executive Director of a grant recipient was sentenced to 5 years of probation and ordered to pay \$30,000 in restitution after pleading guilty to state charges of conspiracy, theft of funds, and *Georgia Racketeer Influenced and Corrupt Organizations (RICO) Act* violations. In addition, the Judicial Program Administrator for the Cobb County, Georgia, Juvenile Court was sentenced to 7 years of probation and fined \$10,000 after pleading guilty to conspiracy, false statements, and state RICO Act violations. A juvenile court employee in Cobb County, Georgia, previously pleaded guilty to state charges of conspiracy and theft by deception and was sentenced to 2 years of probation and ordered to pay \$16,800 in restitution. According to the Indictment, charging the 3 individuals, between August 2012 and June 2015, the Executive Director, the Judicial Program Administrator, and the juvenile court employee conspired with each other to commit theft of Georgia

tax revenue, as well as approximately \$30,000 in federal grant funds awarded by DOJ OJP to fund juvenile court services throughout Georgia. The investigation was conducted by the OIG's Atlanta Area Office and the Cobb County, Georgia, District Attorney's Office.

- In the *Semiannual Report to Congress, April 1, 2015 – September 30, 2015*, the OIG reported that U.S. Congressman Chaka Fattah and four other individuals were indicted in the Eastern District of Pennsylvania related to their participation in a racketeering conspiracy which included a bribery scheme and the misuse of federal, charitable, and campaign funds. On June 21, 2016, U.S. Congressman Chaka Fattah and the four other individuals were found guilty of various charges following a 5-week jury trial. The evidence at the trial showed that the defendants engaged in five distinct fraud schemes, including one committed during an OIG audit and investigation of the EAA's use of \$1,873,228 in DOJ grant funds. According to evidence presented at the trial, in 2007, Fattah and others conspired to repay an illegal \$1,000,000

Office of Justice Programs

campaign loan related to Fattah's failed 2007 attempt to serve as the mayor of Philadelphia with stolen federal and charitable funds. In 2008, Fattah and others, including conspirators Robert Brand and EAA's Executive Director Karen Nicholas, created a false contract inflated by \$600,000 between EAA and Brand in order to repay a portion of the campaign loan. In 2008, during the OIG investigation related to EAA's use of the DOJ grant funds, Brand provided this false contract to the OIG in response to an OIG subpoena seeking documents related to the use of DOJ funds. The investigation was conducted by the Fraud Detection Office and was partially predicated by an audit conducted by the OIG's Philadelphia Regional Audit Office.

Ongoing Work

Office of Justice Programs' Crime Victims Fund

The OIG initiated an audit of OJP's CVF, which was established by the *Victims of Crime Act of 1984* to provide assistance and grants for victim services throughout the nation. Funding for the CVF is generated from criminal fines, forfeited bail bonds, penalties, and special assessments collected from offenders convicted of federal crimes. The OIG will conduct a risk assessment of OJP's management of the CVF with a preliminary objective to assess the risk associated with managing funding increases.

Tribal Justice Systems Infrastructure Program

The TJSIP, formerly the Correctional Systems and Correctional Alternatives on Tribal Lands Program, funds the planning and construction of new, or renovation of existing, tribal justice facilities. It also funds community-based alternatives to help prevent and control jail overcrowding due to alcohol and other substance abuse-related crime. OJP's BJA

administers the TJSIP in coordination with the Department of the Interior's BIA, which with tribal grantees, is responsible for supporting, operating, and maintaining the correctional facilities. The OIG's audit will assess OJP's management and oversight of the funding provided under the TJSIP, including the contracting activities of grantees, and determine the extent of OJP's cooperation and coordination with the BIA to ensure efficient and effective correctional services in Indian Country.

Review of the Office of Juvenile Justice and Delinquency Prevention Title II Formula Grant Program

The OIG initiated a review of the Office of Juvenile Justice and Delinquency Prevention (OJJDP) Title II Formula Grants Program, which provides funding directly to states, territories, and the District of Columbia to help implement comprehensive state juvenile justice plans based on needs studies for delinquency prevention and intervention efforts, as well as juvenile justice system improvements. The objectives include assessing compliance with certain *Juvenile Justice and Delinquency Prevention Act* protections and requirements.

Other Department Components

Investigations

The following are examples of cases involving DOJ employees that the OIG investigated during this reporting period.

- In the *Semiannual Report to Congress, October 1, 2015 – March 31, 2016*, the OIG reported that an Information Technology Specialist was arrested pursuant to a federal Indictment charging him with interstate travel with the intent to engage in sex with a minor. On August 25, 2016, the Information Technology Specialist was sentenced in the District of Maryland to 82 months in prison. The Information Technology Specialist, who resigned his position with DOJ following his arrest, In addition to his prison sentence, the Information Technology Specialist was ordered to forfeit his vehicle and all of its contents. In his guilty plea, the Information Technology Specialist admitted to traveling across state lines, for the purpose of knowingly engaging in a sexual act with a 15-year-old female. The case was investigated by the OIG's Washington Field Office; Worcester County, Maryland, Sheriff's Office; and the Department of Homeland Security Investigation's Baltimore Field Office. Substantial forensic assistance was provided by the OIG's Cyber Investigations Office.
- The OIG initiated an investigation upon receipt of information from the employing division alleging that a DOJ Attorney engaged in sex acts on a train, refused to disembark when asked by train and law enforcement officials, and became combative and kicked an officer while being removed from the train. The OIG substantiated the allegations. The Attorney's actions violated state criminal law, federal regulations, and executive branch standards of conduct. The Attorney was arrested and charged



by local authorities with disorderly conduct, resisting arrest, and assaulting a police officer, and entered into an agreement with local authorities requiring that the Attorney complete 120 hours of community service as part of a pretrial diversion program. The OIG also found that the Attorney lacked candor in an e-mail to the employing division's security personnel about the extent of the misconduct. The OIG has completed its investigation and provided a report to the DOJ employing division and DOJ's Office of Professional Responsibility for further review and appropriate action.

Civil Division

Ongoing Work

Review of the Handling of Sexual Harassment and Misconduct Allegations by the Department of Justice's Civil Division

The OIG is conducting a review of the handling of sexual misconduct allegations by DOJ's Civil Division. The OIG is assessing how the Civil Division responds to sexual misconduct and harassment allegations made against its employees. The OIG is also examining whether penalty guidelines adequately and consistently address proven misconduct.

Other Department Components

Criminal Division

Reports Issued

Equitable Sharing Audits

Under DOJ's Asset Forfeiture Program, state and local law enforcement agencies receive equitable sharing assets when participating directly with DOJ's law enforcement components in joint investigations that lead to the seizure or forfeiture of cash and property. Equitable sharing revenues represent a share of the proceeds from the forfeiture of assets seized in the course of certain criminal investigations.

During this reporting period, the OIG audited equitable sharing revenues received by two law enforcement agencies as described below.

- The OIG issued an audit of the [Floyd County, Indiana, Sheriff's Department](#) (FCSD) equitable sharing activities. The audit found that the FCSD did not fully comply with DOJ rules when accounting for and using its equitable sharing funds. Specifically, the OIG found that the FCSD did not have written procedures for administering equitable sharing funds, and it did not provide adequate documentation to support \$119,320 of the \$124,220 in equitable sharing funds that it used to pay informants during the audit's review period. The audit assessed the FCSD's equitable sharing activities from January 2012 through September 2015, during which time the FCSD received \$577,877 and expended \$890,446 in equitable sharing funds. In addition, the OIG also found that the FCSD has repeatedly been late to submit required annual audit reports, known as "single audits," assessing its use of federal funds. The FCSD's single audit reports for FYs 2012 and 2013 were late, and its FY 2014 report, which was due in February 2016, had not been submitted as of May. Moreover, the OIG found

that the FCSD's inadequate responses to recommendations in its FY 2012 Single Audit Report caused DOJ to designate the FCSD as a "high-risk" grantee. The OIG made eight recommendations to assist the Criminal Division in strengthening its oversight of the FCSD. DOJ agreed with all of them.

- The OIG issued an audit of the [Louisville, Kentucky, Metro Narcotics Task Force's](#) (Task Force) accounting for and use of equitable sharing revenues. The OIG assessed the Task Force's equitable sharing activities from July 2013 through June 2015, during which time it received \$1,963,743, plus interest, and expended \$1,985,586 in equitable sharing funds. The audit found that the Task Force complied with the DOJ guidelines the OIG reviewed, including those for submitting equitable sharing requests and using equitable sharing funds. This included ensuring that required forms were complete, accurate, and submitted on time; accounting for individual receipts and expenditures of equitable sharing funds; using tested funds only for allowable purposes; and maintaining adequate support for expenditures. Based on the findings, the OIG made no recommendations.

National Security Division

Report Issued

Administration and Enforcement of the Foreign Agents Registration Act

The OIG issued an audit of the NSD's enforcement of FARA. The OIG concluded that DOJ lacks a comprehensive FARA enforcement strategy, and that such a strategy should be developed and integrated with DOJ's overall national security efforts. The OIG initiated this review in response to a requirement by the U.S. House of Representatives Committee

Other Department Components

on Appropriations that the OIG review DOJ's enforcement of FARA. FARA requires persons acting as agents of foreign principals in a political or quasi-political capacity to make periodic public disclosure of their relationship with the foreign principal, as well as activities, receipts, and disbursements in support of those activities. A willful failure to register as an agent of a foreign principal may result in criminal prosecution and a sentence of a fine and up to 5 years in prison. DOJ can also seek to enjoin a party from acting as an agent of a foreign principal in violation of FARA.

Specifically, the OIG found that the number of FARA registrations has declined in the last 2 decades, and prosecutions and other enforcement actions are rare. DOJ has not performed an analysis on the decline, but NSD officials speculated that the imposition of FARA registration fees in 1993 and the passage of the *Lobbying Disclosure Act*, which carved out a significant exemption to FARA in 1995, were likely factors. Between 1966 and 2015, DOJ only brought seven criminal FARA cases, and it has not sought civil injunctive relief under FARA since 1991. In addition, investigative agents and NSD officials do not appear to agree about the intent of FARA, or what constitutes a "FARA case." Investigators the OIG spoke to generally believed that investigations conducted pursuant to a separate criminal provision, 18 U.S.C. § 951 (Section 951), were FARA cases, whereas NSD officials believe that Section 951 and FARA are intended to address different criminal activities. Specifically, NSD described Section 951 as targeting information gathering and other espionage-like activities on behalf of a foreign government, and FARA as requiring registration and disclosures by foreign agents engaged in legal activities, such as lobbying, tourism, and economic development. The OIG believes these differing understandings are indicative of the lack of a comprehensive DOJ enforcement strategy on FARA. Investigators also expressed frustration about a perceived reluctance by NSD to approve FARA cases for prosecution, a criticism that NSD officials denied, although

NSD simultaneously acknowledged the need to improve communication with investigators about the reasons for approval decisions. The OIG also believes NSD needs to improve its controls and oversight of FARA registrations, particularly its efforts to ensure the timely submission of required documents and its inspections of registered foreign agents. The audit found that 62 percent of initial registrations were untimely, and that 50 percent of registrants filed at least one supplemental statement late. Further, several inspection recommendations issued by NSD's FARA unit remained unresolved, and the OIG believes that NSD can further improve its monitoring efforts by developing a policy to ensure appropriate resolution of recommendations identified in its inspection reports. The OIG made 14 recommendations to help improve NSD's enforcement and administration of FARA. NSD agreed with all of them. The OIG released an audio message to accompany this report, which is available [here](#).

Office on Violence Against Women

Reports Issued

Audits of OVW Grants

The OVW administers financial and technical assistance to communities across the country for the development of programs, policies, and practices aimed at ending domestic violence, dating violence, sexual assault, and stalking. The OVW recipients include state and local governments, universities, non-profit agencies, and for-profit agencies. During this reporting period, the OIG conducted five audits of OVW grant recipients, which are summarized below.

- The OIG issued an audit report on three Office for Victims of Crime (OVC) and OVW grants totaling \$1.4 million to [Gulfcoast Legal Services, Inc.](#) (Gulfcoast), in St. Petersburg, Florida. The purpose

Other Department Components

of these grants, which were awarded in 2012, 2013, and 2015, was to provide legal and other services to victims of human trafficking, domestic violence, dating violence, sexual assault, and stalking. The audit found that Gulfcoast had not obtained a mandatory audit of all of its federal grant funds (known as a “single audit”) for FY 2014. Gulfcoast obtained the required single audit and provided it to the OIG in June 2016. That single audit report, which was more than 8 months late, identified material weaknesses relating to Gulfcoast’s expenditure tracking procedures and its handling of grant-funded payroll costs, in addition to its failure to obtain the required single audit in a timely fashion. The audit also identified additional weaknesses that are similar to those identified in Gulfcoast’s FY 2014 single audit report. For example, the OIG identified \$100,211 in grant-funded personnel costs for which Gulfcoast lacked sufficient supporting documentation, and found that Gulfcoast submitted inaccurate financial reports to DOJ. In total, the report identified \$753,158 in grant expenditures that were unallowable, unsupported, or both. Of this amount, Gulfcoast and the OVC and the OVW have already taken actions to remedy all but the \$100,211 in unsupported personnel costs.

- The OIG issued an audit of two grants totaling \$955,000 to the [Asian Pacific Islander Legal Outreach](#) (APILO) in San Francisco, California. The grants, which were awarded in 2012 and 2014, were to fund legal services for survivors of domestic violence, dating violence, stalking, and sexual assault, and the development of interagency partnerships, training, and public awareness activities in support of human trafficking victims. The 2014 grant was ongoing at the time of the audit. The audit found that APILO was in material noncompliance with

essential award requirements. Specifically, APILO’s financial management system impermissibly commingled DOJ grant funds with all other funding, and as a result, APILO did not maintain adequate support for its grant expenditures, budget activities, drawdowns, and financial and progress reports to DOJ. Additionally, APILO charged payroll expenditures to the grants based on budgeted rates rather than actual hours worked on each project; and failed to maintain sufficient oversight of how partner organizations handled and used the grant funds the OIG audited. As a result, the OIG questioned all \$500,000 of the grant funds APILO had received, and recommended that DOJ put the remaining \$455,000 in grant funds to better use. The OIG made 11 recommendations to OJP and the OVW. OJP and the OVW agreed in whole or in substantial part with all of the recommendations. APILO agreed with nine recommendations, but disagreed with two recommendations to remedy the dollar-related findings. In addition, the report noted that DOJ designated APILO as a high-risk grantee in 2015, after APILO failed to adequately respond to the recommendations of a separate, prior audit overseen by DOJ.

- The OIG issued an audit of two grants totaling \$1.9 million to the [Native Women’s Society of the Great Plains](#) (NWSGP), Eagle Butte, South Dakota. The purpose of these grants, which were awarded in 2008 and 2014 under the Tribal Domestic Violence and Sexual Assault Coalition Program, was to increase awareness of domestic violence and sexual assault against Native women. At the time of the audit, one of the grants was ongoing, and the NWSGP had used \$1.6 million of the total grant funds awarded. The OIG found that the NWSGP did not comply with several essential conditions of the grant. For example, the NWSGP incurred unallowable costs,

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such as expenses for audit preparation, health insurance, and other insurance costs that were not in the grant budget. The audit also found that NWSGP lacked sufficient documentation for some costs, such as expenditures for travel, consultants, supplies, and equipment, as well as for several transactions entered on NWSGP's behalf by a fiscal agent who was contracted to manage grant funds. In addition, the NWSGP did not accurately record and account for all of its grant expenditures; and submitted federal financial reports that were inaccurate and progress reports that were not properly supported. In total, the OIG questioned \$173,124 in grant costs as unallowable, unsupported, or both. The OIG made 10 recommendations to the OVW to improve the NWSGP's management of DOJ grant funds and remedy questioned costs. The OVW agreed with all of them. The NWSGP indicated its intent to address all 10 recommendations, although it disagreed with 2 recommendations concerning questioned grant costs.

- The OIG issued an audit of four grants totaling more than \$2.7 million awarded to the [Ponca Tribe of Nebraska](#) (PTN), headquartered in Niobrara, Nebraska. The grants, which were awarded between 2010 and 2015, were funded through the Tribal Government Program and the Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program, which support the development and strengthening of effective responses to violence against women. At the time of the audit, PTN had drawn down \$1.7 million of the \$2.7 million, and two of the grants were ongoing. While the audit did not identify significant concerns regarding the PTN's submission of financial reports, budget management and control, drawdowns, or indirect costs, the OIG found that the PTN did not comply with essential award

conditions related to use of federal funds, personnel, subrecipient monitoring, and progress reports. Specifically, the OIG identified unallowable and unsupported expenditures; unsupported subrecipient spending; and unsupported progress reports. As a result of these deficiencies, the audit identified net questioned costs of \$138,207, some of which were questioned on multiple grounds. The OIG made six recommendations to the OVW to improve the PTN's grant management and remedy the questioned costs. The OVW agreed with all of them. The PTN agreed with four recommendations, but disagreed in part with two recommendations to remedy questioned costs.

- The OIG issued an audit of a grant of \$1,099,998 to the [City of Independence, Missouri](#) (Independence). This grant, which was issued in 2009 and then supplemented in both 2011 and 2013, was funded through the OVW's Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program. The grant is ongoing; at the end of the audit period, Independence had drawn down \$991,109 of the total grant funds awarded. The audit found that Independence generally managed the grant appropriately and demonstrated adequate progress towards achieving the stated goals and objectives. Specifically, the OIG found that all tested expenditures were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant. The OIG also reviewed Independence's progress reports, federal financial reports, drawdowns, and grantee financial management, and did not identify any reportable matters in these areas. Therefore, the OIG made no recommendations.

Other Department Components

Investigation

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

- On September 1, 2016, a Finance and Operations Manager of an OVW grantee was sentenced in the Western District of Wisconsin to 10 months of home confinement, 3 years of probation, and ordered to pay \$49,014 in restitution, pursuant to her guilty to plea to theft of federal program funds. According to the Indictment to which she pleaded guilty, from January 2012 to May 2014, the Finance and Operations Manager stole federal grant funds by issuing checks totaling more than \$50,000 to herself, but recorded the funds in the grantee's accounting system as being paid to various vendors. The grantee had received the affected funds from the OVW through several sub-grants administered by the Wisconsin Department of Justice. The Finance and Operations Manager resigned her position before the theft was discovered. The investigation was conducted by the OIG's Chicago Field Office.

U.S. Attorneys' Offices

Reports Issued

Review of Conduct by Former U.S. Attorney James L. Santelle

The OIG issued a report summarizing the findings of an investigation into allegations that former U.S. Attorney James L. Santelle of the EDWI engaged in certain political and charitable fundraising activities in violation of DOJ policy and executive branch regulations.

The OIG found that Santelle violated a DOJ policy restricting employees' participation in political activities based on his conduct with

respect to two campaign events for partisan candidates Mary Burke and Jon Richards. Santelle organized and hosted a campaign event for Burke at his home where campaign donations were not affirmatively solicited but at least one was accepted. Santelle agreed to (and eventually had to cancel at his home at the direction of DOJ) a campaign fundraiser for Richards that was co-hosted by local attorneys, some of whom had active cases with the USAO-EDWI. Santelle approved an invitation for the latter event that solicited donations and included his name. In addition, Santelle knew the Richards campaign intended to solicit local attorneys but made no effort to prevent the solicitation of his subordinate employees in the USAO-EDWI and at least one subordinate received an invitation to the event at Santelle's home. Similarly, Santelle made no effort to prevent the solicitation of attorneys with active cases with the USAO-EDWI. With respect to both partisan campaign events, Santelle failed to obtain the requisite DOJ approval.

The OIG also found that Santelle exhibited lack of candor in denying to the OIG that he ever intended for the Richard's event to be a fundraiser, but rather merely an opportunity for people "to listen to Jon Richards." Santelle's account was inconsistent with the testimony of Richards and his Finance Director and with clear statements in the contemporaneous e-mail correspondence about the event. The OIG found that Santelle plainly intended and expected that the purpose of the event was "to support" Richards's candidacy and that the "official hosts" of the event would solicit and accept political contributions during the event in Santelle's home.

The OIG also found that Santelle violated the Standards of Ethical Conduct for Employees of the Executive Branch governing fundraising and endorsements based on his unsanctioned participation in multiple non-political fundraising events. These regulations serve to avoid the impression that any group has special access to DOJ or that DOJ endorses particular

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groups, a concern that was brought specifically to Santelle's attention by his own District Ethics Advisor. The OIG referred its findings with respect to both the Burke and Richards events to OSC, the agency responsible for investigating *Hatch Act* violations.

Pre-trial Diversion and Drug Court Programs

The OIG issued a report examining DOJ's use of pretrial diversion and diversion-based court programs as alternatives to incarceration. These programs, which DOJ's August 2013 *Smart on Crime* initiative encouraged prosecutors to use in appropriate cases, are alternatives to prosecution or incarceration that enable certain low-level and non-violent offenders to be diverted from traditional criminal justice proceedings. Successful completion of these programs can result in an offender being sentenced to a lesser or no term of incarceration, or avoiding a conviction altogether.

The audit found that while DOJ has taken some steps to address its historically limited use of pretrial diversion and diversion-based court programs, the availability and use of these programs varies substantially across federal judicial districts. Specifically, the audit found that the use of pretrial diversion, which is initiated at the prosecutor's discretion, appeared to be substantially less in some USAO than in others. From FY 2012 through 2014, nearly one-half (44 of 94) of all USAOs had just 5 or fewer successful pretrial diversion participants. As for diversion-based court programs, which are generally run by the U.S. Courts in partnership with the USAOs and Probation and Pretrial Services, the OIG found that the vast majority of federal judicial districts (78 out of 94) had no diversion-based court program at all.

The OIG also found that neither EOUSA nor the USAOs track metrics about these programs that the OIG considers crucial to evaluating a program's effectiveness, such as the total number of offenders who were

placed in a program or the total number of unsuccessful participants. Nor has DOJ evaluated the potential for diversion programs to reduce prosecution costs, incarceration costs, or recidivism.

Despite the limited data available, the OIG was able to identify 7,106 offenders, sentenced from FYs 2012 to 2014, who based on their criminal histories and the nature of their crimes were potentially suitable for pretrial diversion. Of this number, 1,520 offenders had successfully completed a pretrial diversion program. However, the OIG was unable to assess whether the remaining 5,586 potentially suitable offenders would have met their particular USAO's eligibility requirements or been deemed suitable for supervision by Probation and Pretrial Services. For diversion-based court programs, the OIG was able to identify 12,468 offenders who were sentenced during the same 3-year time period who were potentially suitable for a diversion-based court program. Again, the OIG was unable to assess whether these offenders would have met the entrance and eligibility requirements for these programs in their individual sentencing jurisdictions. Nevertheless, the OIG believes its analysis of the available data with regard to both types of programs illustrates that there remains a larger population of offenders for whom a diversionary disposition may be a possibility.

The audit also concluded that the potential cost savings from increased use of diversion programs could be substantial. Specifically, the OIG estimated that DOJ spent more than \$26 million in FYs 2012 through 2014 to incarcerate offenders who might be suitable for pretrial diversion. This amount does not take into account the cost to DOJ of prosecuting these cases, the cost to the U.S. Courts to handle them, or the costs of the diversion programs themselves. For diversion-based court programs, the OIG analyzed the court records of successful program participants in several judicial districts and came to similar conclusions. Finally, from its limited testing, the OIG found that the

Other Department Components

recidivism rate for offenders who completed a diversion program was lower than the general recidivism rate for federal inmates, suggesting that a broader study by DOJ of the effect of diversion programs on recidivism is warranted.

The OIG made five recommendations to the ODAG and EOUSA to strengthen the use of pretrial diversion and diversion-based court programs within DOJ. The ODAG and EOUSA agreed with all of them.

The OIG released an audio message to accompany this report, which is available [here](#).

Investigations

The following are examples of cases involving USAO employees that the OIG investigated during this reporting period:

- The OIG conducted an investigation based on information it received from EOUSA alleging that a U.S. Attorney had an inappropriate relationship with a subordinate AUSA. The OIG determined that the U.S. Attorney had been engaged in an intimate personal relationship with the AUSA for more than a year and that because the relationship was not acknowledged, the U.S. Attorney did not decline to participate in matters involving the AUSA. The relationship, and the multiple harassing communications the U.S. Attorney sent to the AUSA after their intimate relationship ended, violated laws and regulations against sexual harassment. In addition, the OIG concluded that the U.S. Attorney lied to DOJ officials about the nature of the relationship when first confronted about it; violated instructions from the Associate Deputy Attorney General not to have any contact with the AUSA; and attempted to influence or impede the OIG investigation by communicating to the AUSA that the AUSA was the subject of the OIG's investigation and that the AUSA should get an attorney and not speak with the OIG. Prosecution was declined. The U.S. Attorney resigned during the OIG's investigation. The OIG provided its report to the ODAG and EOUSA for their information, and to the DOJ Office of Professional Responsibility for a determination of whether the U.S. Attorney's conduct warrants referral to appropriate bar authorities.
- The OIG conducted an investigation into information received from EOUSA alleging that an AUSA engaged in off-duty misconduct by failing to declare items to the U.S. Customs and Border Protection (CBP) upon returning from international travel. The OIG substantiated the allegations. The investigation determined that the AUSA failed to declare items and avoided paying customs duties to the CBP after international travel in violation of federal law. Upon being contacted by the CBP, the AUSA was cooperative and forthcoming about the undeclared items. Accordingly, the CBP collected a mitigated penalty from the AUSA. The OIG identified two additional instances where the AUSA had failed to declare items upon reentry to the United States as required by federal law. Prosecution was declined. The AUSA retired from the USAO while the investigation was still pending. The OIG has completed its investigation and provided a report to EOUSA for review and appropriate action.
- The OIG initiated an investigation upon receipt of information from EOUSA alleging that an AUSA engaged in misconduct by making unwanted sexual advances towards three female USAO employees from different USAOs while attending training at the National Advocacy Center in Columbia, South Carolina. The AUSA's alleged misconduct included rubbing one employee's leg under a table, attempting

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to kiss a second employee, and forcibly kissing a third employee. The OIG substantiated the allegations and the AUSA admitted to the OIG that he engaged in the misconduct and stated that he was intoxicated at the time of the incidents. The OIG concluded that the AUSA's conduct violated the Executive branch-wide standards of conduct, the Attorney General's policy memorandum regarding prevention of harassment in the workplace, and the U.S. Attorney's Manual policy statement on sexual harassment, and that he exercised poor judgment. Prosecution of the AUSA was declined. The OIG has completed its investigation and provided a report to EOUSA and DOJ's Office of Professional Responsibility for appropriate action.

Top Management and Performance Challenges

The OIG has published a list of top management and performance challenges facing DOJ annually since 1998. The list is based on the OIG's oversight work, research, and judgment. By statute, the list is required to be included in DOJ's annual Agency Financial Report.

This year's list identifies nine challenges that the OIG believes represent the most pressing concerns for DOJ. While the challenges are not rank-ordered, the OIG believes that challenges in two critical areas—national security and cybersecurity—will continue to occupy much of DOJ's attention and require vigilance for the foreseeable future.

In addition, the OIG has identified two new challenges, helping to address violent crime and managing human capital while promoting diversity, as emerging issues that merit DOJ's continued attention. Meeting all of these challenges will require DOJ to develop innovative solutions and conduct careful monitoring of its efforts to achieve success.



Top Management and Performance Challenges for the Department of Justice – 2016

- Safeguarding National Security and Ensuring Privacy and Civil Liberties Protections
- Enhancing Cybersecurity in an Era of Increasing Threats
- Managing an Overcrowded Federal Prison System in an Era of Limited Budgets and Continuing Security Concerns
- Strengthening the Relationships Between Law Enforcement and Local Communities Through Partnership and Oversight
- Helping to Address Violent Crime Through Effective Management of Department Anti-Violence Programs
- Ensuring Effective Management and Oversight of Law Enforcement Programs and Promoting Public Trust
- Monitoring Department Contracts and Grants
- Managing Human Capital and Promoting Diversity With a Workforce Increasingly Eligible to Retire
- Using Performance-Based Management To Improve DOJ Programs

Detailed information about DOJ's management and performance challenges is available online [here](#).

Congressional Testimony/Legislation and Regulations

Congressional Testimony

During this reporting period, the Inspector General and Deputy Inspector General collectively testified on five occasions:

“The Need for More Timeliness and Transparency: Oversight of the Public Safety Officers’ Benefits (PSOB) Program” before the Senate Judiciary Committee on April 26, 2016. [Statement](#) of the Deputy Inspector General.

“Oversight of the Drug Enforcement Administration” before the Senate Judiciary Committee on June 22, 2016. [Statement](#) of the Inspector General.

“Firearms and Munitions at Risk: Examining Inadequate Safeguards” before the House Committee on Oversight and Government Reform on July 6, 2016. [Statement](#) of the Inspector General.

“The Department of Justice Office of Justice Programs’ Grant Management” before the House Committee on Oversight and Government Reform, Subcommittee on Government Operations on July 14, 2016. [Statement](#) of the Inspector General.

“New Orleans: How the Crescent City Became a Sanctuary City” before the House Committee on the Judiciary, Subcommittee on Immigration and Border Security on September 27, 2016. [Statement](#) of the Inspector General.



Legislation and Regulations

The IG Act directs the OIG to review proposed legislation and regulations relating to the programs and operations of DOJ. Although DOJ’s Office of Legislative Affairs reviews all proposed or enacted legislation that could affect DOJ’s activities, the OIG independently reviews proposed legislation that could affect its operations and legislation that relate to waste, fraud, or abuse in DOJ’s programs and operations. For example, during this period, the OIG reviewed legislation, including the *Bolster Accountability to Drive Government Efficiency and Reform Washington Act*, the *Inspector General Recommendation Transparency Act*, the *Intelligence Reauthorization Act for Fiscal Year 2017*, and the *Justice for All Reauthorization Act of 2016*; as well as legislative proposals relating to national security, cybersecurity, privacy, whistleblowers, and oversight of federal grants.

Whistleblower Ombudsperson Program

The last half year has continued to be a very busy time for the OIG Whistleblower Ombudsperson Program, as the OIG continues its efforts to ensure that whistleblowers are fully informed of their rights and protections when they come forward with information about suspected wrongdoing within DOJ and its programs. At the request of JMD, the OIG provided information and materials that it subsequently disseminated throughout DOJ to inform employees of whistleblower rights and protections, including making the OIG's educational video, "[Reporting Wrongdoing: Whistleblowers and their Rights and Protections](#)," required viewing for all DOJ managers and supervisors and available online for all employees, and requiring the display in offices throughout all DOJ components of informational materials including posters prepared by the OIG on whistleblowing and whistleblower retaliation, with contact information for the OIG and the OSC. The OIG Whistleblower Ombudsperson Program also prepared and arranged through JMD to have disseminated to all DOJ contractors, subcontractors, and grantees an [informational brochure](#) that outlines the rights and protections of their employees from reprisal for protected whistleblowing pursuant to the *National Defense Authorization Act of 2013*, 41 United States Code, Section 4712, as well as protections related to allegations of reprisal in actions affecting access to classified information over which the OIG has jurisdiction under Presidential Policy Directive 19 and the prohibition on using a non-disclosure agreement to limit making a protected disclosure.

Additionally, on the training front, the OIG Whistleblower Ombudsperson Program went beyond the requirements established by OSC and conducted a series of live training programs not just for all OIG managers and supervisors, but for all OIG employees in light of the importance of whistleblower rights and protections in its work. And the OIG met all other requirements for recertification by OSC under Title 5, United States Code, Section 2302(c), resulting in the OIG receiving that important recognition for another 3-year period. The OIG also continued to work with the FBI and the DOJ's Office of Attorney Recruitment and Management, which adjudicates FBI whistleblower retaliation allegations that the OIG investigates under the FBI Whistleblower Regulations, Title 28, Code of Federal Regulations, Section 27.1, et seq., to finalize revisions to the training program launched in the summer of 2015 to help ensure that FBI employees are fully informed regarding the particular requirements that apply to them under the FBI Whistleblower Regulations. Throughout this period, the OIG Whistleblower Ombudsperson Program also continued to provide advice and guidance within the OIG on the handling of allegations of reprisal for reporting wrongdoing made by FBI and other DOJ employees, and employees of DOJ contractors, subcontractors, and grantees.

The OIG Whistleblower Ombudsperson Program continued its efforts during this reporting period in acting as a liaison with other government agencies and entities, public interest groups, and others on whistleblower issues, including hosting and chairing the continued meetings of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Whistleblower Ombudsman working group. In that capacity, the OIG helped organize and participated in two round table discussions with other OIG Ombudspersons and staff from the bipartisan Senate Whistleblower Caucus, and both the Inspector General and the Deputy Inspector General/Whistleblower Ombudsperson spoke at the initial meeting of the bipartisan House Whistleblower Caucus. The OIG also partnered with OSC and the Department of Labor's Occupational Safety and Health Administration to organize and lead a celebration at the Capitol on August 1, 2016, in recognition of National Whistleblower Appreciation Day. The Inspector General spoke and served as Master of Ceremonies for this well-attended event, at which FBI Director Comey delivered keynote remarks addressing the important role of whistleblowers in government.

Whistleblower Ombudsperson Program

The OIG Whistleblower Ombudsperson program continues to work to ensure that the OIG is handling whistleblower allegations that we receive appropriately and in a timely manner, and that we are keeping whistleblowers as informed as possible regarding these important matters. The numbers of FBI whistleblower reprisal allegations received by the DOJ OIG has continued to grow – during the past 6 months, the OIG received 17 new FBI whistleblower reprisal allegations, and there were 10 pending investigations open regarding such matters as of the end of the reporting period. The general numbers with regard to employee complaints received by the OIG, complaints received from individuals identifying themselves as whistleblowers, complaints resulting in the opening of investigations by the OIG, complaints referred by the OIG to the components for investigation, and employee complaint cases closed by the OIG during the reporting period are set forth in the table below.

April 1, 2016 – September 30, 2016	
Employee complaints received ¹	262
Complainants asserting to be whistleblowers ²	17
Employee complaints opened for investigation by the OIG	81
Employee complaints that were referred by the OIG to the components for investigation	122
Employee complaint cases closed by the OIG ³	98

¹ Employee complaint is defined as an allegation received from whistleblowers, defined broadly as complaints received from employees and applicants with DOJ, or its contractors, subcontractors, or grantees, either received directly from the complainant by the OIG Hotline, the field offices, or others in the OIG, or from a DOJ component if the complaint otherwise qualifies and is opened as an investigation.

² These complainants may or may not qualify as whistleblowers under relevant laws.

³ This number reflects cases closed during the reporting period regardless of when they were opened.

Statistical Information

Audit Overview

During this reporting period, the OIG's Audit Division issued 30 internal, contract, and external audit reports, which contained more than \$5.3 million in questioned costs, reported over \$1.3 million in funds to better use, and made 170 recommendations for management improvement.¹ Specifically, the Audit Division issued 13 internal audit reports of DOJ programs funded at more than \$237 million; 4 contract audit reports funded at more than \$31.8 million; 14 external audit reports of grants, and other agreements funded at over \$290.8 million; and 38 *Single Audit Act* audits of programs funded at more than \$69.2 million. In addition, the Audit Division issued one Management Advisory Memoranda and two other reports.²

Questioned Costs ³			
Reports	Number of Reports	Total Questioned Costs (including unsupported costs)	Unsupported Costs ⁴
Audits			
No management decision made by beginning of period ⁵	0	\$0	\$0
Issued during period	23 ⁶	\$5,940,206	\$4,515,163
Needing management decision during period	23	\$5,940,206	\$4,515,163
Management decisions made during period:			
–Amount of disallowed costs ⁷	23	\$5,940,206	\$4,515,163
–Amount of costs not disallowed	0	\$0	\$0
No management decision at end of period	0	\$0	\$0
Evaluations			
Nothing to report from the Evaluation and Inspections Division.			
Special Reviews			
Nothing to report from the Oversight and Review Division.			

¹ See glossary for definition of “Questioned Costs” and “Funds Recommended to Be Put to Better Use.”

² “Other Reports” are identified in Appendix 3. Management Advisory Memoranda communicate concerns and issues to DOJ management outside of audit reports for immediate attention.

³ See glossary for definition of “Questioned Costs.”

⁴ See glossary for definition of “Unsupported Costs.”

⁵ Includes reports previously issued for which no management decision has been made. See glossary for definition of “Management Decision.”

⁶ Of the audit reports issued during this period with questioned costs, 12 were *Single Audit Act* reports.

⁷ Includes instances in which management has taken action to resolve the issue and/or the matter is being closed because remedial action was taken. See glossary for definition of “Disallowed Costs.”

Statistical Information

Funds Recommended to Be Put to Better Use¹		
Reports	Number of Reports	Funds Recommended to Be Put to Better Use
Audits		
No management decision made by beginning of period ²	0	\$0
Issued during period	3	\$1,326,705
Needing management decision during period	3	\$1,326,705
Management decisions made during period:		
–Amounts management agreed to put to better use ³	3	\$1,326,705
–Amounts management disagreed to put to better use	0	\$0
No management decision at end of period	0	\$0
Evaluations		
Nothing to report from the Evaluation and Inspections Division.		
Special Reviews		
Nothing to report from the Oversight and Review Division.		

¹ See glossary for definition of “Funds Recommended to Be Put to Better Use.”

² Reports previously issued for which no management decision has been made.

³ Includes instances in which management has taken action to resolve the issue and/or the matter is being closed because remedial action was taken.

Statistical Information

Significant Recommendations for Which Corrective Actions Have Not Been Completed			
Report Number and Date	Report Title	Rec. No.	Recommendation
Audits			
16-16 (March 2016)	Audit of the Drug Enforcement Administration's Aviation Operations with the Department of Defense in Afghanistan	10	Put the \$262,102 of MOU funds intended for ATR 500 maintenance to a better use.
GR-60-15-015 (September 2015)	Audit of the Office of Justice Programs Correctional Systems and Correctional Alternatives on Tribal Lands Program Grants Awarded to the Navajo Division of Public Safety, Window Rock, Arizona	9	Remedy \$32,034,623 in unallowable expenditures associated with excessive building sizes for Grant Numbers 2009-ST-B9-0089 and 2009-ST-B9-0100.
09-25 (May 2009)	Audit of the FBI's Terrorist Watchlist Nominations Practices	5	The OIG recommended that the FBI evaluate the overall watchlist nomination process, determine the total amount of time that is needed and can be afforded to this process, and determine how much time should be allocated to each phase of the process.
Evaluations			
16-05 (June 2016)	Review of the BOP's Contraband Interdiction Efforts	3	The OIG recommends that the BOP develop uniform guidelines and criteria for conducting random staff pat searches across all institutions that require a minimum frequency and duration for search events to ensure that appropriate numbers of staff on each shift are searched with appropriate frequency.
15-05 (May 2015)	Review of the Impact of an Aging Inmate Population on the Federal Bureau of Prisons	8	The OIG recommends that the BOP consider revising its compassionate release policy to facilitate the release of appropriate aging inmates, including by lowering the age requirement and eliminating the minimum 10 years served requirement.
15-3 (January 2015)	Review of the DEA's Use of Cold Consent Encounters at Mass Transportation Facilities	1	The OIG recommends that the DEA consider how to determine if cold consent encounters are being conducted in an impartial manner, including reinstating the collection of racial and other demographic data and how it could be used to make that assessment.
I-2014-002 (March 2014)	Review of the Organized Crime Drug Enforcement Task Forces Fusion Center	4	The OIG recommends that the OFC work with SOD to define the management and workflow responsibilities of the OSF section, including what actions the OSF section can and should take to allow appropriate information sharing between SOD and OFC and increase the intelligence value of OFC products.
Special Reviews			
E2007010 (December 2008)	An Investigation of Overtime Payments to FBI and Other Department of Justice Employees Deployed to Iraq and Afghanistan	2	DEA should issue new guidance documents governing premium pay for employees in Iraq and Afghanistan.
E2007010 (December 2008)	An Investigation of Overtime Payments to FBI and Other Department of Justice Employees Deployed to Iraq and Afghanistan	5	DEA should comply with the requirement that overtime for their employees in Iraq and Afghanistan be officially ordered, approved in writing, and actually worked. Any component decision to order and approve overtime should be of limited duration, no longer than 1 year. Any such decision, and any decision to renew the order and approval of overtime, should take into consideration costs, manpower consideration, and the results of quarterly audits.

Statistical Information

Reports Without Management Decisions for More than 6 Months		
Report Number and Date	Report Title	Report Summary
Audits		
Nothing to report from the Audit Division.		
Evaluations		
Nothing to report from the Evaluation and Inspections Division.		
Special Reviews		
Nothing to report from the Oversight and Review Division.		

Description and Explanation of the Reasons for Any Significant Revised Management Decision Made During the Reporting Period			
Report Number and Date	Report Title	Rec. No.	Recommendation
Audits			
Nothing to report from the Audit Division.			
Evaluations			
Nothing to report from the Evaluation and Inspections Division.			
Special Reviews			
Nothing to report from the Oversight and Review Division.			

Significant Recommendations in Disagreement for More than 6 Months			
Report Number and Date	Report Title	Rec. No.	Recommendation
Audits			
GR-60-15-015	Audit of the Office of Justice Programs Correctional Systems and Correctional Alternatives on Tribal Lands Program Grants Awarded to the Navajo Division of Public Safety, Window Rock, Arizona	8	Remedy \$290,116 in unallowable expenditures associated with planning grants for Grant Numbers 2008-IP-BX-0036 and 2009-IP-BX-0074.
		9	Remedy \$32,034,623 in unallowable expenditures associated with excessive building sizes for Grant Numbers 2009-ST-B9-0089 and 2009-ST-B9-0100.
Evaluations			
Nothing to report from the Evaluation and Inspections Division.			
Special Reviews			
Nothing to report from the Oversight and Review Division.			

Statistical Information

Audit Follow-up

OMB Circular A-50

OMB Circular A-50, *Audit Follow-up*, 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, 2016, the Audit Division was monitoring the resolution process of 255 open reports and closed 121 reports this reporting period.

Evaluation and Inspections Workload and Accomplishments

The following chart summarizes the workload and accomplishments of the Evaluation and Inspections Division during the 6-month reporting period ending September 30, 2016.¹

Workload and Accomplishments	Number of Reviews
Reviews active at beginning of period	13
Reviews cancelled	0
Reviews initiated	3
Final reports issued	5
Reviews active at end of reporting period	10

Investigations Statistics

The following chart summarizes the workload and accomplishments of the Investigations Division during the 6-month period ending September 30, 2016.

Source of Allegations ²	
Hotline (telephone, mail and e-mail)	2,632
Other sources	3,343
Total allegations received	5,975
Investigative Caseload	
Investigations opened this period	153
Investigations closed this period	172
Investigations in progress as of 9/30/16	452
Prosecutive Actions	
Criminal Indictments/Informations	36
Arrests	44
Convictions/Pleas	45
Administrative Actions	
Terminations	34
Resignations	35
Disciplinary action	77
Monetary Results	
Fines/Restitutions/Recoveries/ Assessments/Forfeitures	\$686,286.49
Civil Fines/Restitutions/Recoveries/ Penalties/Damages/Forfeitures	\$235,322.00

¹ Note: One outstanding recommendation that was being administratively tracked was closed during this time period, due to the initiation of a new review which encompassed the substance of the recommendation.

² These figures represent allegations entered into the OIG's complaint tracking system. They do not include the approximate 39,400 additional Hotline e-mail and phone contacts that were processed and deemed non-jurisdictional and outside the purview of the federal government.

Statistical Information

Investigations Division Briefing Programs

OIG investigators conducted 21 Integrity Awareness Briefings throughout the country. These briefings are designed to educate DOJ employees, contractors, grantees, and other stakeholders about the misuse of a public official's position or federal monies and to deter individuals from committing such offenses. The briefings reached 1,075 employees, contractors, grantees, and other stakeholders.

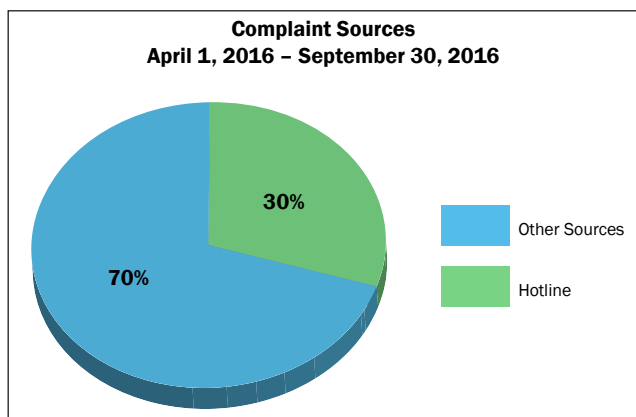
OIG Hotline

During FY 2016, the OIG received the majority of its Hotline complaints through its electronic complaint form located [here](#).

In addition, DOJ employees and citizens are able to file complaints by telephone, fax, e-mail, and postal mail. The online access, e-mail, fax, and postal mail all provide the ability to file a complaint in writing to the OIG.

From all Hotline sources during the second half of FY 2016, 2,632 new complaints related to DOJ operations or other federal agencies were entered into the OIG's complaint tracking system. Of the new complaints, 1,847 were forwarded to various DOJ components for their review and appropriate action; 262 were filed for information; 406 were forwarded to other federal agencies; and 14 were opened by the OIG for investigation.

Approximately, 39,400 additional Hotline e-mail and phone contacts were processed and deemed non-jurisdictional and outside the purview of the federal government and therefore were not entered into the OIG' complaint tracking system.



Source: Investigations Data Management System

Appendices

Appendix 1

Acronyms and Abbreviations

AP	Associated Press
ASAC	Assistant Special Agent in Charge
ATF	Bureau of Alcohol, Tobacco, Firearms and Explosives
AUSA	Assistant U.S. Attorney
BIA	Bureau of Indian Affairs
BJA	Bureau of Justice Assistance
BJS	Bureau of Justice Statistics
BOP	Federal Bureau of Prisons
CIGIE	Council of the Inspectors General on Integrity and Efficiency
COPS	Office of Community Oriented Policing Services
CVF	Crime Victims Fund
DAG	Deputy Attorney General
DEA	Drug Enforcement Administration
DHS	U.S. Department of Homeland Security
DOD	U.S. Department of Defense
DOJ	U.S. Department of Justice
DOL	U.S. Department of Labor
EDWI	Eastern District of Wisconsin
EOUSA	Executive Office for U.S. Attorneys
FBI	Federal Bureau of Investigation
FISA	<i>Foreign Intelligence Surveillance Act of 1978</i>
FISMA	<i>Federal Information Security Management Act</i>
FY	Fiscal Year
IG Act	<i>Inspector General Act of 1978</i>
JMD	Justice Management Division
NIJ	National Institute of Justice
NSD	National Security Division
ODAG	Office of the Deputy Attorney General
OIG	Office of the Inspector General
OJP	Office of Justice Programs
OJJDP	Office of Juvenile Justice and Delinquency Prevention
OLC	Office of Legal Counsel
OMB	Office of Management and Budget
OSC	Office of Special Counsel
OVC	Office for Victims of Crime
OVW	Office on Violence Against Women
Patriot Act	<i>Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act</i>
RPP	Release Preparation Program
RRC	Residential Reentry Center
State	U.S. Department of State
TFO	Task Force Officer
Treasury	U.S. Department of the Treasury

Appendices

USAO
USMS
VA

U.S. Attorneys' Offices
U.S. Marshals Service
U.S. Department of Veterans Affairs

Appendices

Appendix 2

Glossary of Terms

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

Asset Forfeiture: The seizure and forfeiture of assets that represent the proceeds of federal crimes or were used to facilitate federal crimes. This practice seeks to enhance public safety and security by removing assets that criminals and their associates rely on to perpetuate their criminal activity.

Clemency: Inmates may apply for clemency, or pardon, if they meet the following criteria: they are currently serving a federal sentence in prison and, by operation of law, likely would have received a substantially lower sentence if convicted of the same offense(s) today; they are non-violent, low-level offenders without significant ties to large scale criminal organizations, gangs, or cartels; they have served at least 10 years of their prison sentence; they do not have a significant criminal history; they have demonstrated good conduct in prison; and they have no history of violence prior to or during their current term of imprisonment.

Contraband: Contraband in correctional facilities includes illegal items, such as drugs and weapons, or items prohibited in a correctional facility, such as cell phones. Prison staff needs to be able to detect and confiscate contraband quickly to prevent drug abuse, violence, and further crimes.

Cooperative Agreement: Term used to describe when the awarding agency expects to be substantially involved with the award's activities; often used interchangeably with "grant."

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

Disallowed Cost: The IG Act defines "disallowed cost" as a questioned cost that management, in a management decision, has sustained or agreed should not be charged to the government.

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

Funds Recommended to Be Put to Better Use: Recommendation by the OIG that funds could be used more efficiently if management of an entity took actions to start 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.

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

Management Decision: The IG Act defines "management decision" as the evaluation by the management of an establishment of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary.

Appendices

Medicare: The federal health insurance program for people who are 65 or older, certain younger people with disabilities, and people with End-Stage Renal Disease.

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.

Release Preparation Program: The BOP provides inmates with a variety of educational, vocational, recreational, religious, and psychological programs to prepare each inmate to successfully reenter the community and the workforce and to reduce recidivism.

Single Audit Act Audits: *Single Audit Act* audits are performed by public accountants or a federal, state or local government audit organization in accordance with generally accepted government auditing standards. They are intended to determine whether the financial statements and schedule of expenditures of federal awards are presented fairly, to test internal controls over major programs, to determine whether the grant recipient is in compliance with requirements that may have a direct and material effect on each of its major programs, and to follow up on prior audit findings. These audits are required to be performed for organizations that expend \$500,000 or more in federal awards in accordance with the *Single Audit Act of 1984*, as amended, and OMB Circular A-133.

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

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

Tribal Law and Order Act: The *Tribal Law and Order Act* helps to address crime in tribal communities and places a strong emphasis on decreasing violence against American Indian and Alaska Native women. The law enhances tribes' authority to prosecute and punish criminals; expands efforts to recruit, train, and retain BIA and Tribal police officers; and provides BIA and Tribal police officers with greater access to criminal information sharing databases.

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.

Appendices

Appendix 3

Audit Division Reports

Internal Audit Reports

Multicomponent

Audit of the Department's Use of Pretrial Diversion and Diversion-Based Court Programs as Alternatives to Incarceration

Audit of the Handling of Firearms Purchase Denials Through the National Instant Criminal Background Check System

Drug Enforcement Administration

Audit of the Drug Enforcement Administration's Management and Oversight of its Confidential Source Program

Federal Bureau of Investigation

Audit of the Federal Bureau of Investigation's Cyber Threat Prioritization

United States Marshals Service

Audit of the United States Marshals Service's Detention Services Network Pursuant to the *Federal Information Security Modernization Act* Fiscal Year 2015

Audit of the United States Marshals Service's Information Security Program Pursuant to the *Federal Information Security Modernization Act* Fiscal Year 2015

Other Department Components

Audit of the Executive Office for United States Attorneys' Enterprise Vulnerability Management System Pursuant to the *Federal Information Security Modernization Act* Fiscal Year 2015

Audit of the Executive Office for United States Attorneys' Information Security Program Pursuant to the *Federal Information Security Modernization Act* Fiscal Year 2015

Audit of the Justice Management Division's Information Security Program Pursuant to the *Federal Information Security Modernization Act* Fiscal Year 2015

Audit of the Justice Management Division's Information Security Technology Application Suite Pursuant to the *Federal Information Security Modernization Act* Fiscal Year 2015

Follow-Up Audit of the Department of Justice's Implementation of and Compliance with Certain Classification Requirements

Audit of the National Security Division's Enforcement and Administration of the *Foreign Agents Registration Act*

Contract Audit Reports

Federal Bureau of Investigation

Audit of the Federal Bureau of Investigation's Fuel Procurement Contracts Awarded to the Petroleum Traders Corporation

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Federal Bureau of Prisons

Audit of the Federal Bureau of Prisons Residential Reentry Center Contract No. DJB200143 Awarded to Liberty Management Services, Inc., Philadelphia, Pennsylvania

Audit of the Federal Bureau of Prisons Residential Reentry Center Contract No. DJB200113 Awarded to Mirror, Inc., Wichita, Kansas

United States Marshals Service

Audit of the United States Marshals Service's Judicial Facility Security Program Task Order DJM-13-A32-D-0066 Awarded to Akal Security, Inc.

External Audit Reports

California

Audit of the Office of Justice Programs Human Trafficking and the Office on Violence Against Women Legal Assistance Awards to the Asian Pacific Islander Legal Outreach, San Francisco, California

Delaware

Audit of the Office of Justice Programs Office for Victims of Crime Grants Awarded to the Delaware Criminal Justice Council, Wilmington, Delaware

District of Columbia

Audit of the Office of Justice Programs Office of Juvenile Justice and Delinquency Prevention Awards to the National Children's Alliance, Washington, D.C.

Florida

Audit of the Office on Violence Against Women Grant and Office for Victims of Crime Cooperative Agreement Awarded to Gulfcoast Legal Services, St. Petersburg, Florida

Georgia

Audit of Contracts Awarded by the Boys and Girls Clubs of America, Inc. Using Office of Justice Programs Grant Funds

Indiana

Audit of the Floyd County Sheriff's Department Equitable Sharing Program Activities, New Albany, Indiana

Iowa

Audit of the Office of Justice Programs Victim Assistance and Victim Compensation Formula Grants Awarded to the Iowa Department of Justice, Office of the Attorney General, Crime Victims Assistance Division, Des Moines, Iowa

Kentucky

Audit of the Metro Narcotics Task Force's Equitable Sharing Program Activities, Louisville, Kentucky

Minnesota

Audit of the Office of Justice Programs Cooperative Agreement Awarded to the Minnesota Council on Crime and Justice, Minneapolis, Minnesota

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Missouri

Audit of the Office on Violence Against Women Grant to Encourage Arrest Policies and Enforcement of Protection Orders Awarded to the City of Independence, Missouri

Nebraska

Audit of the Office on Violence Against Women Tribal Government and Rural Domestic Violence Grants Awarded to the Ponca Tribe of Nebraska, Niobrara, Nebraska

North Dakota

Audit of the Office of Justice Programs Awards to the University of North Dakota, Grand Forks, North Dakota

Rhode Island

Audit of Office of Justice Programs National Institute of Justice Cooperative Agreements Awarded to the University of Rhode Island, Kingston, Rhode Island

South Dakota

Audit of the Office on Violence Against Women Tribal Domestic Violence and Sexual Assault Coalition Program Grants Awarded to the Native Women's Society of the Great Plains, Eagle Butte, South Dakota

Single Audit Act Reports of DOJ Activities

Adams County, Wisconsin FY 2014

Akiak Native Community, Akiak, Alaska FY 2014

City of Albuquerque, New Mexico FY 2015

American University, Washington, D.C. FY 2015

City of Atlanta, Georgia FY 2015

City of Aurora, Illinois FY 2014

City of Azusa, California FY 2015

Chatham County, Georgia FY 2015

Cherokee County, Georgia FY 2015

City of Chicago, Illinois FY 2014

Clackamas Women's Services, Oregon City, Oregon FY 2015

City of Compton, California FY 2013

City of Costa Mesa, California FY 2015

Cuyahoga County, Ohio FY 2014

County of Delaware, Pennsylvania FY 2014

Douglas County, Nevada FY 2015

City of East Palo Alto, California FY 2015

Engility Corporation, Chantilly, Virginia FY 2014

County of Franklin, New York FY 2014

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City of Gardena, California FY 2015
Margolis, Healy & Associates, LLC, Burlington, Vermont FY 2014
Maricopa County, Arizona FY 2015
City of Middletown, Ohio FY 2014
Minnesota Coalition Against Sexual Assault, Saint Paul, Minnesota FY 2015
National Center for Victims of Crime, Washington, D.C. FY 2014
Network for Victim Recovery of DC, Washington, D.C. FY 2015
New Mexico Corrections Department, Santa Fe, New Mexico FY 2015
Osage County, Oklahoma FY 2011
City of Pine Bluff, Arkansas FY 2014
Puerto Rico Police, San Juan, Puerto Rico FY 2015
City of San Bernardino, California FY 2013
County of San Bernardino, California FY 2015
South Dakota Network Against Family Violence, Sioux Falls, South Dakota FYs 2014 and 2015
Village of South Holland, Illinois FY 2015
City of Waukegan, Illinois FY 2015
Charter County of Wayne, Michigan FY 2015
Woodbury County, Iowa FY 2015
City of Woodland, California FY 2013

Other Reports

Examination of the U.S. Department of Justice's Fiscal Year 2015 Compliance under the *Improper Payments Elimination and Recovery Act of 2010*

Report on the Department of Justice's Cybersecurity Logical Access Controls and Data Security Management Practices Pursuant to the *Cybersecurity Act of 2015*, Section 406, Federal Computer Security

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Appendix 4

Quantifiable Potential Monetary Benefits

Audit Report	Questioned Costs (including unsupported costs)	Unsupported Costs	Funds Put to Better Use
Audits Performed by the DOJ OIG			
Audit of the Office of Justice Programs Human Trafficking and the Office on Violence Against Women Legal Assistance Awards to the Asian Pacific Islander Legal Outreach, San Francisco, California	\$500,000	\$500,000	\$455,000
Audit of the Office of Justice Programs Office of Juvenile Justice and Delinquency Prevention Awards to the National Children's Alliance Washington, D.C.	\$30,700	\$3,700	\$269,346
Audit of the Office on Violence Against Women Grant and Office for Victims of Crime Cooperative Agreement Awarded to Gulfcoast Legal Services, St. Petersburg, Florida	\$753,158	\$100,211	\$0
Audit of Contracts Awarded by the Boys and Girls Clubs of America, Inc. Using Office of Justice Programs Grant Funds	\$2,962,932	\$2,962,932	\$0
Audit of the Floyd County Sheriff's Department Equitable Sharing Program Activities, New Albany, Indiana	\$119,320	\$119,320	\$0
Audit of the Federal Bureau of Prisons Residential Reentry Center Contract No. DJB200113 Awarded to Mirror, Inc., Wichita, Kansas	\$9,636	\$0	\$0
Audit of the Office of Justice Programs Cooperative Agreement Awarded to the Minnesota Council on Crime and Justice, Minneapolis, Minnesota	\$424,334	\$118,685	\$602,359
Audit of the Office on Violence Against Women Tribal Government and Rural Domestic Violence Grants Awarded to the Ponca Tribe of Nebraska, Niobrara, Nebraska	\$138,207	\$59,054	\$0
Audit of the Office of Justice Programs Awards to the University of North Dakota, Grand Forks, North Dakota	\$2,191	\$0	\$0
Audit of Office of Justice Programs National Institute of Justice Cooperative Agreements Awarded to the University of Rhode Island, Kingston, Rhode Island	\$266,374	\$227,985	\$0
Audit of the Office on Violence Against Women Tribal Domestic Violence and Sexual Assault Coalition Program Grants Awarded to the Native Women's Society of the Great Plains, Eagle Butte, South Dakota	\$173,124	\$130,798	\$0
Subtotal (Audits Performed by the DOJ OIG)	\$5,379,976	\$4,222,685	\$1,326,705

Appendices

Audit Report	Questioned Costs (including unsupported costs)	Unsupported Costs	Funds Put to Better Use
Audits Performed by State/Local Auditors and Independent Public Accounting Firms Under the <i>Single Audit Act</i>¹			
Akiak Native Community, Akiak, Alaska FY 2014	\$13,435	\$13,435	\$0
City of Albuquerque, New Mexico FY 2015	\$57,649	\$0	\$0
Douglas County, Nevada FY 2015	\$25,238	\$0	\$0
City of East Palo Alto, California FY 2015	\$54,923	\$54,923	\$0
County of Franklin, New York FY 2014	\$73,329	\$73,329	\$0
Margolis, Healy & Associates, LLC, Burlington, Vermont FY 2014	\$36,628	\$0	\$0
City of Middletown, Ohio FY 2014	\$137,558	\$24,888	\$0
City of Pine Bluff, Arkansas FY 2014	\$44,115	\$12,540	\$0
Puerto Rico Police, San Juan, Puerto Rico FY 2015	\$3,772	\$0	\$0
City of San Bernardino, California FY 2013	\$90,215	\$90,215	\$0
South Dakota Network Against Family Violence, Sioux Falls, South Dakota FYs 2014 and 2015	\$220	\$0	\$0
Charter County of Wayne, Michigan FY 2015	\$23,148	\$23,148	\$0
Subtotal (Audits Performed by State/Local Auditors and Independent Public Accounting Firms Under the <i>Single Audit Act</i>)	\$560,230	\$292,478	\$0
Total	\$5,940,206	\$4,515,163	\$1,326,705

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.

Appendices

Appendix 5

Evaluation and Inspections Division Reports

Review of the Federal Bureau of Prisons' Untimely Releases of Inmates

Review of the Federal Bureau of Prisons' Reimbursement Rates for Outside Medical Care

Review of the Federal Bureau of Prisons' Contraband Interdiction Efforts

Review of the Federal Bureau of Prisons' Monitoring of Contract Prisons

Review of the Federal Bureau of Prisons' Release Preparation Program

Oversight and Review Division Reports

A Review of Certain *Public Safety Officers' Benefits Act* Claim Determinations by the Director of the Bureau of Justice Assistance, Office of Justice Programs

A Review of the FBI's Use of Section 215 Orders for Business Records in 2012 through 2014

Review of Conduct by Former U.S. Attorney James L. Santelle

A Review of ATF's Undercover Storefront Operations

A Review of the FBI's Impersonation of a Journalist in a Criminal Investigation

Appendices

Appendix 6

Peer Reviews

Peer Reviews Conducted by Another OIG

Audit Division

The most recent peer review of the Audit Division was performed by the Treasury OIG. In its report issued March 28, 2016, the DOJ OIG received a peer review rating of *pass* for its system of quality control for FY 2015. The Treasury OIG did not make any recommendations.

Investigations Division

The most recent peer review of the Investigations Division was performed by the Department of Labor (DOL OIG) in March 2013. The DOL OIG found that the DOJ OIG is in full compliance of its internal safeguards and management procedures. The DOL OIG did not make any recommendations. The DOD OIG will conduct the next peer review of the DOJ OIG between November 2016 and January 2017.

Outstanding Recommendations from Peer Reviews of the OIG

There are no outstanding recommendations from peer reviews of the OIG.

Peer Reviews Conducted by the OIG

Audit Division

At the request of CIGIE, the DOJ OIG Audit Division initiated a peer review of the VA OIG for the 2015 cycle. The objective is to determine whether, for the period under review, the audit organization's system of quality control was suitably designed and whether the audit organization is complying with its quality control system to provide it with reasonable assurance of conformance with applicable professional standards. As applicable, the peer review will also determine whether controls over monitoring of contracted audits performed by Independent Public Accountants are suitably designed and complied with.

Investigations Division

In accordance with the schedule established by CIGIE, the DOJ OIG Investigations Division conducted a peer review of the system of internal safeguards and management procedures for the investigative function of the Social Security Administration OIG. The DOJ OIG's review was conducted in conformity with the CIGIE Quality Standards for Investigations and the Quality Assessment Review guidelines established by CIGIE.

In the DOJ OIG's opinion, the system of internal safeguards and management procedures for the investigative function of the Social Security Administration OIG in effect for the period ending June 30, 2016, is in compliance with the quality standards established by the President's Council on Integrity & Efficiency and the Executive Council on Integrity & Efficiency, CIGIE, and the Attorney General Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority. These safeguards and procedures provide reasonable assurance of agents conforming to professional standards in the conduct of their investigations.

Outstanding Recommendations from Peer Reviews Conducted by the OIG

There are no outstanding recommendations from peer reviews conducted by the OIG.

Appendices

Appendix 7

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	72
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	18-70
Section 5(a)(2)	Significant Recommendations for Corrective Actions	18-70
Section 5(a)(3)	Significant Recommendations for Which Corrective Actions Have Not Been Completed	77
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	29-32, 40-42, 45-46, 48-50, 53-54, 59-62, 67, 69-70
Section 5(a)(5)	Refusal to Provide Information	None
Section 5(a)(6)	Listing of Audit Reports	85-88
Section 5(a)(7)	Summary of Significant Reports	18-70
Section 5(a)(8)	Questioned Costs	75
Section 5(a)(9)	Funds Recommended to Be Put to Better Use	76
Section 5(a)(10)	Reports Without Management Decisions for More than 6 Months	78
Section 5(a)(11)	Description and Explanation of the Reasons for Any Significant Revised Management Decision Made During the Reporting Period	78
Section 5(a)(12)	Significant Recommendations in Disagreement for More than 6 Months	78
Section 5(a)(14)	Peer Reviews Conducted by Another OIG	92
Section 5(a)(15)	Outstanding Recommendations from Peer Reviews of the OIG	92
Section 5(a)(16)	Outstanding Recommendations from Peer Reviews Conducted by the OIG	92

Report Waste, Fraud, Abuse, or Misconduct

To report allegations of waste, fraud, abuse, or misconduct regarding DOJ programs, employees, contractors, or grants, please go to the OIG website at oig.justice.gov or call the OIG's Hotline at (800) 869-4499.

The OIG website has complaint forms that allow you to report the following to the OIG:

- General allegations of fraud, waste, and abuse in DOJ programs or by DOJ employees;
- 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 DOJ's award of Recovery Act funds; and
- Violations of civil rights or civil liberties by DOJ employees.

To give information by mail or facsimile, please send to:

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

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

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