

September 2006

DISASTER RELIEF

Governmentwide Framework Needed to Collect and Consolidate Information to Report on Billions in Federal Funding for the 2005 Gulf Coast Hurricanes





Highlights of [GAO-06-834](#), a report to congressional committees

Why GAO Did This Study

Hurricane Katrina devastated the Gulf Coast region of the United States and caused billions of dollars in damage. Hurricanes Rita and Wilma further exacerbated damage to the region. The Federal Emergency Management Agency (FEMA), within the Department of Homeland Security (DHS), was tasked with the primary role of managing the federal relief and recovery efforts. This review was performed under the Comptroller General's authority because of widespread congressional interest in the response to this disaster. GAO examined whether the federal government was adequately tracking and reporting on the use of the funding provided in the four emergency supplemental appropriations acts enacted as of June 2006. GAO analyzed the emergency supplemental appropriations acts and conference reports, reviewed FEMA's required weekly reports, and interviewed federal agency officials.

What GAO Recommends

GAO makes four recommendations to DHS to improve the information on the status of hurricane relief funds provided in FEMA's weekly reports. GAO also recommends that the Office of Management and Budget (OMB) take action to improve transparency and accountability regarding the status of hurricane-related funding at the governmentwide level. DHS and OMB concurred with the recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-06-834.

To view the full product, including the scope and methodology, click on the link above. For more information, contact McCoy Williams at (202) 512-9095 or williamsm1@gao.gov.

DISASTER RELIEF

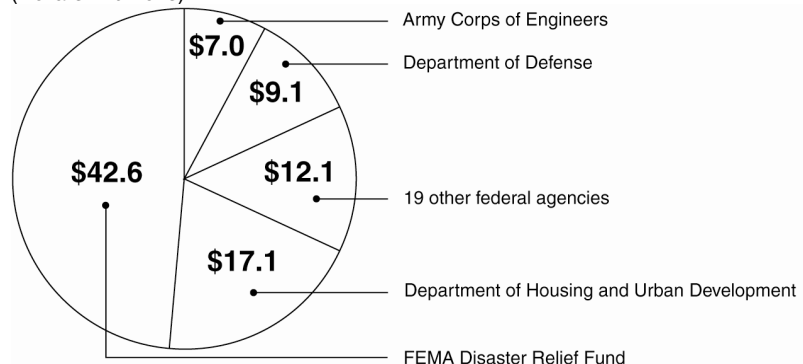
Governmentwide Framework Needed to Collect and Consolidate Information to Report on Billions in Federal Funding for the 2005 Gulf Coast Hurricanes

What GAO Found

FEMA's required weekly reports to the Appropriations Committees on the use of funds it received do not provide timely information from a governmentwide perspective because FEMA does not have a mechanism to report on the financial activity of the agencies performing work on its behalf. Specifically, when FEMA tasks another federal agency through a mission assignment, FEMA records the entire amount upfront as an obligation, whereas the performing agency does not record an obligation until a later date, thereby overstating reported governmentwide obligations. The opposite is true for expenditures. The performing agency expends the funds, but then bills FEMA for reimbursement. FEMA does not record the expenditure until it has received the bill and reviewed it, thereby understating reported governmentwide expenditures. As a result, while FEMA is reporting as required, from a governmentwide perspective, FEMA's reported obligations are overstated and expenditures are understated.

The federal government also does not have a governmentwide framework or mechanisms in place to collect and consolidate information from the individual federal agencies that received emergency supplemental appropriations for hurricane relief and recovery efforts and report on this information. About \$88 billion has been appropriated to 23 different federal agencies through four emergency supplemental appropriations acts (see figure below); however, no one agency or central collection point exists to compile and report on how these funds are being spent. Decision makers need this consolidated information to determine how much federal funding has been spent and by whom, whether more may be needed, or whether too much has been provided. The ability to separately track and report on these funds is important to help ensure better accountability and clearly identify the status of funding provided in direct response to these hurricanes at both the individual federal agency level as well as the governmentwide level. Also, it is important to provide additional transparency so that hurricane victims, affected states, as well as American taxpayers, know how these funds are being spent.

Funding Received by Federal Agencies in Emergency Supplemental Appropriations Acts
(Dollars in billions)



Source: GAO analysis of Pub. L. No. 109-61, Pub. L. No. 109-62, Pub. L. No. 109-148, and Pub. L. No. 109-234.

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Issuing Mission Assignments to Performing Agencies

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Abbreviations

| | |
|------|---|
| COE | Army Corps of Engineers |
| DHS | Department of Homeland Security |
| DOD | Department of Defense |
| FEMA | Federal Emergency Management Agency |
| HUD | Department of Housing and Urban Development |
| IPAC | Intra-Governmental Payment and Collection |
| NRP | National Response Plan |
| OMB | Office of Management and Budget |

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United States Government Accountability Office
Washington, DC 20548

September 6, 2006

Congressional Committees

Hurricane Katrina struck the Gulf Coast of the United States on August 29, 2005. It devastated the region and caused billions of dollars in damage. The hurricane affected about 1.5 million people located within approximately 90,000 square miles spanning Louisiana, Mississippi, and Alabama, and was the worst natural disaster in our nation's history in geographic scope, extent and severity of destruction and damage, and the number of persons displaced from their homes. Shortly after Hurricane Katrina made landfall, Hurricanes Rita and Wilma followed, further exacerbating damage to the Gulf Coast region. In response to these events, the Congress has provided nearly \$88 billion for relief and recovery through four emergency supplemental appropriations acts through the end of June 2006.¹

As part of its mission under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act),² as reflected in the National Response Plan (NRP),³ the Federal Emergency Management Agency (FEMA), within the Department of Homeland Security (DHS), was tasked with the primary role of managing the federal relief and recovery efforts within the affected region. The first emergency supplemental appropriation act was enacted 4 days after Hurricane Katrina struck the Gulf Coast and provided over \$10 billion. The second emergency supplemental appropriation act was enacted 6 days after the first

¹Pub. L. No. 109-61, 119 Stat. 1988 (Sept. 2, 2005); Pub. L. No. 109-62, 119 Stat. 1990 (Sept. 8, 2005); Pub. L. No. 109-148, div. B, 119 Stat. 2680, 2745 (Dec. 30, 2005); and Pub. L. No. 109-234, title II, 120 Stat. 443, 474 (June 15, 2006). Other funding has been provided, but it was not included in the emergency supplemental appropriations.

²42 U.S.C. §§ 5121-5206. The Stafford Act authorizes federal agencies to take actions such as disaster response, recovery, and mitigation assistance to supplement state and local efforts once the President has issued a major disaster declaration. The Federal Emergency Management Agency (FEMA), within the Department of Homeland Security (DHS), is responsible for administering the major provisions of the Stafford Act.

³The NRP is intended to be an all-discipline, all-hazards plan that establishes a single, comprehensive framework for the management of domestic incidents. It provides the structure and mechanisms for the coordination of federal support to state, local, and tribal incident managers and for exercising direct federal authorities and responsibilities.

emergency supplemental appropriation act and provided significantly more funding—\$50 billion—to FEMA for its Disaster Relief Fund and required the Secretary of Homeland Security to provide weekly reports⁴ to the Committees on Appropriations detailing the allocation and obligation of these amounts. The Congress later called for FEMA to also report on expenditures over \$50 million, among other information.

In creating these reporting requirements, the Congress sent a clear message that it wanted to know how these funds were being spent and have updated information on a weekly basis. These reports are publicly available and at the time of this report were being posted to the House Committee on Appropriations website.⁵ In December 2005, when the Congress rescinded \$23.4 billion from FEMA's Disaster Relief Fund, FEMA had obligated about \$25 billion, or 42 percent, of the \$60 billion it received in the first two emergency supplemental appropriations. With this rescission, the Congress distributed the funds as direct appropriations to other federal agencies. As of June 2006, approximately \$88 billion has been provided to 23 federal agencies⁶ for the relief work through four emergency supplemental appropriations acts.

We currently have a large body of ongoing work to address preparation, response, recovery, and rebuilding efforts related to the hurricanes that devastated the Gulf Coast region. Due to widespread congressional interest in these subjects, our work is being completed under the Comptroller General's authority to conduct evaluations on his own initiative. Topics of reports already issued include (1) contract management; (2) accounting for international assistance; (3) the adequacy of internal controls to prevent fraud and abuse; and (4) the military's

⁴FEMA prepares these weekly reports and forwards them to DHS for transmittal. For purposes of this report, we consider this to be a reporting requirement for FEMA.

⁵FEMA's weekly reports were posted on the House Appropriations Committee's website at http://appropriations.house.gov/_files/HurricaneKatrinaLink.htm (downloaded May 25, 2006).

⁶For purposes of this report, we are considering the Department of Agriculture and the U.S. Forest Service two separate agencies because the Forest Service received a large portion of the mission assignments for the Department of Agriculture. We are also considering the Department of Defense (DOD) and the Army Corps of Engineers (COE) two separate agencies because of the large portion of the total mission assignments they each received as well as the fact that COE does not use the Intra-Governmental Payment and Collection (IPAC) system. In addition, for purposes of this report, we are considering FEMA's Disaster Relief Fund separate from other DHS appropriations because of the specific function of the Disaster Relief Fund for Stafford Act activities.

response to catastrophic natural disasters.⁷ We are sending you this report on the tracking of hurricane relief funding because of your interest in and responsibility for oversight of matters related to the hurricane relief and recovery efforts. Our work focused on the funds designated for hurricane relief and recovery in the four emergency supplemental appropriations acts enacted as of June 2006. Our objective was to determine whether the federal government was adequately tracking and reporting on the use of this funding. To accomplish this objective, we reviewed the four emergency supplemental acts to determine which federal agencies were receiving appropriations, how much each was receiving, what the funds were intended for, and whether any reporting requirements were specified. Because the second supplemental, which provided \$50 billion to FEMA, required FEMA to report to the Committees on Appropriations on a weekly basis on the use of these funds,⁸ we reviewed FEMA's weekly reports to determine whether the information provided was timely and useful. We limited our review of these reports to certain aspects of them that have governmentwide implications. Specifically, our review of FEMA's weekly reports focused on the obligations and expenditures reported for mission assignments⁹ that were issued to agencies performing disaster relief work related to the Gulf Coast hurricanes on behalf of FEMA. The obligation and expenditure information we present in this report was obtained from FEMA and certain other federal agencies. To assess the reliability of the data, we interviewed officials knowledgeable about the data included in the reports and what the data represented, and determined that the data were sufficiently reliable for the purposes of this report. Additional details on our scope and methodology are presented in

⁷See GAO, *Agency Management of Contractors Responding to Hurricanes Katrina and Rita*, [GAO-06-461R](#) (Washington, D.C.: Mar. 16, 2006); GAO, *Hurricane Katrina: Comprehensive Policies and Procedures Are Needed to Ensure Appropriate Use of and Accountability for International Assistance*, [GAO-06-460](#) (Washington, D.C.: Apr. 6, 2006); GAO, *Expedited Assistance for Victims of Hurricanes Katrina and Rita: FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse*, [GAO-06-655](#) (Washington, D.C.: June 16, 2006); and GAO, *Hurricane Katrina: Better Plans and Exercises Needed to Guide the Military's Response to Catastrophic Natural Disasters*, [GAO-06-643](#) (Washington, D.C.: May 15, 2006).

⁸Pub. L. No. 109-62, 119 Stat. 1990, 1991-1992 (Sept. 8, 2005). The act required the Secretary of Homeland Security to provide, at a minimum, a weekly report detailing the allocation and obligation of appropriations made under the act.

⁹A mission assignment is a tasking issued by FEMA, directing other federal agencies and components of DHS, or "performing agencies," to perform work on its behalf to respond to a Stafford Act event under the NRP.

appendix I. We conducted our work from October 2005 through June 2006 in accordance with generally accepted government auditing standards.

Results in Brief

The federal government is not adequately tracking and reporting, on a governmentwide basis, on the use of the \$88 billion in hurricane relief and recovery funds provided thus far to 23 federal agencies in the four emergency supplemental appropriations acts. FEMA, which initially received \$60 billion for hurricane relief, is required to report weekly to the House and Senate Appropriations Committees on the use of funds it received; however, these reports do not provide timely information from a governmentwide perspective because FEMA does not have a mechanism in place to report on the financial activity of the agencies performing work on its behalf through mission assignments. Specifically, when FEMA tasks another federal agency through a mission assignment, which is similar to an interagency agreement to provide goods and services, FEMA records the entire amount upfront as an obligation in its accounting system and reports these amounts to the Congress; whereas the agency performing the task for FEMA does not record an obligation until a later date, thereby overstating reported governmentwide obligations. For example, FEMA initially reported mission assignment obligations issued to the Department of Defense (DOD) related to Hurricane Katrina in the amount of about \$2.2 billion. While this amount was eventually reduced to about \$1.1 billion, DOD had only actually incurred about \$481 million in obligations over the same period of time. In addition, based on information provided by the Coast Guard, FEMA had recorded obligations of nearly \$192 million as of April 2006; however, at that time the Coast Guard had only actually incurred about \$85 million in obligations.

The opposite is true for expenditures. The performing agency expends the funds, but then has to bill FEMA for reimbursement. This may happen months after the actual payment is made by the performing agency. FEMA does not include the expenditure in its reports to the Congress until it has received the bill from the performing agency, reviewed it, and recorded the expenditure in its accounting system, thereby understating reported governmentwide expenditures. For example, the U.S. Forest Service had not billed FEMA for any of its work done under mission assignments even though the agency reported that it had made close to \$170 million in expenditures related to its Hurricane Katrina mission assignments as of January 31, 2006. Accordingly, FEMA reported no expenditures for this agency in its weekly report since FEMA had not yet approved any billings. A user of FEMA's report could incorrectly infer that a particular agency has received tasks from FEMA but has not spent any of the funds, either

because the agency has not billed FEMA or because the bill has not been reviewed and recorded by FEMA. As a result, while FEMA is reporting as required, from a governmentwide perspective, FEMA's reported obligations are overstated and expenditures are understated. Depending on the stage of the process, the differences could be significant.

Further, from a governmentwide perspective, we found that there is no one agency or central collection point that exists to compile and report on how the approximately \$88 billion provided through four emergency supplemental appropriations acts are being spent. Although each federal agency is responsible for tracking the funds it received, obligations incurred, and funds expended through its own internal tracking systems, no mechanisms are in place to consolidate and report on this information. Without a framework and mechanisms in place to collect and consolidate information from these agencies on a consistent, periodic basis, it will be difficult for decision makers to determine how much federal funding has been spent and by whom, whether more may be needed, or whether too much has been provided. The ability to separately track and report on these funds is important to help ensure better accountability and clearly identify the status of funding provided in direct response to these hurricanes at both the individual federal agency level as well as the governmentwide level. Also, it is important to provide additional transparency so that hurricane victims, affected states, as well as American taxpayers, know how these funds are being spent. At the same time, we recognize the substantial challenge in balancing the need to get money out quickly to those who are actually in need and sustaining public confidence in disaster programs by taking all possible steps to minimize fraud and abuse.

While there are some reporting requirements included in the emergency supplemental appropriations acts, overall reporting requirements differ greatly. Further, the reporting requirements do not call for consolidating information on obligations and expenditures on a governmentwide basis and, therefore, do not facilitate governmentwide reporting on hurricane-related spending.

We make four recommendations to FEMA to improve the information on the status of hurricane relief funds from a governmentwide perspective provided in FEMA's weekly reports to the Appropriations Committees. Given the magnitude of the emergency supplemental federal funding provided thus far—more than double DHS's annual discretionary budget authority—in response to the Gulf Coast hurricanes and the need for additional transparency and accountability, we are also recommending

that the Office of Management and Budget (OMB) establish a framework for governmentwide reporting and either collect and consolidate information on the status of the hurricane-related funding itself or designate another appropriate agency, such as the Department of the Treasury, to do so and report to the Appropriations Committees on a periodic basis.

We provided a draft of this report to DHS and OMB for comment. DHS and OMB concurred with our recommendations, and their comments, along with our evaluation, are discussed in the Agency Comments and Our Evaluation section of this report. The comments are also reprinted in their entirety in appendixes III and IV, respectively. We also provided excerpts of the report to those agencies cited in examples for their review. They provided technical comments, and we made revisions as appropriate.

Background

On August 29, 2005, Hurricane Katrina devastated the Gulf Coast region, causing human casualties and billions of dollars in damage. During major disasters such as this, the Stafford Act authorizes the federal government to assist in saving lives, reducing human suffering, mitigating the effects of lost income, and helping repair or rebuild certain damaged facilities. As of June 2006, nearly \$88 billion was appropriated by the Congress through four emergency supplemental appropriations for relief and recovery efforts related to the recent Gulf Coast hurricanes. FEMA, the DHS component statutorily charged with administering the provisions of the Stafford Act,¹⁰ uses appropriations made to the Stafford Act's Disaster Relief Fund to assist relief and recovery efforts.

Funding Provided for the Hurricane Relief Effort

Initially, in September 2005, the Congress appropriated \$62.3 billion for the response and recovery effort related to Hurricane Katrina in two emergency supplemental appropriations acts.¹¹ Of that amount, (1) FEMA received \$60 billion for the Disaster Relief Fund, (2) DOD received \$1.9 billion, and (3) the Army Corps of Engineers (COE), a DOD agency, received \$400 million. As of late December 2005, FEMA reported that it

¹⁰6 U.S.C. § 317(a)(1).

¹¹Pub. L. No. 109-61, 119 Stat. 1988 (Sept. 2, 2005) and Pub. L. No. 109-62, 119 Stat. 1990 (Sept. 8, 2005). These two emergency supplemental appropriations were to meet immediate needs arising from the consequences of Hurricane Katrina for the fiscal year ending September 30, 2005.

had obligated about \$25 billion, or 42 percent, of the \$60 billion it had received. In December 2005, the Congress provided additional funds for the recovery effort related to the 2005 Gulf Coast hurricanes through a third emergency supplemental appropriation act.¹² This legislation provided approximately \$29 billion to 20 federal agencies and also rescinded approximately \$23.4 billion from the \$60 billion appropriated to FEMA's Disaster Relief Fund in September 2005. The third emergency supplemental appropriation resulted in a net increase of about \$5.5 billion in total direct federal funding for hurricane relief and recovery and the fourth resulted in a net increase of approximately \$20.1 billion. Table 1 shows the agencies that received direct funding through the four emergency supplemental appropriations acts.

Table 1: Emergency Supplemental Funding Received by Federal Agencies in the Four Emergency Supplemental Appropriations Acts as of June 2006 Related to Gulf Coast Hurricanes

Dollars in millions

| Agency | First | Second | Third | Fourth | Total | Percentage of total |
|---|------------|------------|---------------------------|------------------------|-------------------|---------------------|
| FEMA Disaster Relief Fund | \$10,000.0 | \$50,000.0 | \$(23,409.3) ^a | \$5,962.0 ^b | \$42,552.7 | 48.4% |
| DOD | 500.0 | 1,400.0 | 5,753.8 | 1,487.7 ^c | 9,141.5 | 10.4 |
| COE | 0 | 400.0 | 2,899.6 | 3,685.9 ^d | 6,985.5 | 8.0 |
| Department of Housing and Urban Development (HUD) | 0 | 0 | 11,890.3 | 5,200.0 | 17,090.3 | 19.4 |
| Department of Transportation | 0 | 0 | 2,798.1 | 702.4 ^e | 3,500.5 | 4.0 |
| Department of Education | 0 | 0 | 1,600.0 | 285.0 | 1,885.0 | 2.1 |
| Department of Agriculture (excluding U.S. Forest Service) | 0 | 0 | 1,038.1 ^{f,g} | 132.4 | 1,170.5 | 1.3 |
| Department of Health and Human Services | 0 | 0 | 640.0 | 12.0 | 652.0 | 0.7 |
| Department of Veterans Affairs | 0 | 0 | 592.7 | 585.9 ^h | 1,178.6 | 1.3 |
| Small Business Administration | 0 | 0 | 446.0 | 542.0 | 988.0 | 1.1 |
| DHS (excluding FEMA Disaster Relief Fund) | 0 | 0 | 285.1 | 662.0 | 947.1 | 1.1 |
| Department of Justice | 0 | 0 | 229.0 | 8.5 | 237.5 | 0.3 |
| Department of Labor | 0 | 0 | 125.0 | 16.0 | 141.0 | 0.2 |
| Armed Forces Retirement Home | 0 | 0 | 20.8 ⁱ | 221.0 ^j | 241.8 | 0.3 |
| U.S. Forest Service | 0 | 0 | 57.0 | 20.0 | 77.0 | 0.1 |

¹²Pub. L. No. 109-148, div. B, 119 Stat. 2680, 2745 (Dec. 30, 2005). This emergency supplemental appropriation was to address hurricanes in the Gulf of Mexico for the fiscal year ending September 30, 2006.

Dollars in millions

| Agency | First | Second | Third | Fourth | Total | Percentage of total |
|---------------------------------|-------------------|-------------------|------------------|--------------------------|-------------------|---------------------|
| General Services Administration | 0 | 0 | 38.0 | 37.0 | 75.0 | 0.1 |
| Environmental Protection Agency | 0 | 0 | 8.0 | 13.0 | 21.0 | 0.0 |
| Six other agencies | 0 | 0 | 492.7 | 527.0 ^{b, f, i} | 1,019.7 | 1.2 |
| Total | \$10,500.0 | \$51,800.0 | \$5,504.9 | \$20,099.8 | \$87,904.7 | 100.0% |

Sources: GAO analysis of Pub. L. No. 109-61, Pub. L. No. 109-62, Pub. L. No. 109-148, and Pub. L. No. 109-234.

^aThe third emergency supplemental appropriation act rescinded approximately \$23.4 billion from the \$60 billion appropriated to FEMA's Disaster Relief Fund in the first two emergency supplemental appropriations acts.

^bThe fourth emergency supplemental appropriation act transferred to the Social Security Administration \$38 million of the \$6 billion appropriated to FEMA's Disaster Relief Fund in this act.

^cThe amount of funding provided to DOD in the fourth emergency supplemental appropriation act excludes \$169.5 million that was rescinded in this legislation.

^dThe amount of funding provided to COE in the fourth emergency supplemental appropriation act excludes \$15 million that was rescinded in this legislation.

^eThe amount of funding provided to the Department of Transportation was offset by a reduction to the Highway Trust Fund.

^fThe amount of funding provided to the Department of Commerce in the fourth emergency supplemental appropriation act includes \$38 million transferred from the amount provided to the Department of Agriculture in the third emergency supplemental appropriation act. This amount is excluded from the funding provided in the third emergency supplemental appropriation act.

^gThe total amount of funding provided to the Department of Agriculture in the third emergency supplemental appropriation act includes \$45 million appropriated to the Department of Agriculture to subsidize loans in an amount not to exceed the loan authority limit of \$1.55 billion. Also, the total includes \$404 million of the funds for the Department of Agriculture that were designated to be used from the funds of the Commodity Credit Corporation, a federal corporation within the Department of Agriculture.

^hThe amount of funding provided to the Department of Veterans Affairs in the fourth emergency supplemental appropriation act excludes \$198.3 million that was rescinded in this legislation.

ⁱThe amount of funding provided to the Armed Forces Retirement Home in the fourth emergency supplemental appropriation act includes \$45 million transferred from the amount provided to the agency in the third emergency supplemental appropriation act. This amount is excluded from the funding provided in the third emergency supplemental appropriation act.

The amount of funding provided to the Department of the Interior excludes \$9 million provided for drought emergency assistance.

FEMA Uses Federal Agencies to Provide Assistance on Its Behalf

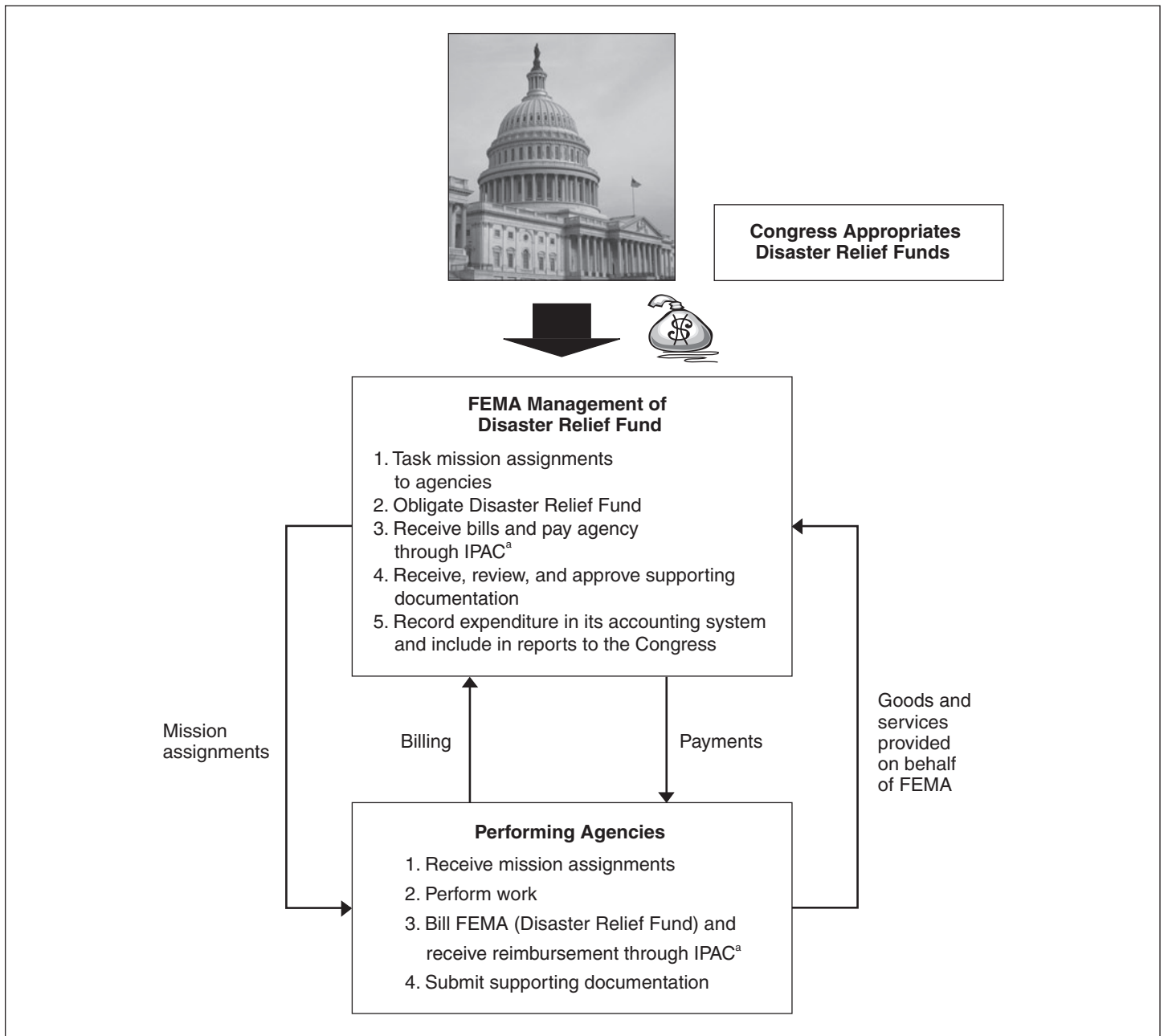
FEMA has authority under the Stafford Act to issue an order, called a mission assignment, to other federal agencies. A mission assignment is a tasking issued by FEMA that directs other federal agencies and components of DHS, or "performing agencies," to support overall federal operations pursuant to, or in anticipation of, a Stafford Act declaration. Once the mission assignment is issued and approved, the mission assignment document is FEMA's basis for obligating the portion of

FEMA's funds allocated to the assigned relief and recovery effort. From a federal agency standpoint, the mission assignment provides the recipient agency reimbursable budgetary authority, not the actual transfer of funds, to perform the agreed upon work. Among other things, mission assignments include a description of work, an estimate of the dollar amount of work to be performed, completion date for the work, and authorizing signatures. Mission assignments may be issued for a variety of tasks, such as search and rescue missions or debris removal, depending on the performing agencies' areas of expertise.

After the agencies perform work under a mission assignment (e.g., perform directly or pay a contractor), the agencies bill FEMA, and FEMA reimburses them for the work performed using the Intra-Governmental Payment and Collection (IPAC) system.¹³ In the case of an IPAC payment to a performing agency, the IPAC funds transfer occurs immediately upon request by the agency seeking reimbursement. After the IPAC is made, FEMA requires that performing agencies provide it documentation supporting the costs incurred while performing the work under the mission assignment. FEMA can also reverse or "charge-back" the payment if it believes the agency did not provide sufficient supporting documentation. The funding and reimbursement process related to mission assignments is shown in figure 1.

¹³The IPAC system, a collection system operated by the Department of the Treasury, is one of the major components of the Government On-Line Accounting Link System II. The IPAC application's primary purpose is to provide a standardized interagency fund transfer mechanism. IPAC facilitates the intragovernmental transfer of funds. Performing agencies, except for COE, use the IPAC system.

Figure 1: Funding and Reimbursement Process Related to FEMA Issuing Mission Assignments to Performing Agencies



Sources: GAO analysis; GAO photograph; Art Explosion illustration.

^aPerforming agencies other than COE use the IPAC system. COE must submit supporting documentation prior to reimbursement.

The Government Does Not Have a Framework in Place to Collect and Consolidate Information to Report on Hurricane-Related Funding

The federal government is not adequately tracking and reporting on the use of the \$88 billion in hurricane relief and recovery funds provided thus far to 23 federal agencies in the four emergency supplemental appropriations acts. First, FEMA does not have mechanisms in place to collect and report on information from the other agencies that are performing work on its behalf through mission assignments. As a result, FEMA's required weekly reports to the Congress have limited usefulness from a governmentwide perspective. Second, also from a governmentwide perspective, the federal government does not currently have a framework or mechanisms in place to collect and consolidate information from the 22 federal agencies in addition to FEMA that have directly received funding thus far for hurricane relief efforts and report on this information. Although each federal agency is responsible for tracking the funds it received, obligations incurred, and funds expended through its own internal tracking systems, no mechanisms are in place to consolidate this information. Therefore, it will be difficult for decision makers to determine how much federal funding has been spent and by whom, whether more may be needed, or whether too much was provided.

FEMA's Required Reports Do Not Provide Adequate Information from a Governmentwide Perspective

FEMA is required to report weekly to the Appropriations Committees on the use of funds it received; however, these reports do not provide timely information from a governmentwide perspective because FEMA does not have a mechanism in place to collect and report on information from other agencies which perform work on its behalf. Specifically, when FEMA tasks another agency through a mission assignment, which is similar to an interagency agreement for goods and services, FEMA records the entire amount upfront as an obligation on its reports to the Congress. The agency performing the task for FEMA does not record an obligation until a later date when it has actually obligated funds to carry out its mission, thereby overstating reported governmentwide obligations. The opposite is true for expenditures. The agency expends the funds, but then has to bill FEMA for reimbursement. This may happen months after the actual payment is made. FEMA does not record the expenditure on its reports to the Congress until it has received the bill from the performing agency, reviewed it, and recorded the expenditure in its accounting system, thereby understating reported governmentwide expenditures.

FEMA's weekly report as of March 29, 2006, shows that of the \$36.6 billion received as of that date, it had incurred obligations totaling \$29.7 billion

and had made expenditures of \$15.9 billion related to Hurricanes Katrina, Rita, and Wilma.¹⁴ Of the \$29.7 billion in obligations, FEMA issued mission assignments to federal agencies totaling \$8.5 billion, or 28.6 percent. The other \$21.2 billion includes, for example, obligations that FEMA made for areas such as the individual and household program (\$7.0 billion) and manufactured housing (\$4.7 billion), which are being reviewed in some respects by other auditors. As of March 29, 2006, FEMA reported approximately \$8.5 billion of obligations for mission assignments and approximately \$661 million of expenditures for Hurricanes Katrina, Rita, and Wilma as shown in table 2.

Table 2: Mission Assignment Obligations and Expenditures Reported by FEMA for Hurricanes Katrina, Rita, and Wilma, as of March 29, 2006

Dollars in millions

| Agency | Obligations reported by FEMA | Expenditures reported by FEMA |
|---|-------------------------------------|--------------------------------------|
| COE | \$4,927.8 | \$351.6 |
| DOD | 1,176.7 | 210.0 |
| Department of Transportation | 506.8 | 45.4 |
| DHS (excluding FEMA) | 552.6 | 8.0 |
| Environmental Protection Agency | 366.9 | 6.9 |
| Department of Health and Human Services | 274.2 | 0.0 |
| U.S. Forest Service | 365.0 | 0.0 |
| General Services Administration | 78.7 | 0.3 |
| HUD | 83.0 | 32.4 |
| Department of Justice | 55.2 | 3.1 |
| Department of Labor | 21.6 | 0.0 |
| Other agencies | 89.0 | 3.1 |
| Total | \$8,497.5 | \$660.8 |

Source: GAO analysis of FEMA Weekly Disaster Relief Finance Report to the Appropriations Committees, dated March 29, 2006.

¹⁴Although FEMA's weekly report presents information on Hurricanes Katrina, Rita, and Wilma, because the majority of FEMA's mission assignment obligations related to Hurricane Katrina, we focused our review at the performing agencies on the Hurricane Katrina mission assignments.

FEMA Needs to Clarify
Reported Obligations for Work
Performed by Other Federal
Agencies

While FEMA reports obligations based on the dollar amount of the mission assignments it has placed with other federal agencies when they are assigned, these obligation amounts do not represent the amount of funds that the agencies have, in turn, actually obligated to perform disaster relief work on behalf of FEMA. In some cases, the agencies have obligated tens or hundreds of millions of dollars less than the amount reported by FEMA.

Our analysis of FEMA's reported mission assignments to other federal agencies to perform work on behalf of FEMA in the amount of \$8.5 billion identified two types of reporting problems, both of which resulted in FEMA's obligations being overstated from a governmentwide perspective. First, some federal agencies recorded obligations in their internal tracking systems that were much less than the amount of obligations reported by FEMA. This occurred because FEMA's recorded obligations are based on the dollar amount of the entire mission assignment. In contrast, the amount of obligations recorded by federal agencies is the amount of funds they actually obligated to perform disaster relief work. The performing agency does not incur obligations until it actually performs or contracts for the work. Four examples of this reporting problem follow:

- On September 28, 2005, FEMA's report showed that obligations on mission assignments issued to DOD related to Hurricane Katrina totaled about \$2.2 billion. As of March 2006, this amount had been substantially reduced twice. On November 3, 2005, FEMA amended the mission assignment and reduced the amount to about \$1.7 billion, and it reduced the amount again on March 15, 2006, to about \$1.1 billion. While FEMA was reporting obligations as high as \$2.2 billion during this 6-month period, DOD's reports¹⁵ show that it incurred only \$481 million of actual obligations as of April 5, 2006—hundreds of millions of dollars less than what FEMA reported over the same 6-month period. According to a DOD official, it is currently reviewing the mission assignments and will be returning obligational authority that was not used to FEMA.
- On September 28, 2005, FEMA's report showed that obligations on mission assignments issued to COE related to Hurricane Katrina were about \$3.3 billion. Since then, this amount has increased. On October 20, 2005, FEMA amended and increased the mission

¹⁵DOD's report showed that it had obligated a total of \$638 million as of April 5, 2006. However, \$157 million of the \$638 million was for FEMA-requested work not formally ordered through a mission assignment.

assignment amounts to about \$3.7 billion and on April 5, 2006, to about \$4 billion. However, according to COE's internal records as of April 7, 2006, it had actually obligated about \$3 billion for Hurricane Katrina work, a difference of over \$1 billion.

- Based on information provided by the Coast Guard, FEMA had recorded mission assignment obligations related to Hurricanes Katrina and Rita in the amount of nearly \$192 million as of April 2006. However, at that time, the Coast Guard had only actually incurred about \$85 million in obligations. Thus, the difference between what FEMA reported to the Congress and what Coast Guard information showed it had actually obligated is approximately \$107 million.
- Based on information provided by the Department of Housing and Urban Development (HUD), at the end of March 2006, FEMA had obligated and reported approximately \$83 million for HUD mission assignments related to Hurricane Katrina. However, HUD had only incurred about \$47 million in obligations for work to be done under mission assignments. While HUD may eventually utilize the full amount obligated by FEMA, at that time, there was an approximately \$36 million difference between the amounts FEMA reported as obligated for HUD and what HUD had actually obligated. HUD expects final reconciliation to be completed by December 2006.

Second, at least three federal agencies we interviewed did not have mission assignments recorded in their internal tracking systems that were recorded in FEMA's system. According to the officials from certain federal agencies, this occurred because the agency's financial management office was not informed of the mission assignments. FEMA officials informed us that this problem likely occurred because, while the agencies' program offices appropriately received mission assignment information from FEMA, those agencies' program offices did not properly provide the information to their agencies' financial management offices. Two examples of this reporting problem follow:

- At the Department of Health and Human Services, we noted \$90 million in mission assignment obligations related to Hurricane Katrina or amendments to those obligations that were reported by FEMA as of January 18, 2006, but not recorded by the department's financial management office as of February 24, 2006. The department told us that these mission assignments or amendments had been issued by FEMA, but had not been received by the department's program or financial management offices. After we pointed out the discrepancies, the two agencies reconciled the differences.

FEMA's Reports Do Not
Provide Adequate Information
on Actual Expenditures Made
by Other Federal Agencies

- In another case, the Environmental Protection Agency had a similar situation involving \$11.5 million in mission assignments and amendments related to Hurricane Katrina for which it did not record obligations as of March 2006 because the financial management office was unaware the mission assignments had been made by FEMA. According to the Environmental Protection Agency, for \$10 million of the \$11.5 million in mission assignments, not only was the financial management office unaware but the agency had never been informed that the mission assignment had been issued by FEMA.

A different set of issues arises with regard to expenditure data. Because of the nature and timing of payments FEMA makes to performing agencies, FEMA's reported expenditures from the Disaster Relief Fund do not present an accurate status of federal spending for hurricane relief and recovery from a governmentwide perspective. This is explained in part by problems with the timeliness and adequacy of billings to FEMA by other agencies. As previously explained, FEMA reimburses performing agencies for work they perform on behalf of FEMA in accordance with the mission assignment agreements. FEMA requires that performing agencies (1) bill it within 90 days after completion or upon termination of a mission assignment, and (2) provide a certain level of documentation for its review in order for the billings to be approved. FEMA does not recognize reimbursements to other agencies as expenditures in its accounting system (and therefore in its reports to the Congress) until this approval has occurred. From a governmentwide perspective, this process results in FEMA's expenditures being understated.

As of March 29, 2006, FEMA reported about \$661 million of expenditures to agencies performing mission assignments for Hurricanes Katrina, Rita, and Wilma (see table 2). However, performing agencies' internal tracking systems showed a significantly higher level of expenditures on their mission assignments. The process FEMA uses for reimbursing performing agencies creates timing differences between FEMA's and the performing agencies' records. As a result, FEMA's reported expenditures are less than actual expenditures performing agencies have made in support of FEMA's hurricane relief and recovery efforts. In the case of a mission assignment, a performing agency would recognize an expenditure when that agency pays costs (liquidates obligations) to employees, contractors, or other outside entities for work performed. However, FEMA does not recognize the reimbursement of these costs as an expenditure until it has reviewed and approved a bill from the performing agency. With the exception of COE, reimbursements to the performing agencies are made using the IPAC

system. While the IPAC funds transfer occurs immediately upon request by the agency seeking reimbursement, in FEMA's accounting records the IPAC transaction would be reflected as a suspense account transaction until FEMA has received and approved the supporting documentation for the IPAC billing. Therefore, by virtue of the timing delays, FEMA's reported expenditures would be less than expenditures made and reported by performing agencies and a user of FEMA's report could incorrectly infer that a particular agency has received tasks from FEMA but has not spent any of the funds. Thus, the cost of actual work performed is better reflected by the performing agencies. Two examples follow:

- FEMA's report as of March 29, 2006, showed that approved mission assignment expenditures (cash reimbursements) related to Hurricane Katrina were about \$210 million for DOD. However, DOD's report as of April 5, 2006, showed that it had already received \$324 million in reimbursement from FEMA for mission assignments related to Hurricane Katrina.¹⁶
- The U.S. Forest Service had not billed FEMA for any of its work done under mission assignments even though the agency reported that it had made close to \$170 million in expenditures related to its Hurricane Katrina mission assignments as of January 31, 2006. Accordingly, FEMA reported no expenditures for this agency in its weekly report since FEMA had not yet approved any billings. FEMA's billing instructions state that reimbursement requests can be forwarded to FEMA monthly, regardless of the amount. Also, agencies should submit the final bill no later than 90 days after completion or upon termination of the mission assignment. The Forest Service, however, was not doing this, and as a result, FEMA did not report any expenditures for mission assignment work performed by the Forest Service as of March 29, 2006, even though the Forest Service had spent about \$170 million. The Forest Service explained that it billed FEMA in March and June 2006 and planned to issue additional bills in August and September 2006. We noted that there had been some billing activity reported by FEMA subsequent to March 29, 2006.

Aside from the timing issues discussed above, some performing agencies have not provided billing documentation that meets FEMA's requirements

¹⁶DOD's report showed that it received a total of about \$481 million from FEMA as of April 5, 2006. However, \$157 million of the \$481 million was for FEMA requested work not formally ordered through a mission assignment.

to support their reimbursements for work performed on mission assignments. Although performing agencies using the IPAC system receive funds immediately upon requesting reimbursement, if upon review of supporting reimbursement documents, FEMA officials determine that some amounts are incorrect or unsupported, FEMA may retrieve or “charge back” the monies from these agencies through the IPAC system. For example, travel charges should be supported by a breakdown by object class with names, period of performance dates, and amounts. Failure to submit this documentation may result in FEMA charging back the agency for the related mission assignment billing. FEMA’s records as of May 15, 2006, showed that FEMA had “charged back” about \$267 million from performing agencies for costs billed to FEMA for mission assignments related to Hurricanes Katrina, Rita, and Wilma. About \$260 million, or over 97 percent, of these charge-backs involved five agencies: the Department of Transportation (\$102 million), DOD (\$57 million), the Environmental Protection Agency (\$45 million), the Federal Protective Service within DHS (\$32 million), and the Department of Health and Human Services (\$24 million). Consistent with its practice of only reporting approved expenditures, these amounts were not recognized as expenditures by FEMA, even though the performing agencies claim they have expended those amounts. In addition, until FEMA requested the charge-backs, the billings would have been in a FEMA suspense account, and would have temporarily depleted monies from the Disaster Relief Fund since the agencies had already received reimbursement through the IPAC system. At least one agency, DOD, has indicated that it is trying to gather additional supporting documentation for the \$57 million that FEMA charged back. Therefore, at least part of these charged back funds may be reported as expenditures by FEMA at some point in the future. If the agency cannot provide FEMA the needed supporting documentation, the agency may not be reimbursed and thus will be required to use its own appropriations.

FEMA is also experiencing billing problems with COE, which does not use the IPAC system. According to FEMA personnel, COE had billing and documentation problems in the past and was not permitted to use the IPAC system for transactions with DHS. While COE was working on gaining access to using the IPAC system prior to Hurricane Katrina, this process was put on hold, and instead COE must manually submit supporting documentation before FEMA reimburses its mission assignment costs. This allows for a thorough review by FEMA, but has also led to payment delays. As of February 6, 2006, COE’s internal accounts receivable report showed that it had not received reimbursement for about \$1.2 billion of bills submitted to FEMA for Hurricane Katrina mission

assignments even though COE officials stated that they had sent documentation supporting the majority of the bills. Of that amount, about \$610 million, or over half of the total, was over 60 days old. According to FEMA officials, as of April 7, 2006, it had not received documentation supporting about \$800 million of the \$1.2 billion of outstanding accounts receivable on COE's records. None of the \$1.2 billion has been reported as expenditures by FEMA, although COE reports these amounts as expenditures.

Lack of Framework to Collect and Consolidate Agency Data and Report on This Information Limits Ability to Assess Status of Hurricane Funding

From a governmentwide perspective, since Hurricane Katrina made landfall, about \$88 billion through four emergency supplemental appropriations has been appropriated to 23 federal agencies. We found that no one agency or central collection point exists to compile and report on how these funds are being spent. Without a framework and mechanisms in place to collect and consolidate information from these agencies and report on a periodic basis, decision makers will not have complete and consistent information on the uses of the funding that has been provided thus far. Information on the amount of obligations and expenditures¹⁷ made on the actual relief and recovery effort would provide decision makers information they can use to determine, for example, if (1) additional funds should be provided for the relief and recovery work, (2) the funds already provided could be deemed excess and used for other disaster relief and recovery work, (3) funds should be rescinded, or (4) duplicate programs are providing similar assistance. As a result, in order to have governmentwide information on actual obligations incurred and expenditures made on the relief and recovery effort, the agencies would have to use their own internal tracking systems to extract this information and provide the information to a central point, where the data could be consolidated and reported. The ability to separately track and report on these funds is important to help ensure better accountability and clearly identify the status of funding provided in direct response to these hurricanes at both the individual federal agency level as well as the governmentwide level and to provide additional transparency so that hurricane victims, affected states, as well as American taxpayers, know how the government is spending these funds. At the same time, we recognize the substantial challenge in balancing the need to get money out quickly to those who are actually in need and sustaining public confidence

¹⁷An expenditure is an outlay. Generally, an outlay is the issuance of checks, disbursement of cash, or electronic transfer of funds made to liquidate a federal obligation.

in disaster programs by taking all possible steps to minimize fraud and abuse.

Although each federal agency is responsible for tracking the funds it received, obligations incurred, and funds expended through its own internal tracking systems, no mechanisms are in place to consolidate and report on this information. Of the approximately \$88 billion provided as of June 2006, FEMA received about \$42.6 billion (\$66 billion appropriated less the \$23.4 billion rescinded) for the Disaster Relief Fund and 22 other agencies received the remaining \$45.4 billion. Once these funds are appropriated, they are merged into, and commingled with existing appropriation accounts.¹⁸ OMB Circular No. A-11¹⁹ requires agencies to report obligations and outlays on a quarterly basis at the appropriation level; however, those reports on budget execution and budgetary resources do not call for separately identifying amounts on a programmatic basis, such as hurricane relief and recovery efforts. Thus, reporting under this Circular will not provide the information needed to monitor the status of hurricane-related funding. Although FEMA was required to provide weekly reports to the Congress on obligation and expenditure information on the \$42.6 billion it received (although with limited usefulness as discussed previously), most of the other 22 agencies that received over \$45 billion would only be responsible for tracking this information internally.

While there are some reporting requirements included in the emergency supplemental appropriation acts, overall reporting requirements differ greatly. Also, the reporting requirements do not call for consolidating information on obligations and expenditures on a governmentwide basis and, therefore, do not facilitate governmentwide reporting on hurricane-related spending. The reporting requirements that were included for the various agencies ranged from very detailed reporting to no reporting at all. For example, while FEMA was required to report obligations and expenditures, 16 other federal agencies did not have any reporting requirements. See appendix II for more information on the reporting

¹⁸Unless otherwise specified by law, emergency supplemental appropriations are merged into, and commingled with existing appropriation accounts. This was the case for the four emergency supplemental appropriations acts enacted thus far.

¹⁹OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget* (revised June 2006).

requirements included in the first four emergency supplemental appropriations acts.

Given that consolidated governmentwide reporting will require that financial information be compiled from 23 different agencies, an entity that regularly collects and compiles information from different agencies, such as OMB or the Department of the Treasury, would likely be in the best position for requesting this information and preparing consolidated governmentwide reporting on hurricane-related funding. Other options would be for either FEMA or the Office of the Federal Coordinator for Gulf Coast Rebuilding²⁰ to compile this information.

Conclusions

Success in the rebuilding efforts of the Gulf Coast area is critical. The federal government has already invested billions of dollars for this effort with more likely to come. Although FEMA is required to report on obligations and expenditures, these reports do not provide timely information from a governmentwide perspective. In addition, there is no framework or mechanisms in place to collect and consolidate information, and to report on the \$88 billion in hurricane relief and recovery funds provided thus far to 23 federal agencies in the four emergency supplemental appropriations acts on a governmentwide basis. The government's progress in the rebuilding efforts will be difficult to measure if decision makers do not know how much has been spent, what for, how much has been obligated but not yet spent, and how much more is still available. Without consistent, reliable, and timely governmentwide information on the use of this funding, the agencies and the Congress could lose visibility over these funds and not know the extent to which they are being used to support hurricane relief and recovery efforts. With rebuilding efforts likely to take many years, it is important that the federal government fulfill its role as steward of taxpayer funds and provide transparency to the affected states and victims, and account for and report on all funds received for the hurricane-related efforts.

²⁰The Office of the Federal Coordinator for Gulf Coast Rebuilding is responsible for developing a long-term rebuilding plan for the region in the aftermath of Hurricanes Katrina, Rita, and Wilma; coordinating the federal efforts; and helping state and local officials reach consensus on their vision for the region.

Recommendations for Executive Action

To improve the information on the status of hurricane relief and recovery funds provided in FEMA's weekly reports to the Appropriations Committees from a governmentwide perspective, we recommend that the Secretary of Homeland Security direct the Director of FEMA to take the following four actions:

- Explain in the weekly reports how FEMA's reported obligations and expenditures for mission assignments do not reflect the status from a governmentwide perspective.
- On an established basis (e.g., monthly or quarterly), request and include actual obligation and expenditure data from agencies performing mission assignments.
- Include in the weekly report amounts reimbursed to other agencies that are in suspense because FEMA has not yet reviewed and approved the documentation supporting the expenditures.
- Reiterate to agencies performing mission assignments its policies on (1) the detailed information required in supporting documentation for reimbursements, and (2) the timeliness of agency billings.

To help ensure better accountability, provide additional transparency, and clearly identify the status of the hurricane-related funding provided by emergency supplemental appropriations at both the individual federal agency level as well as the governmentwide level, we recommend that the Director, Office of Management and Budget, establish a framework for governmentwide reporting on the status of the hurricane-related funding. OMB could either collect and consolidate this information itself or designate another appropriate agency, such as the Department of the Treasury, to do so and report to the Appropriations Committees on a periodic basis.

Agency Comments and Our Evaluation

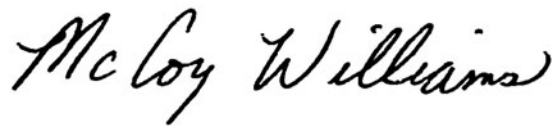
We requested comments on a draft of this report from the Secretary of Homeland Security and the Director of OMB. These comments are reprinted in appendixes III and IV, respectively. While DHS concurred with our recommendations, it also stated that it believes our recommendation to periodically request and include actual obligation and expenditure data from agencies performing mission assignments is subsumed by our recommendation to OMB to establish a framework for governmentwide reporting on the status of hurricane-related funding. We believe our recommendation is still valid for FEMA since, as stated in the agency's

response, its mission assignments are a significant component in the establishment of a framework for governmentwide reporting on the status of hurricane-related funding. However, as the intent of our recommendation is to help ensure the Congress is receiving complete, timely, useful, and reliable reports, we agree that other alternatives could be considered to achieve the same objectives. OMB agreed that there should be clear accountability and transparency on the spending of emergency funds for hurricane relief and indicated it will fully consider our recommendation to establish a new framework for governmentwide reporting on the status of disaster-related funding.

We also provided excerpts of the report to those agencies cited in examples for their review. They provided technical comments, and we made revisions as appropriate.

We are sending copies of this report to other interested congressional committees and to affected federal agencies. Copies will be made available to others upon request. In addition, this report will also be available at no charge on GAO's home page at <http://www.gao.gov>.

If you or your staff have any questions regarding this report, please contact me at (202) 512-9095 or at williamsm1@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made contributions to this report are listed in appendix V.



McCoy Williams
Director, Financial Management and Assurance

List of Committees

The Honorable Susan M. Collins
Chairman
The Honorable Joseph I. Lieberman
Ranking Minority Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Tom Coburn
Chairman
The Honorable Thomas R. Carper
Ranking Minority Member
Subcommittee on Federal Financial Management, Government
Information, and International Security
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Peter T. King
Chairman
The Honorable Bennie G. Thompson
Ranking Minority Member
Committee on Homeland Security
House of Representatives

The Honorable Tom Davis
Chairman
The Honorable Henry A. Waxman
Ranking Minority Member
Committee on Government Reform
House of Representatives

The Honorable Martin Olav Sabo
Ranking Minority Member
Subcommittee on Homeland Security
Committee on Appropriations
House of Representatives

Appendix I: Scope and Methodology

To determine whether the federal government was tracking and reporting on the use of funding provided in the four emergency supplemental appropriations acts, we obtained and analyzed the four emergency supplemental appropriation documents and conference reports. We also obtained the reports prepared by the Federal Emergency Management Agency (FEMA) and the Army Corps of Engineers (COE) in response to the second emergency supplemental appropriation act. We did not obtain the reports required by the third or fourth emergency supplemental appropriations acts since this was a new requirement for the federal agencies. In addition, we obtained and analyzed guidance on reporting of estimates of hurricane-related funding budget authority, outlays, and receipts, issued by the Office of Management and Budget (OMB) in 2005 and discussed this guidance with officials from OMB.

To determine whether FEMA's reports to the Appropriations Committees required by the second emergency supplemental appropriation act provided timely and useful information, we obtained and analyzed the weekly reports prepared by FEMA, specifically focusing on the obligations and expenditures reported for mission assignments to agencies performing disaster relief work related to Hurricane Katrina on behalf of FEMA because they have governmentwide implications. We met with FEMA officials to discuss (1) the definitions of the terms obligations and expenditures used in the report, (2) the process of FEMA issuing mission assignments to agencies and the obligation of FEMA's funds related to the mission assignments, and (3) the process of agencies seeking reimbursement for goods and services provided in response to the disaster relief work including FEMA's billing procedures. We also obtained and analyzed certain federal agencies' reports that provide information on mission assignments, obligations incurred and expenditures made in performing disaster relief work on behalf of FEMA, amount of bills submitted to FEMA, and amount of bills paid by FEMA. Because the majority of FEMA's mission assignment obligations related to Hurricane Katrina, we focused our review at the agencies on the Hurricane Katrina mission assignments. We met with officials from certain federal agencies to discuss the information contained in these reports.

In performing our work, we obtained information from the

- OMB,
- Department of the Treasury,
- FEMA,
- Department of Defense,
- COE,

- Department of Transportation,
- Environmental Protection Agency,
- Department of Health and Human Services,
- U.S. Forest Service,
- General Services Administration, and
- Department of Housing and Urban Development.

To assess the reliability of the data, we interviewed officials knowledgeable about the data and determined that the data were sufficiently reliable for the purposes of this report. We conducted our work from October 2005 through June 2006 in accordance with generally accepted government auditing standards.

We provided a draft of this report to the Department of Homeland Security (DHS) and OMB for comment. DHS and OMB provided written comments, which are presented in the Agency Comments and Our Evaluation section of this report and are reprinted in appendixes III and IV, respectively. We also provided excerpts of the report to those agencies cited in examples for their review. They provided technical comments, and we made revisions as appropriate.

Appendix II: Reporting Requirements Included in the Four Emergency Supplemental Appropriations Acts

The four emergency supplemental appropriations acts enacted as of June 2006 provided funds to 23 federal agencies¹ for the hurricane relief and recovery effort and included different reporting requirements. In addition, of the 23 agencies receiving appropriations in the four emergency supplemental appropriations acts, 16 agencies did not have any reporting requirements.

The first two emergency supplemental appropriations acts² provided funding to the Federal Emergency Management Agency (FEMA), Department of Defense (DOD), and Army Corps of Engineers (COE), and included the following reporting requirements:

- The first emergency supplemental appropriation act did not contain any requirements for FEMA to report on the \$10 billion it received. The second emergency supplemental appropriation act required the Secretary of Homeland Security to provide, at a minimum, a weekly report to the Appropriations Committees detailing the allocation and obligation of the \$50 billion in appropriated funds it received for Hurricane Katrina in the second emergency supplemental appropriation act. The fiscal year 2006 Department of Homeland Security Appropriations Act³ further explained that this weekly report was to include other information such as obligations, allocations, and expenditures, categorized by agency and state.
- COE was not provided any funding in the first emergency supplemental appropriation. The second emergency supplemental appropriation act required COE to provide a weekly report to the Appropriations Committees detailing the allocation and obligation of \$400 million in appropriated funds it received under that act.

¹For purposes of this report, we are considering the Department of Agriculture and the U.S. Forest Service two separate agencies because the Forest Service received a large portion of the mission assignments for the Department of Agriculture. We are also considering the Department of Defense (DOD) and the Army Corps of Engineers (COE) two separate agencies because of the large portion of the total mission assignments they each received as well as the fact that COE does not use the Intra-Governmental Payment and Collection (IPAC) system. In addition, for purposes of this report, we are considering FEMA's Disaster Relief Fund separate from other Department of Homeland Security (DHS) appropriations because of the specific function of the Disaster Relief Fund for Stafford Act activities.

²Pub. L. No. 109-61 and Pub. L. No. 109-62.

³Pub. L. No. 109-90, 119 Stat. 2090 (Oct. 18, 2005).

- There was no requirement for DOD to report on the \$1.9 billion it received in the first and second emergency supplemental appropriations acts.

The third emergency supplemental appropriation act provided \$29 billion directly to 20 individual federal agencies and rescinded approximately \$23.4 billion from the amount initially appropriated to FEMA's Disaster Relief Fund in September 2005. The third emergency supplemental appropriation act included differing reporting requirements for each of the 20 federal agencies ranging from none to very detailed. Illustrative examples from the third emergency supplemental appropriation act and the conference report⁴ accompanying this legislation include the following specific reporting requirements:

- The third emergency supplemental appropriation act required each state receiving monies through the Community Development Fund from the Department of Housing and Urban Development (HUD) to report quarterly to the Appropriations Committees for all awards and uses of funds. The supplemental appropriation language also required some additional reporting from HUD, such as reporting quarterly to the Appropriations Committees with regard to all steps taken to prevent fraud and abuse of funds made available.
- The conference report accompanying the third emergency supplemental appropriation act directed the Secretary of Defense to submit quarterly reports to the congressional defense committees including, among other things, the expenditures of funds it received for hurricane relief and recovery operations. This did not include retroactive requirements for the first and second emergency supplemental appropriations. The conference report also directed the Secretary of Agriculture to provide quarterly reports including, among other things, the expenditures of funds received for hurricane relief. It also requested the Department of Education to submit a report by March 1, 2006, on the obligation and allocation of funds it received for hurricane relief and provided to assist college students under the Higher Education Act. The reporting requirements for some agencies were more detailed than others. Also, these reporting requirements do not cover funding authority of approximately \$8.5 billion that agencies received through FEMA's mission assignment process for Hurricanes Katrina, Rita, and Wilma as of March 29, 2006.

⁴See H.R. Conf. Rep. No. 109-359, Div. B, at 488 (Dec. 18, 2005).

**Appendix II: Reporting Requirements
Included in the Four Emergency Supplemental
Appropriations Acts**

The fourth emergency supplemental appropriation act provided approximately \$20.1 billion directly to 22 individual federal agencies. This legislation did not include any new reporting requirements for the agencies receiving funding; however, the act contained reporting requirements for HUD that were consistent with the requirements outlined in the third emergency supplemental appropriation act.

Appendix III: Comments from the Department of Homeland Security

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

August 30, 2006

Mr. McCoy Williams
Director Financial Management and Assurance
Government Accountability Office
Washington, DC 20548

Re: GAO-06-834 Disaster Relief: Government wide Framework Needed to Collect and Consolidate Information to Report on Billions in Federal Funding for the 2005 Gulf Coast Hurricanes.

Thank you for the opportunity to review the draft report. The following represents the Department of Homeland Security response to the recommendations contained in GAO's draft report.

FEMA agrees with the GAO conclusions that its reports on the status of hurricane relief and recovery funds provided to the Appropriations Committees do not reflect a governmentwide perspective and the GAO recommendations to improve the information reported. It should be noted that FEMA as an organization does not have a governmentwide reporting role of the nature envisioned by GAO; thus it is understandable why its reports would reflect information from just its accounting system. While we agree with the intent of Recommendation 2, we believe it is best addressed to OMB.

Recommendation:

Explain in the weekly reports how FEMA's reported obligations and expenditures for mission assignments do not reflect the status from a governmentwide perspective.

Response: Concur. FEMA will provide language in its reports to the Appropriations Committees to explain that the financial information reflects what is recorded in FEMA's records and not the obligations and expenditures shown in the performing agencies records.

Recommendation:

On an established basis (e.g., monthly or quarterly), request and include actual

www.dhs.gov

obligation and expenditure data from agencies performing mission assignments.

Response: Generally concur. FEMA believes that Recommendation 2 is subsumed by Recommendation 5 where GAO recommends that the Director, Office of Management and Budget (OMB) establish a framework for government wide reporting on the status of the hurricane-related funding. FEMA and the agencies performing its mission assignments are significant components in the establishment of a framework for governmentwide reporting on the status of hurricane-related funding. Given this, we believe that the creation of the data collection, consolidation, and reporting process and policy should include and involve all federal agencies involved with the funding.

As a separate DHS element FEMA has its own accounting system and as GAO has clearly presented, it has reported information it is required to record in its system to the Appropriation Committees weekly—but this information does not reflect a governmentwide perspective. FEMA will work with OMB or its designee to establish the reporting framework that GAO is recommending.

Recommendation:

Include in the weekly report amounts reimbursed to other agencies that are in suspense because FEMA has not yet reviewed and approved the documentation supporting the expenditures.


Response: Concur. FEMA will alter its reporting to include amounts in suspense.

Recommendation:

Reiterate to agencies performing mission assignments its policies on (1) the detailed information required in supporting documentation for reimbursements, and (2) the timeliness of agency billings.

Response: Concur. FEMA will remind agencies performing mission assignments about its policies regarding supporting documentation and timeliness of agency billings.

Sincerely,



Steven J. Pecinovsky
Director
Departmental GAO/OIG Liaison Office

Appendix IV: Comments from the Office of Management and Budget



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE CONTROLLER

AUG 31 2006

Mr. McCoy Williams
Director, Financial Management and Assurance
United States Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Williams:

Thank you for the opportunity to review and comment on the Government Accountability Office (GAO) draft report GAO-06-834, *Governmentwide Framework Needed to Collect and Consolidate Information to Report on Billions in Federal Funding for the 2005 Gulf Coast Hurricanes*.

The Office of Management and Budget (OMB) agrees that there should be clear accountability and transparency on the spending of the funds provided by emergency supplemental appropriations for the hurricane relief efforts. This transparency is vital to assuring those individuals directly affected by the hurricanes, and the American taxpayers, that the appropriated funds were spent appropriately for hurricane relief efforts, and provided in a timely manner.

OMB has been monitoring the use of the appropriated funds, as part of our oversight role of Federal spending, and will continue monitoring throughout the recovery and reconstruction of the Gulf Coast. Specifically, OMB has collected data on agency obligations and outlays related to Katrina supplemental funding and plans to issue periodic updates on the status of these funds. In addition, we will fully consider GAO's recommendation to establish a new framework for government-wide reporting on the status of disaster-related funding.

Again, we appreciate the opportunity to respond to this report. If you have any additional questions or comments, please feel free to contact Danny Werfel in the Office of Federal Financial Management at 202-395-3993.

Sincerely,

Linda M. Combs
Controller

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

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