

**FEMA Prematurely Obligated
\$478 Million in Public
Assistance Funds from
FY 2017 through FY 2019**





OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

August 17, 2021

MEMORANDUM FOR: The Honorable Deanne Criswell
Administrator
Federal Emergency Management Agency

FROM: Joseph V. Cuffari, Ph.D. *Glenn Sklar for*
Inspector General

SUBJECT: *FEMA Prematurely Obligated \$478 Million in Public Assistance Funds from FY 2017 through FY 2019*

For your action is our final report, *FEMA Prematurely Obligated \$478 Million in Public Assistance Funds from FY 2017 through FY 2019*. We incorporated formal comments provided by your office.

The report contains two recommendations aimed at improving the Federal Emergency Management Agency's program effectiveness related to the Strategic Funds Management initiative. Your office concurred with both recommendations. Based on information provided in your response to the draft report, we consider recommendations 1 and 2 open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts. Please send your response or closure request to OIGAuditsFollowup@oig.dhs.gov.

Consistent with our responsibility under the *Inspector General Act of 1978, as amended*, we will provide copies of our report to congressional committees with oversight and appropriations responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Bruce Miller, Deputy Inspector General for Audits, at (202) 981-6000.

cc: Associate Administrator, Office of Policy and Policy Analysis, FEMA



DHS OIG HIGHLIGHTS

FEMA Prematurely Obligated \$478 Million in Public Assistance Funds from FY 2017 through FY 2019

August 17, 2021

Why We Did This Audit

In 2012, FEMA implemented SFM to improve Disaster Relief Fund resource management to meet present and future disaster funding requirements. SFM focuses on obligating estimated Public Assistance project funding based on subrecipients' capacity, resources, and schedule to execute the work. We conducted this audit to determine to what extent FEMA's use of its SFM initiative ensures that funds are obligated in accordance with Federal, Department, and component requirements.

What We Recommend

We made two recommendations that, when implemented, should improve FEMA's management and oversight of the Disaster Relief Fund.

For Further Information:

Contact our Office of Public Affairs at (202) 981-6000, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov

What We Found

The Federal Emergency Management Agency (FEMA) did not use its Strategic Funds Management (SFM) initiative to ensure Public Assistance (PA) funds were obligated in accordance with Federal, Department, and component requirements. Specifically, FEMA fully obligated PA funds for 83 projects from fiscal years 2017 through 2019 that we reviewed, even though the subrecipients did not need the funding until after 180 days, which made them eligible for incremental obligation under SFM.

This occurred because FEMA did not provide adequate oversight to its Regions. FEMA relied on the Regions' decisions to determine whether subrecipients' projects were eligible for SFM funding, without ensuring there was sufficient supporting documentation to validate the determinations. FEMA also could not provide documentation to support an overall headquarters-level review of the SFM process. Finally, FEMA has not updated its SFM standard operating procedures since issuing them in December 2012.

Because it did not provide adequate oversight or update its procedures to ensure it used SFM to properly obligate funds, FEMA prematurely obligated \$478 million in PA funds for subrecipients who, on average, did not request funds until 563 days after obligation. This increases the risk of projects being over obligated. As a result, FEMA is not meeting the intent of SFM, which is to better manage resources in the Disaster Relief Fund, to fulfill present and future disaster funding requirements.

FEMA Response

FEMA concurred with our recommendations. Appendix A contains FEMA's management response in its entirety.



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Background

The Federal Emergency Management Agency (FEMA) has the dual mission of emergency management and civil defense. FEMA is composed of operational and programmatic components, as well as 10 regional offices, with responsibility for mitigation, response, and recovery from natural and manmade disasters. Figure 1 shows FEMA's regional structure.

Figure 1. FEMA Regional Structure



Source: FEMA.gov

The *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, Pub. L. No. 93-288, *as amended*, authorizes the President to declare a major disaster in response to a governor's or tribal nation leader's request for Federal assistance, primarily through the Disaster Relief Fund (DRF). The DRF provides financial assistance to states, territories, and local communities that is intended to help repair or replace roads, buildings, bridges, or public utilities after a major disaster occurs.

Funded annually, the DRF consists of "no year" funds, meaning any unused funds from the previous fiscal year (if available) are carried over to the next fiscal year. When a catastrophic incident threatens to deplete the DRF, the President submits a request to Congress for supplemental appropriations. Congress has provided additional funding through both annual and supplemental appropriations to replenish the DRF account.

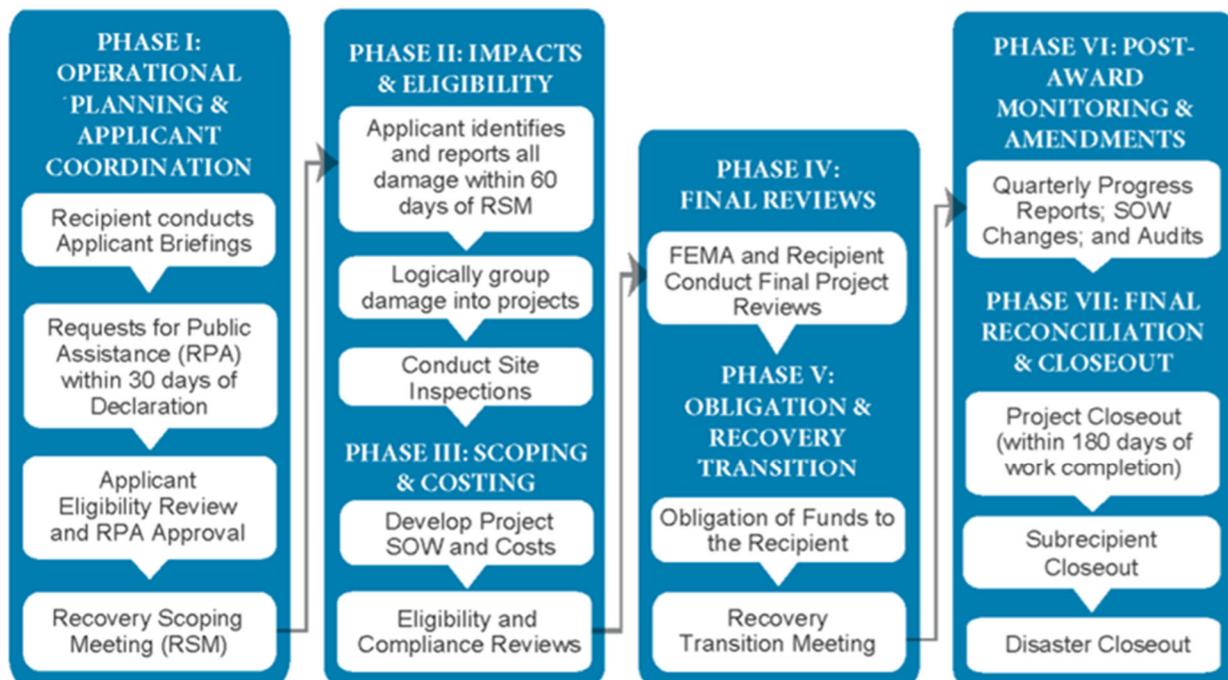


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The Public Assistance (PA) program is FEMA’s largest grant program providing funds from the DRF to assist communities responding to and recovering from major disasters or emergencies declared by the President. The PA program provides funding for emergency assistance to save lives and protect property and assists with funding for permanently restoring community infrastructure affected by a federally declared incident. Figure 2 explains the PA program delivery process.

Figure 2. PA Program Delivery Process



Source: FEMA Public Assistance Program and Policy Guide

Congressional Guidance

The *Budget Control Act of 2011*, Pub. L. No. 112-25, recognizes the unexpected nature of disasters and the periodic need for disaster relief funding beyond what is envisioned in the budget. Congress changed its approach to spending on major disasters, allowing for a less crisis-driven approach to providing relief funding in the immediate wake of an incident and providing more transparency into Federal disaster relief spending. The Act enforces discretionary spending limits provided for a fiscal year through appropriation for disaster relief, based on the average funding provided for disaster relief during the previous 10 years, excluding the greatest and lowest annual amounts.

To avoid shortfalls beyond its annual appropriations, Congress provides supplemental appropriations to the DRF when its balance is deemed insufficient to provide for assistance and recovery projects. Using



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supplemental appropriations for disaster assistance has been a congressional concern because, traditionally, supplemental appropriations are designated as emergency appropriations and allow spending beyond discretionary limits.

The *Department of Homeland Security Appropriations Act, 2015*, Pub. L. No. 114-4, initiated the requirement for the FEMA Administrator to provide Congress a report (Spend Plan) each month on the DRF, with a funding summary, DRF activities by state and event, funding for catastrophic events, and an estimate of the date when the funds will be exhausted.

DRF Solvency and Strategic Funds Management Initiative

Because of prior major hurricane disasters, in 2011, FEMA faced a potential depletion of the DRF. Historically, when DRF funds were near depletion, FEMA implemented Immediate Needs Funding (INF), which allowed it to divert funds from long-term projects to immediate, lifesaving recovery efforts, such as emergency work for debris removal, emergency protective measures, and removal of health and safety hazards. Since 2011, FEMA officials worked towards improving DRF management and solvency without having to implement INF. FEMA recognized that certain projects might be more suitable for incremental obligation, without fully funding the total obligation for the PA project.

Immediate Needs Funding allows FEMA to divert funds from long-term projects to focus on immediate, lifesaving response and recovery efforts. INF is a stopgap measure when the Disaster Relief Fund is low.

As part of this continuing effort to improve DRF management, in 2012, FEMA implemented the Strategic Funds Management (SFM) initiative as a standard business practice, to more effectively and efficiently meet the needs of eligible subrecipients. Historically, FEMA obligated full PA project funding as soon as it approved the Project Worksheet (PW), even when the subrecipient did not expect to expend the funds for an extended period. SFM focuses on obligating PA project funding based on a subrecipient's capacity, resources, and schedule to execute the work. SFM applies to large permanent work projects exceeding \$1 million Federal share for which the subrecipient will not require funds until more than 180 days after FEMA determines the scope of work (SOW) to be eligible.

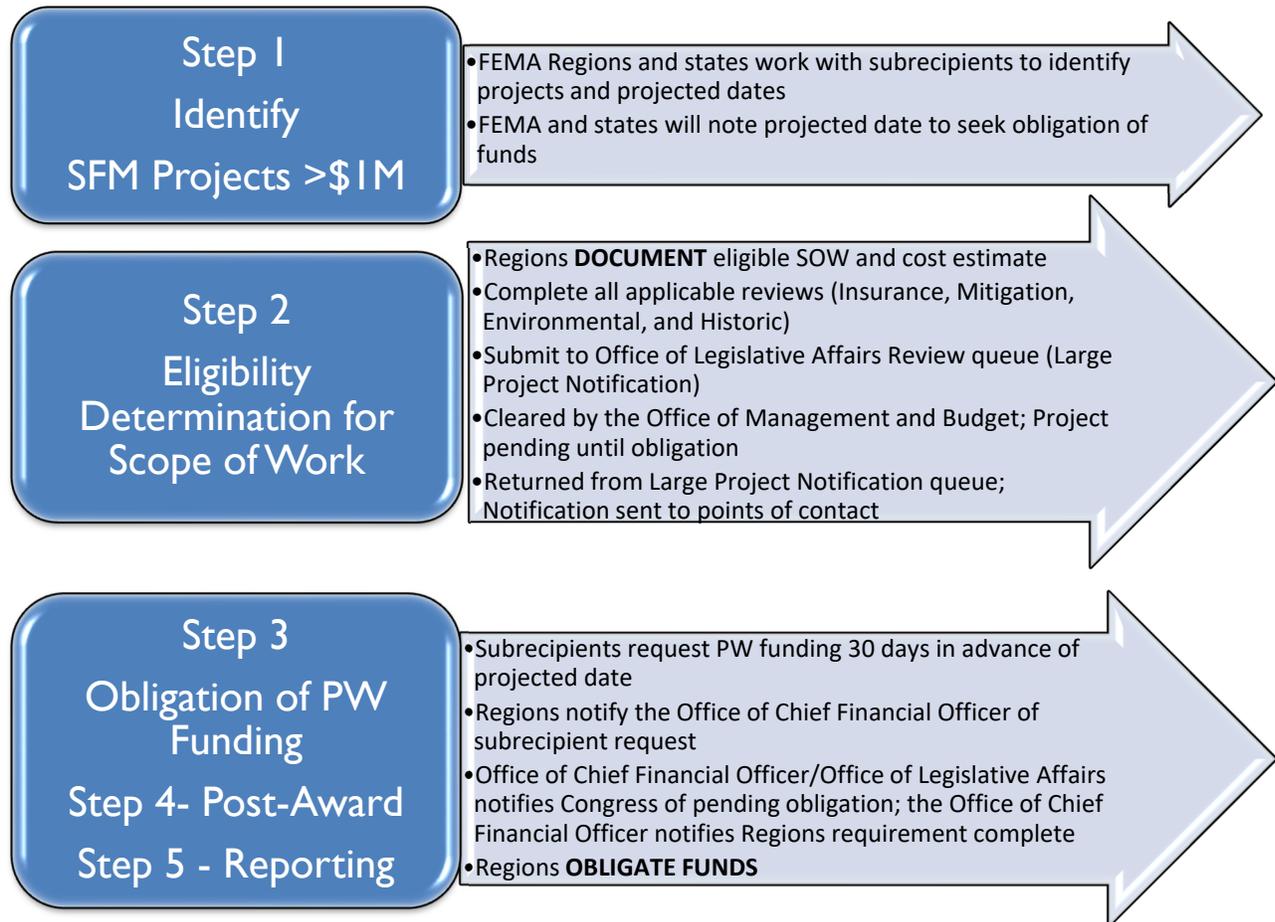
SFM allows FEMA to rapidly review projects, prepare an eligible SOW, approve the PW, obligate funding, and support the subrecipient's readiness to carry out the project according to the project schedule. FEMA and state PA officials work with subrecipients to identify projects that are appropriate for SFM, explain to the subrecipient the obligation process for SFM project funding, and agree to a projected date on which the subrecipient will need funding for the project. The SFM process enhances the management and use of DRF resources. Figure 3



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shows implementation steps from FEMA’s 2012 *FEMA Recovery Standard Operating Procedure* (SOP) for SFM.

Figure 3. Strategic Funds Management Implementation Steps



Source: *FEMA Recovery Standard Operating Procedure, SOP 9570.24 – Strategic Funds Management – Implementation Procedures for the Public Assistance Program, December 21, 2012*

We performed this audit to determine to what extent FEMA’s use of its SFM initiative ensures that funds are obligated in accordance with Federal, Department, and component requirements.



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Results of Audit

FEMA Did Not Use Its SFM Initiative to Ensure PA Funds Were Obligated in Accordance with Federal, Department, and Component Requirements

FEMA implemented SFM to focus on obligating PA funds based on the subrecipient’s capacity, resources, and schedule to execute the work, as well as to better meet each subrecipient’s recovery needs. SFM is designed to ensure FEMA obligates funds for eligible projects to meet project schedules. Implementation of SFM enhances the management and use of DRF resources consistent with appropriations and the *Budget Control Act of 2011*, and helps avoid restricting funding for other projects that may occur when FEMA implements INF.

However, FEMA did not ensure PA funds were obligated in accordance with Federal, Department, and component requirements, because it obligated PA funds to projects it should have incrementally funded under SFM.

During fiscal years 2017 through 2019, FEMA obligated \$5.4 billion in PA funds to 709 permanent work projects for Regions II, IV, and VI. See Table 1 for details of our audit universe of projects and the projects we selected for testing.

Table 1. Audit Universe of PA-funded Projects and Sample Projects, FYs 2017–2019

	Number of Projects	Project Amount	Federal Share Obligated
Audit Universe of Projects	709	\$ 6,048,210,977	\$ 5,412,728,965
Sample Projects Tested	197	1,476,230,909	1,320,000,603
Sample Projects Eligible for SFM	83	521,038,595	477,744,497

Source: DHS Office of Inspector General (OIG) analysis of PW data from FYs 2017 through 2019

Subrecipients who do not require funds within 180 days after FEMA determines the SOW is eligible are eligible for SFM funding for permanent repair projects. We statistically sampled 197 PA-funded projects and found that 83 did not need funding within 180 days. Thus, FEMA could have used SFM for those 83 projects. Table 2 shows the results of our testing and our statistical inference to the audit universe of projects.



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Table 2. Statistical Inference to Audit Universe of Projects

Funding Needed in 180 days	Project Worksheets Tested	Percent	Population Based on Statistical Inference
Yes	114	57.9%	411 (=0.579*709)
No	83	42.1%	298 (=0.421*709)
Total	197	100%	709

Source: DHS OIG analysis of PW data from FYs 2017 through 2019

Based on our statistical sample, we inferred that 298, or 42 percent, of the 709 projects in the sampling universe met the SFM criteria because they did not require funding before 180 days. By comparing the obligation date of the projects to the first drawdown¹ date for funds, we found that, on average, subrecipients requested funds 563 days after obligation, significantly surpassing the 180-day criterion.

Obligating funding to PA projects before funding is required does not comply with the SFM SOP, which states SFM is FEMA’s process for obligating PA project funding based on a subrecipient’s schedule to execute the eligible work. Prematurely obligating funds to projects is not consistent with SFM’s intent to incrementally obligate project funds when subrecipients will use them.

SFM will allow FEMA to approve the PW and obligate funding consistent with the DRF appropriation process and with the subrecipient’s readiness to carry out the project in accordance with the project schedule.

FEMA Did Not Provide Adequate Oversight of the SFM Initiative

FEMA did not ensure that the Regions obligated PA funds in accordance with Federal, Department, and component requirements, because FEMA did not provide adequate oversight of the Regions in implementing SFM. FEMA relied on the Regions’ decisions to determine whether projects qualified for SFM funding, without ensuring there was sufficient supporting documentation to validate the determinations. Additionally, FEMA did not provide documentation to support an overall review of the SFM process. Finally, FEMA has not established sufficient procedures and guidelines to ensure PA funds are obligated in accordance with the SFM SOP. Specifically, the SOP does not include guidance on what information subrecipients should provide as support for when they will need funds after the eligibility determination. For 54 of the

¹ A drawdown is to deplete by using or spending. As the subrecipient spends money for repairs on eligible projects, the subrecipient requests withdrawals for reimbursement through the PA Program, depleting the obligated funds.



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83 projects eligible to use SFM, FEMA could not provide funding drawdown dates, demonstrating the subrecipients did not require funds before 180 days.

FEMA Did Not Have Documentation to Support SFM Determinations

According to the SFM implementation process, Regions will work with subrecipients and state PA officials to identify projects appropriate for use of SFM. The process also directs FEMA and state PA officials to explain to the subrecipient the obligation process for SFM project funding and agree to an estimated date on which the subrecipient will need funding for the project. However, FEMA could not provide documentation of discussions held with subrecipients and state officials for the majority of the projects reviewed, nor could it provide documentation of an agreed upon estimated date to determine when the funds would be needed — either before or after the set 180-day timeframe. According to FEMA officials, subrecipients indicate to FEMA whether funds are needed within 6 months; if needed, the subrecipient indicates such, and SFM does not apply. FEMA officials also stated applicable documents used for the PA application provide the information necessary to validate the SFM determination, but FEMA could not provide examples of those documents.

Further, as part of large project notification tracking and oversight, according to SFM SOP, the Office of Response and Recovery and the Office of Chief Financial Officer (FEMA HQ) are responsible for overall review and for ensuring consistency and standardization of SFM procedures. FEMA HQ did not provide documentation of monitoring the Regions' identification of SFM projects and the projected date for PW approval or to support an overall review of the SFM process detailed in Figure 3.

FEMA Did Not Update the SFM SOP after 3 Years or as Needed

FEMA is supposed to review the SFM SOP 3 years from the date of issuance or as needed. FEMA HQ has oversight responsibility to ensure consistency and standardization of SFM procedures. Although FEMA has issued updated procedures and memorandums to Regional Administrators related to SFM, it has yet to update the SFM SOP to reflect these updates. In addition, the SOP does not provide clear guidance. Specifically, it does not include clear guidance on the documentation subrecipients should provide to support when they would need funds after the eligibility determination.

In February 2019, FEMA issued the *Public Assistance Management Costs Standard Operating Procedures*² to define the procedures for documenting and processing management cost claims, to ensure consistent implementation of

² FEMA, *Public Assistance Management Costs Standard Operating Procedures* (February 2019). www.oig.dhs.gov



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the *Public Assistance Management Costs Interim Policy*.³ The procedures specify how FEMA applies SFM requirements to Category Z Management Costs⁴ PWs. This Management Cost SOP updated criteria for Category Z PWs by increasing the need for the funding timeframe from more than 180 days to more than 1 year. FEMA did not update the SFM SOP to reflect this updated requirement.

In 2019 and 2020, FEMA issued memorandums⁵ announcing the requirement for all Federal, recipient, and subrecipient staff to use the Grants Manager and Grants Portal as the processing system for pre-award development and review of PA projects. This new requirement formalized the transfer of all pre-award activities from Emergency Management Mission Integrated Environment (EMMIE) to the Grants Manager and Grants Portal, although EMMIE continues to serve as the system for award and post-award activities. According to FEMA, the Grants Manager and Grants Portal allows for more simplicity, standardization, efficiency, and transparency in submission, tracking, and reporting of Federal disaster assistance. FEMA plans to move the remaining EMMIE functions to the Grants Manager and Grants Portal, including the official system of record designation, in the near future. However, FEMA has not updated the SFM SOP to reflect these new requirements, nor has it updated guidance for identifying eligible SFM projects and submission of supporting documentation.

Conclusion

FEMA did not provide adequate oversight to its Regions to ensure SFM determinations were appropriately documented and funds were properly obligated under SFM, nor did it update its SFM procedures after 3 years from the date of issuance, or as needed. As a result, FEMA prematurely obligated \$478 million in PA funds to projects that, on average, did not request funds until 563 days after obligation. This increases the risk of projects being over obligated. In addition, FEMA is not meeting the intent of SFM to better manage resources in the Disaster Relief Fund to fulfill present and future disaster funding requirements.

³ FEMA Assistant Administrator, Recovery Directorate, *Public Assistance Management Costs (Interim), FEMA Recovery Policy FP 104-11-2* (November 14, 2018).

⁴ Management Costs are any of the following when associated with the PA portion of a major disaster or emergency: indirect cost, direct administrative cost, or other administrative expense associated with a specific project.

⁵ FEMA Assistant Administrator, Recovery Directorate, Memorandum for Regional Administrators, *Use of Grants Manager and Grants Portal for All Public Assistance Grant Pre-Award Activities* (September 17, 2019); FEMA Acting Division Director, Public Assistance Division, *Use of Grants Manager and Grants Portal for All Public Assistance Grant Pre-Award Activities* (June 22, 2020).



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Recommendations

We recommend FEMA's Associate Administrator of the Office of Response and Recovery:

Recommendation 1: Update the *FEMA Recovery Standard Operating Procedure, SOP 9570.24 – Strategic Funds Management – Implementation Procedures for the Public Assistance Program*, at a minimum, to:

- provide criteria for documentation required for subrecipients' drawdown schedule for funding projections to determine whether funds are needed within 180 days; and
- require Regions document the basis for decisions and maintain support for these decisions in Grants Manager and in Emergency Management Mission Integrated Environment (EMMIE).

Recommendation 2: Develop a mechanism to ensure that the Office of Response and Recovery monitors the implementation of the Strategic Funds Management Initiative in accordance with policy.

Management Comments and OIG Analysis

FEMA concurred with both recommendations. Appendix A contains a copy of FEMA's management response in its entirety. FEMA also provided technical comments to our draft report, which we incorporated as appropriate. A summary of FEMA's management responses and our analysis follow.

FEMA Response to Recommendation 1: Concur. Since the SFM initiative was introduced in 2012, FEMA made significant improvements in how the PA program is delivered. FEMA PA redesigned the program to focus on consistency in eligibility decision making, project processing, documentation collection, and disaster operations. FEMA Recovery Directorate will review the SFM initiative and explore streamlining its application. As part of the review, FEMA will consider whether an SOP is the appropriate mechanism to ensure the SFM initiative is implemented. After the review is completed, FEMA Recovery Directorate will determine whether to update or rescind the SFM SOP. FEMA's estimated completion date is December 30, 2022.

OIG Analysis: We consider FEMA's actions to redesign the PA program process in conjunction with the Recovery Directorate review of SOP 9570.24 responsive to the intent of the recommendation. We consider this recommendation resolved, but it will remain open until FEMA provides evidence showing the planned corrective actions are completed.



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FEMA's Response to Recommendation 2: Concur. The Office of Chief Financial Officer will take action to monitor and report on SFM project drawdowns and obligation status, to align with updates to the policy determined by the results of the corrective action plan to address recommendation 1. FEMA's estimated completion date is December 30, 2022.

OIG Analysis: We consider FEMA's actions responsive to the intent of the recommendation. We consider this recommendation resolved, but it will remain open until FEMA provides evidence showing the planned corrective actions are completed.

Objective, Scope, and Methodology

The Department of Homeland Security Office of Inspector General was established by the *Homeland Security Act of 2002*, Pub. L. No. 107-296, by amendment to the *Inspector General Act of 1978*.

We conducted this audit to determine to what extent FEMA's use of its SFM initiative ensures that funds are obligated in accordance with Federal, Department, and component requirements. Our scope included eligible FEMA projects that potentially met the criteria for the SFM initiative from FYs 2017 through 2019 for Regions II, IV, and VI, as they encompass the majority of PA funding due.

To accomplish our objective, we interviewed FEMA officials to gain an understanding of the SFM process, reviewed applicable Federal regulations and FEMA guidelines, and performed other procedures considered necessary to accomplish our objective. We selected our sample of PA projects from FEMA's combined listing Open Dataset obtained from FEMA's EMMIE and National Emergency Management Information System. The data was determined to be sufficiently reliable for the purposes of this audit. The audit universe totaled 709 PA permanent repair projects (Categories C – Z)⁶ greater than \$1 million obligated in FYs 2017 through 2019, for FEMA Regions II, IV, and VI.

We randomly selected a statistical sample of 197 out of 709 projects to determine whether the project was for permanent repairs greater than \$1 million where the subrecipient did not require funds for more than 180 days after the SOW was determined to be eligible. We based our testing results on inferential statistics with the assistance of the OIG statistician.

⁶ FEMA's permanent work categories: C – Roads/Bridges; D – Water Control Facilities; E – Buildings/Equipment; F – Utilities; G – Parks, Recreational, and Other Facilities; and Z – Management Costs.



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We reviewed information documented in FEMA's EMMIE and Grants Manager and Grants Portal for permanent repair projects with a Federal share greater than \$1 million. We requested supporting documentation directly from the Regions for projects that could not be identified as needing funds, based on information contained in EMMIE and Grants Manager and Grants Portal. For the projects that we requested supporting documentation, we compared the drawdown dates for funding to the funding obligation dates in order to determine whether subrecipients needed funds within the timeframe criterion.

We conducted this performance audit between September 2019 and June 2021 pursuant to the *Inspector General Act of 1978, as amended*, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.

The Office of Audits major contributors to this report are William Johnson, Director; Kathy Hughes, Audit Manager; Dwight McClendon, Auditor-in-Charge; Nicole Kraft, Auditor; Thomas Hamlin, Communications Analyst; and Angela McNabb and David Lu, Independent Referencers.



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Appendix A
FEMA Comments to the Draft Report

U.S. Department of Homeland Security
Washington, DC 20472



July 29, 2021

MEMORANDUM FOR: Joseph V. Cuffari, Ph.D.
Inspector General

FROM: Cynthia Spishak
Associate Administrator
Office of Policy and Program Analysis

SUBJECT: Management Response to Draft Report: “FEMA Prematurely Obligated \$478 Million in Public Assistance Funds from FY 2017 through FY 2019” (Project No. 19-054-AUD-FEMA)

CYNTHIA SPISHAK
Digitally signed by CYNTHIA SPISHAK
Date: 2021.07.29 16:24:45 -0400

Thank you for the opportunity to comment on this draft report. The Federal Emergency Management Agency (FEMA) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

FEMA leadership is pleased to note OIG’s positive recognition of the Agency’s efforts to improve Disaster Relief Fund management and more efficiently meet the needs of eligible grant subrecipients by implementing the Strategic Funds Management (SFM) initiative in 2012 as a standard business practice. However, leadership does not agree with OIG’s misleading overall conclusion that FEMA prematurely obligated \$478 million in Public Assistance (PA) funds. These obligations were reviewed by FEMA’s Chief Counsel and Financial Management Offices and were determined to be valid obligations at the time they were incurred, in accordance with 31 CFR 1501(a) and OMB Circular A-11.

FEMA Headquarters staff works closely with Regional and Field Office staff to ensure consistent and proper delivery of the PA program using the National Delivery Model, which was established in 2016 to provide layered internal controls and accountability within each phase of the project life cycle. The foundation of the model is a partnership between the FEMA, state, tribal, and territorial emergency managers, and applicants requiring disaster recovery assistance. These parties work together to complete the processes necessary to apply for and receive PA for eligible projects which go through four phases of internal FEMA subgrant development and review to ensure they are complete, and Applicants fulfill all eligibility requirements prior to obligation. These reviews are conducted by different organizations within FEMA—both programmatic and financial—to maintain a robust, independent control environment. After obligation,



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applicants are only able to draw down on their approved funding as needed and report quarterly on project and financial status. These reviews of documentation supporting eligible costs occur early in the process, as well as after obligation, during grant monitoring, and at project reconciliation and closeout to prevent any over obligations.

Consequently, FEMA believes that the PA program is not obligating more funding than is eligible to any applicant and the \$478 million total referenced in the draft report consists of valid obligations. FEMA leadership does not believe that OIG's findings support an implication that FEMA did not provide proper oversight or internal controls to ensure the proper use of funds or obligated ineligible funding. Further, it is important to note that SFM is not a policy that implements federal, DHS, or FEMA requirements; FEMA closely follows all applicable requirements.

FEMA remains committed to helping communities impacted by major disasters and emergencies return to normal by restoring essential services and repairing damages. This includes a continued focus on strengthening people, processes, procedures, and tools to expedite community recovery by bringing greater simplicity, accuracy, efficiency, accessibility, and timeliness to the PA program.

The draft report contained two recommendations with which FEMA concurs. Attached find our detailed response to each recommendation. FEMA previously submitted technical comments addressing several accuracy, contextual, and other issues under a separate cover for OIG's consideration.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions.

Attachment



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**Attachment: Management Response to Recommendations
Contained in Project Number 19-054-AUD-FEMA**

OIG recommended that FEMA's Associate Administrator of the Office of Response and Recovery:

Recommendation 1: Update the FEMA Recovery Standard Operating Procedure [SOP], SOP 9570.24 – Strategic Funds Management – Implementation Procedures for the Public Assistance Program, at a minimum, to:

- provide criteria for documentation required for subrecipients' drawdown schedule for funding projections to determine whether funds are needed within 180 days; and
- require Regions document the basis for decisions and maintain support for these decisions in Grants Manager and Emergency Management Mission Integrated Environment.

Response: Concur. Since the SFM initiative was introduced in 2012, FEMA made significant improvements to the way in which the PA program is delivered. For example, FEMA PA redesigned the PA program to focus on consistency in eligibility decision making, project processing, documentation collection, and disaster operations. As part of this program redesign, in 2017, PA established national-level Consolidated Resource Centers and implemented a technology system, FAC-TRAX, that structures information and ensures accountability at every step of the process to adhere to timeliness goals. FEMA Recovery Directorate will also review the SFM initiative and explore streamlining its application. Further, FEMA will consider as part of this review whether a SOP is the appropriate mechanism by which to ensure that the SFM initiative is implemented. If FEMA Recovery Directorate staff determines that another mechanism may be a more appropriate way to implement the SFM initiative, it will rescind and archive SOP 9570.24. FEMA Recovery Directorate will complete its review by January 2022, and at that time determine whether to update or rescind the SFM SOP. Estimated Completion Date (ECD): December 30, 2022.

Recommendation 2: Develop a mechanism to ensure that the Office of Response and Recovery monitors the implementation of the Strategic Funds Management Initiative in accordance with policy.

Response: Concur. The FEMA Office of Chief Financial Officer will take action to monitor, and report on, SFM project drawdowns and obligation status, aligning with updates to policy determined by the results and outcomes of the FEMA Recovery Directorate review of the SFM initiative and determination of appropriate policy mechanism. ECD: December 30, 2022.



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Appendix B
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