

Department of Homeland Security **Office of Inspector General**

Opportunities to Improve FEMA's Public Assistance
Preliminary Damage Assessment Process





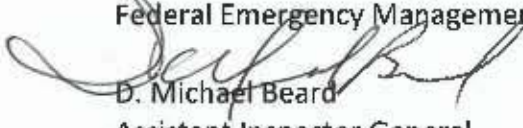
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Department of Homeland Security

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

MAY 2 2012

MEMORANDUM FOR: Deborah Ingram
Assistant Administrator, Recovery
Federal Emergency Management Agency

FROM: 
D. Michael Beard
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *Opportunities To Improve FEMA's Public Assistance
Preliminary Damage Assessment Process*

Attached for your action is our final report, *Opportunities To Improve FEMA's Public Assistance Preliminary Damage Assessment Process*. We incorporated the formal comments from the Office of Policy and Program Analysis in the final report.

The report contains three recommendations aimed at improving FEMA's Public Assistance Preliminary Damage Assessment process. Your office concurred with one recommendation. As prescribed by the Department of Homeland Security Directive 077-1, Follow-Up and Resolutions for the Office of Inspector General Report Recommendations, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation 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 John Kelly, Acting Deputy Assistant Inspector General, Office of Emergency Management Oversight, at (202) 254-4163.

Attachment



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Abbreviations

CFR	Code of Federal Regulations
CPI	Consumer Price Index
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
GAO	Government Accountability Office
JFO	Joint Field Office
OIG	Office of Inspector General
PDA	Preliminary Damage Assessment



Executive Summary

The Preliminary Damage Assessment is an important part of the disaster declaration process because it is a factor in determining whether an event will become a federally declared disaster. The Federal Emergency Management Agency (FEMA) uses the Preliminary Damage Assessment process as a mechanism “to determine the impact and magnitude of damage [caused by a disaster], and the resulting unmet needs of individuals, businesses, the public sector, and the community as a whole.”¹

The process contains two types of assessments, Individual Assistance and Public Assistance. This report focuses on the Public Assistance assessment. Preliminary Damage Assessments are performed as soon as possible after a disaster strikes, and as a result the process has several challenges. Damaged areas may be inaccessible, and ownership or insurance coverage data on damaged infrastructure may not be immediately available. In addition, once the assessment teams reach the statewide per capita indicator, the process often comes to a halt. These factors hamper the ability to determine the magnitude and economic impact of a disaster.

Since 1986, FEMA has used an outdated per capita amount as an indicator that a disaster might warrant Federal assistance. The agency selected the per capita amount of \$1 based on the national per capita income; it did not adjust the amount annually for the changes in per capita income, but decided to begin adjusting the amount for inflation in 1999. If the agency had continuously updated the indicator for changes in economic conditions, many recent disasters would not have met the financial statewide per capita indicator for Federal assistance. In addition, there may be a better indicator based on a State’s need for assistance than the current financial statewide per capita indicators, such as changes in per capita income or the Consumer Price Index.

Given the Federal Government’s current economic and budgetary constraints, we recommend that FEMA revise the Public Assistance Preliminary Damage Assessment process to estimate a disaster’s magnitude and economic impact more realistically. Furthermore, the agency should reassess the criteria used to measure a State’s capacity to respond to a disaster to better reflect changing economic conditions. The agency also should determine whether other Federal data measures would provide a better assessment of a State’s response capacity.

¹ 44 CFR § 206.33.



Background

Code of Federal Regulations (CFR) Title 44, Section 206, establishes the process that FEMA uses for States to request a presidential disaster declaration and provides a mechanism for determining the magnitude and economic impact of the damage and the resulting unmet needs of individuals, businesses, and the public sector.

FEMA's Preliminary Damage Assessment (PDA) process contains two types of assessments, Individual Assistance and Public Assistance. This report focuses on the Public Assistance PDA assessment. The process starts when a Governor requests a joint FEMA-State PDA from the FEMA regional office to determine whether a disaster or emergency is beyond the local and State governments' response and recovery capabilities. This process is normally completed before the Governor submits a request for assistance; following a severe or catastrophic event, a Governor may request Federal assistance before the PDA is completed. Once a Governor's request for assistance is received, FEMA prepares a recommendation letter to the President. The letter is based on the PDA assessment, localized impacts, insurance coverage in force, hazard mitigation, recent multiple disasters, and programs of other Federal agencies.

The PDA teams are composed of FEMA, State, and local emergency management representatives. Teams interview applicants and survey disaster damage firsthand to estimate the potential costs of Public Assistance emergency and permanent work. Initial damage estimates in the PDA include the extent, cost, and types of damage to facilities and infrastructure, including emergency costs incurred by the State and local governments. The PDA teams' findings are compiled into an overall Governor's Request for Disaster Assistance. The Governor's request includes the types of damage or emergency costs incurred by the units of government; the impact on critical facilities such as public utilities, individuals, and businesses; the number of people displaced; and the threat to health and safety caused by the event. FEMA officials use this request to recommend to the President whether a disaster event is eligible for a presidential disaster declaration.



Results of Review

Thoroughness of the Preliminary Damage Assessment Process

The current PDA process has a number of shortfalls. 44 CFR §206.33 establishes the PDA as a mechanism for determining the magnitude and economic impact of the damage and the resulting unmet needs of individuals, businesses, and the public sector. This regulation requires FEMA to perform a PDA, but it does not specify how the PDA is to be conducted. FEMA and State officials said, and we observed, that PDA teams stop the PDA site assessment once the statewide per capita indicator is met. However, stopping a PDA when the statewide per capita indicator is met may breach Section 320 of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act* (Stafford Act), which requires that no geographic area be precluded from receiving assistance solely by virtue of an arithmetic formula or sliding scale based on income or population.

FEMA's current PDA process has the State identify damages, which the PDA teams assess. FEMA officials said that States are aware that once a PDA team assesses disaster damages that equal or slightly exceed the statewide per capita indicator, FEMA will recommend that the President declare a disaster.

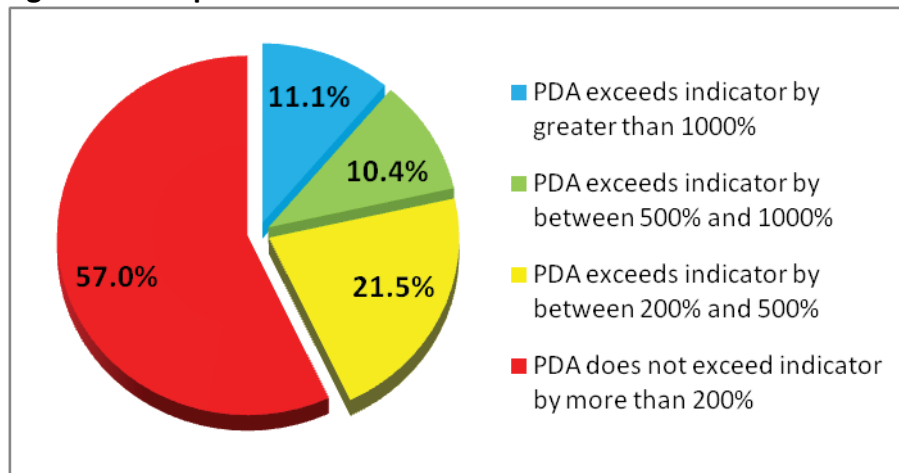
During our review, we attended a PDA site assessment where the PDA team verified disaster damages until the indicator was reached, and the process was stopped as a result. We inquired about the PDAs during our deployments to the Joint Field Offices (JFOs) in New York, New Jersey, and Vermont following Hurricane Irene. At one of the JFOs, staff said that the State PDA was done by three individuals who sat down and assigned costs to affected counties until indicators were met. They said that the dollar amounts were not necessarily a true representation of the total damage. At another JFO, staff said that Hurricane Irene was declared a disaster before the PDA was completed. The PDA process was conducted for 3 days after the disaster was declared, and did not cover all damages. Since the damage was significant, FEMA officials said that it was difficult to make accurate estimates. The estimates were made using various methods, including flyovers, and were stopped once indicators were met.

We also reviewed the PDA estimates for declared disasters in 2009 and 2010 to determine whether our observations of PDAs for Hurricane Irene were unique to this disaster. Figure 1 shows that 57% of the PDA estimates did not exceed the disaster indicator by more than 200%. This adds validity to the interviews and



observations noting that the PDA teams often stop estimating disaster damages once the indicator is met or slightly exceeded.

Figure 1. Comparison of the 2009 and 2010 PDAs to Indicators



Factors Affecting the Accuracy of Preliminary Damage Assessment Estimates

FEMA officials said that efforts to accurately assess disaster damages are affected by the accessibility of damaged areas, availability of records showing ownership, responsibilities of other Federal agencies, and the amount of insurance coverage held by State and local governments. The following are examples of how the unavailability of such information has affected the process:

- PDA teams encounter situations where documentation or knowledgeable individuals are not available to determine which State, local, or other Federal agency is responsible for repairing and restoring a damaged area or structure. This presents challenges in determining eligibility of sites and could result in ineligible costs being included in PDA estimates. The project worksheets that are prepared after a disaster declaration are intended to address information limitations such as the resolution of responsibility of repairing or restoring damaged facilities.
- PDA teams face challenges estimating insurance proceeds for eligible permanent work projects. If teams can obtain insurance documentation during the PDA, adjustments can be made, but insurance policies or applicable areas of coverage are not always available. Again, the project worksheets that are prepared subsequent to the disaster declarations are



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intended to address this lack of information regarding potential insurance proceeds.

- After a disaster, it is often not possible for a PDA team to access the damaged areas. In these cases, PDA teams use flyovers, satellite imagery, or other techniques to estimate damage costs. These techniques are effective in documenting what infrastructure was damaged (i.e., which building, bridge, or road). However, the details of the type of damage (e.g., foundation, electrical, plumbing) might be excluded from PDA estimates, thereby understating the cost to repair or replace the facility.

Because of the emphasis on estimating disaster damages to meet the statewide per capita indicator and the factors that affect the PDA process, the process is not thorough or detailed enough to accurately assess the impact of a disaster or predict the funding levels needed for a successful recovery effort.

Incomplete and Inaccurate PDA Effects on the Federal Government

Given the government's current economic and budgetary constraints, Congress directed FEMA in the *Consolidated Appropriations Act, 2012* (Public Law 112-33, September 30, 2011) to provide a full accounting of its Disaster Relief Fund budget requirements for fiscal years 2012 and 2013. As PDAs are one of the initial factors used to recommend that the President make a disaster declaration, a more thorough and accurate PDA process would help implement this congressional mandate.

State Per Capita Criterion Does Not Adequately Assess a State's Capability To Respond to a Disaster

The \$1 inflation-adjusted State per capita amount that FEMA uses to measure whether a disaster is beyond the capacity of State and local governments has not kept up with inflation, and is not necessarily a realistic measure of a State's true ability to respond to a disaster.

According to 44 CFR §206.48, when reviewing a Governor's request for major disaster assistance under the Stafford Act, FEMA reviews several factors to make a recommendation to the President as to whether assistance is warranted, including the estimated cost of the assistance. Therefore, it is important that the criteria used to develop the estimates be updated and that an accurate measure of a State's capacity to handle disasters be established.



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Since 1986, FEMA has used a per capita amount as an indicator that a disaster might warrant Federal assistance. FEMA selected the per capita amount of \$1 based on national per capita income, which in 1983 was \$11,667. However, FEMA did not adjust the amount annually for changes in national per capita income. In January 1999, FEMA implemented the \$1 per capita amount but disconnected it from per capita income, and decided to start adjusting the amount for changes in Consumer Price Index (CPI). In September 1999, FEMA issued a final rule on factors considered when evaluating a Governor's request for a major disaster declaration under the Stafford Act. In the *Federal Register* notice, FEMA acknowledged that a straight per capita dollar figure "may not be the best measurement of a state's capability" to respond to a disaster, but considered it a "simple, clear, consistent, and longstanding means of evaluating the size of a disaster relative to the size of [a state]." FEMA also acknowledged that "it is time to begin to peg this indicator to inflation since it has been in use without change for the past fifteen years."

Effect of Current Statewide Per Capita Indicators

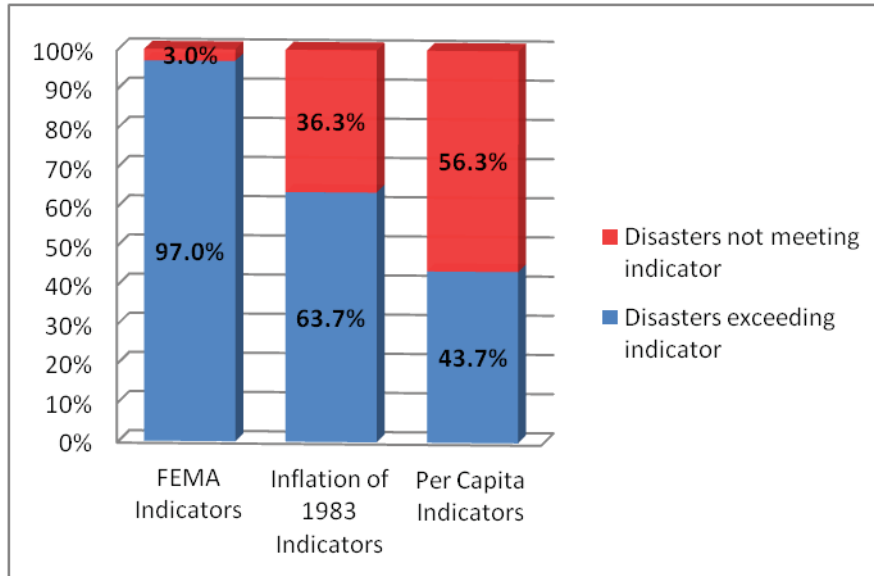
Beginning in 1999, FEMA agreed to adjust the statewide per capita indicator amount annually based on the CPI. However, FEMA did not adjust the per capita indicator amount for changes in income or purchasing power from 1983 to 1999. By not adjusting the per capita amount for 16 years, FEMA's calculations did not take into account a 142% percent increase in per capita income and a 65% percent increase in the CPI.

If FEMA had adjusted the \$1 per capita statewide per capita indicator by the CPI or by the changes in the national per capita income since 1983, a significant number of 2009 and 2010 PDAs would not have exceeded the States' indicator. Figure 2 compares the number of disasters that had PDAs exceeding the indicator using three different criteria:

- Using the \$1 per capita amount adjusted by the CPI starting in 1999 (current method);
- Using the \$1 per capita amount adjusted by the CPI starting in 1983; and
- Using the \$1 national per capita income indicator adjusted for growth in income since 1983.



Figure 2. Comparison of 2009 and 2010 Disasters to Indicator*



* This chart excludes two disasters in which PDA estimates were not performed.

The current process, adjusting the statewide per capita indicator by the CPI only since 1999, resulted in nearly all of the disasters having PDAs that exceeded the States' indicator. More than 36% of the PDAs would not have exceeded the States' indicators if the \$1 per capita amount had been indexed back to the change in the CPI since 1983. If FEMA had updated its 1983 national per capita income of \$1 to reflect 2009 and 2010 national per capita income, more than 56% of PDAs would not have exceeded the indicator.

FEMA Needs a Better Way To Assess a State's Ability To Respond to a Disaster

In a 2001 report on the need to improve the criteria used to declare major disasters, the Government Accountability Office (GAO) criticized FEMA's use of explicit financial indicators as a measure of a State's ability to respond effectively to a disaster. GAO reported that a State's capacity to respond to a disaster using state resources depends on several factors, the most important of which is the underlying strength of the State's tax base and whether that base is expanding or declining. GAO argued that a State's tax base represents the resource base against which it can draw to fund its public services needs, including repairs after a disaster. In addition, GAO pointed out that an expanding economy also provides more potential revenues than one that is flat or in decline. GAO recommended that FEMA develop objective and specific criteria to evaluate a State's ability to respond to a disaster, such as a State's total taxable resources. FEMA has not implemented GAO's recommendation. Given the many demands



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for Federal resources, the need for FEMA to be able to objectively assess the ability of State and local governments to fund disaster-related expenses has never been greater.

Conclusion

The PDA process does not provide a thorough, accurate assessment of a State's economic capacity to respond to and recover from a disaster. To enhance the PDA process, FEMA should improve the Public Assistance PDA to estimate more accurately the magnitude and economic impact of a disaster. FEMA should reevaluate the State per capita criteria used to measure a State's capacity to respond to a disaster. Furthermore, FEMA should determine whether other Federal data measures could better evaluate a State's capacity to respond to disasters.

Recommendations

We recommend that the Assistant Administrator, Recovery Directorate:

Recommendation #1: Improve the Public Assistance Preliminary Damage Assessment to estimate more accurately the magnitude and economic impact of a disaster.

Recommendation #2: Update the current statewide per capita indicator criteria to better reflect current economic conditions.

Recommendation #3: Evaluate other Federal data source measures to determine whether they provide a better indicator of a State's capacity to respond to a disaster and, if appropriate, replace the current statewide per capita indicator measurement.

Management Comments and OIG Analysis

We reviewed FEMA's response to our draft report and accepted the technical comment to change "threshold" to "statewide per capita indicator." FEMA concurred with Recommendation #1, but did not concur with Recommendations #2 and #3. With regard to Recommendation #1, we acknowledge that FEMA has established a training course to improve the quality and consistency of PDAs. In addition, FEMA is in the process of pursuing data collection tools. However, we suggest that FEMA ensure that the training course addresses the issues discussed in this report and that the data collection tools that FEMA acquires be



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able to estimate more accurately the impact of the disaster. We also agree with FEMA that the PDA process does not establish a final level of eligible funding in a declared event; however, it is a factor in establishing the need for Federal disaster assistance. As such, it is FEMA's responsibility to review all State-documented damage assessments to ensure that the assessments are as accurate and complete as possible prior to the issuance of the presidential declaration. In this regard, FEMA should ensure that State and local officials provide up-to-date information prior to the joint FEMA/State PDA. We will determine the status of this recommendation once we receive the detailed corrective action plan in FEMA's 90-day letter.

FEMA did not concur with Recommendation #2. We recommended that FEMA update the current State per capita indicator to better reflect current economic conditions. FEMA stated that its September 1999 rule, which includes annual adjustments to the CPI for all Urban Consumers, provides a formal, clear, and publicly articulated criterion that applies to all requests for major disaster declarations. FEMA did not believe that it was reasonable to retroactively apply an adjustment that could result in more than one-third of currently declared incidents not being declared major disasters. We did not recommend the retroactive adjustment on previously declared disasters. Such a recommendation would be inconsistent with the basis of our first recommendation that PDAs are not as thorough as they should be because some States are aware that, once a PDA team assesses disaster damages that equal or slightly exceed the State per capita indicator, FEMA will recommend that the President declare a disaster. We used that analysis to illustrate the impact of not indexing FEMA's indicator for more than a dozen years. We do not agree that the current statewide per capita indicator used by FEMA reflects a State's capacity to respond to and recover from a disaster. The Stafford Act requires that a Governor's request for a major disaster declaration be based on a finding that the disaster is of such severity and magnitude that an effective response is beyond the capabilities of the State. We believe this issue is best addressed in Recommendation #3. However, in the interim, it is our belief that FEMA should update the State per capita indicator by comparing current economic factors with those dating back to when FEMA first started to use the index. FEMA is a steward of Federal assistance funds and should develop measures that ensure that funds are spent effectively and efficiently. In addition, GAO made a similar recommendation in reports issued in 2001 and 2012. We will determine the status of this recommendation once we receive the detailed corrective action plan in FEMA's 90-day letter.



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FEMA did not concur with Recommendation #3. We recommended that FEMA evaluate other Federal data source measures to determine whether they provide a better indicator of a State's capacity to respond to a disaster and, if appropriate, replace the current measurement. FEMA believes that its current State per capita indicator is consistent with the intent of the Stafford Act and that the arithmetic formula used to develop the statewide indicators does not violate Section 320 of the Stafford Act. We disagree with this assessment. FEMA's per capita arithmetic formula has no direct relationship to the Stafford Act's requirement that FEMA measure whether the severity and magnitude of a disaster is beyond the capability of the State and its local governments to respond effectively. For example, a per capita indicator does not take into account the unique circumstances that exist in a State like California, that has a large population but also has significant financial difficulties. Thus, we stand by the recommendation and believe that FEMA should do this evaluation to determine whether it's State's capacity to respond. In addition, GAO made a similar recommendation in reports issued in 2001 and in 2012. We will determine the status of this recommendation once we receive the detailed corrective action plan in FEMA's 90-day letter.



Appendix A

Objectives, Scope, and Methodology

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the Department.

The objective of this audit was to assess the thoroughness and accuracy of FEMA's Public Assistance major disaster declaration PDAs from fiscal years 2009 through 2010. We compared these PDAs with FEMA's statewide per capita indicator, based on guidance issued annually in the *Federal Register*.

We interviewed FEMA Public Assistance Senior Management officials and Disaster Comptrollers from headquarters, Region III, Region V, and Region IX. We performed fieldwork in Washington, DC, and Oakland, CA. We observed Region III in the formulation of the Maryland PDA for Hurricane Irene. In addition, we reviewed current PDA policies, processes, and procedures; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our audit objective. We did not assess the adequacy of the internal controls applicable to PDA activities because it was not necessary to accomplish our audit objective. However, we did gain an understanding of the how the PDA process affects the accounting for disaster-related costs.

We conducted this performance audit between July 2011 and November 2011 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.



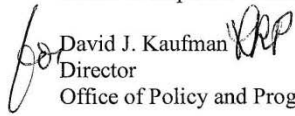
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Appendix B
Management Comments to the Draft Report



MAR 23 2012

MEMORANDUM FOR: D. Michael Beard
Assistant Inspector General for Emergency Oversight
Office of Inspector General

FROM:  David J. Kaufman
Director
Office of Policy and Program Analysis

SUBJECT: FEMA's Response to Draft Report *Opportunities to Improve FEMA's Public Assistance Preliminary Damage Assessment Process* (OIG Project No. 11-128-EMO-FEMA)

The Department of Homeland Security's Federal Emergency Management Agency (FEMA) appreciates the opportunity to review and respond to the Department of Homeland Security (DHS) Office of Inspector General (OIG) report "*Opportunities to Improve FEMA's Public Assistance Preliminary Damage Assessment Process* (OIG Project No. 11-128-EMO-FEMA). FEMA is actively resolving the issues identified in the report.

The OIG report analyzes the Public Assistance (PA) Program preliminary damage assessment (PDA) process. The report focuses on whether the PDA process provides accurate mechanisms for determining the magnitude and economic impact of an incident. The report also includes recommendations to improve the PA PDA process.

The OIG report indicates that the PA PDA process, "is not thorough or detailed enough to accurately assess the impact of a disaster or predict the funding levels needed for a successful recovery effort," and that "FEMA should improve the Public Assistance PDA to more accurately estimate the magnitude and economic impact of a disaster."

The purpose of a PDA is to assess the impact of an incident so that FEMA may consider this information in determining whether to recommend that a major disaster be declared. Under Sections 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, the basis of a request for a major disaster declaration is that a situation is of such severity and magnitude that effective response is beyond the capabilities of the State and affected local governments and that Federal assistance is necessary. FEMA's regulations (44 CFR 206.48) outline the factors FEMA considers when evaluating a Governor's request for a major disaster declaration. In regards to Public Assistance, this includes the estimated cost of assistance and localized impacts, both of which are assessed in terms of per capita impacts. Other factors include insurance coverage in force, hazard mitigation, recent multiple disaster



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activity and programs regarding other Federal assistance. The objective of the PDA is to provide information on the impacts of an incident for the consideration of these factors in making a recommendation to the President as to whether Federal assistance is warranted. The PDA is not meant or designed to serve as an estimate of final program expenditures for budgetary purposes.

Preliminary damage assessments are conducted jointly, with the participation of FEMA, the State, affected local jurisdictions, and other Federal agencies. PDAs are requested by the State and are conducted according to a schedule coordinated by the State based on availability of local jurisdictions. The results of the joint PDA are submitted by the Governor in support of his or her request for a major disaster declaration.

As indicated in the OIG report, there are factors that may limit the information that can be collected as part of a PDA. This may include a PDA team's inability to access certain areas due to the impact of the incident and the lack of knowledgeable local personnel or documentation, such as insurance coverage, which may not be immediately available after a disaster. All or some of these factors may limit the ability to collect detailed information on affected facilities and result in PDA information that does not correlate precisely to ultimate program funding levels once full information is collected and reviewed, and eligibility determinations are made. Again, the purpose of the PDA is not to serve as a determination on "final" eligible funding, but to estimate costs to assess whether a major disaster declaration is warranted.

The OIG also indicated that the review found in certain instances the PDA assessments ceased once the statewide per capita indicator had been met. Two important considerations balance this assertion. First, a State has responsibility for all impacted areas and local officials in all jurisdictions have an interest in ensuring damage in their communities is fully assessed and documented. Second, decisions on major disaster declaration requests must be made expeditiously in order to authorize Federal assistance that may be necessary to meet immediate needs of disaster survivors and initiate the recovery of impacted communities. Once again, the PDA provides information needed to determine whether a major disaster declaration should be made. More detailed and precise funding levels will result later in the process when eligible scopes of work are determined based on complete information on the disaster impacts.

The OIG cites Congressional requirements in the Consolidated Appropriations Act of 2012 for a full accounting of the Disaster Relief Fund (DRF) budget needs for fiscal years 2012 and 2013. FEMA is actively pursuing these requirements and has implemented a number of initiatives to improve the management of the DRF. PDAs may serve as an initial estimate of funding in a major disaster; however, PDAs are quickly superseded by refined estimates as more detailed information becomes available from the affected applicants. Sound management of the DRF is being achieved through the initiatives FEMA is putting in place to improve disaster budgeting and program management once a major disaster declaration has been made.

As a technical comment, the OIG report refers to the statewide per capita impact indicator as a "threshold". This is inaccurate, as the per capita figure is not a threshold, but is an "indicator" of the estimated cost of assistance, which remains one of the factors considered by FEMA when evaluating a request for a major disaster declaration (44 CFR 206.48(a)(1)).



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The OIG includes three recommendations in the draft report. FEMA's response to the proposed recommendations follows.

Recommendation #1: Improve the Public Assistance Preliminary Damage Assessment to more accurately estimate the magnitude and economic impact of a disaster.

FEMA concurs with this recommendation. FEMA endeavors to support a joint FEMA-State-local PA PDA process that provides the most accurate and complete assessment of an incident's impact as possible. As noted by the OIG, the post-disaster environment may be a limiting factor in the completion of a PDA. At times, certain areas may be inaccessible due to the impact of the incident. Collection of information must also be balanced with the need to complete a PDA expeditiously in order for a determination to be made on the authorization of Federal assistance that may be necessary to meet critical needs of communities affected by the incident.

In order to provide guidance and training on the PA PDA process, FEMA developed the "Preliminary Damage Assessment" course in 2009. This training course specific to PA PDAs was developed to improve the quality and consistency of PA PDAs. The class provides instruction on working with State and local governments to perform damage assessments, accurately document damage, formulate sound cost estimates, and ensure that appropriate eligibility issues are considered for the assessment of the work scope and overall project costs. The course is taught on a regular basis, and often includes participation by State representatives. FEMA also provides States with copies of the course for training of local government personnel.

Further, FEMA is pursuing data collection tools that will provide enhanced capabilities to perform PDAs and record information in an efficient and consistent manner. FEMA is currently assessing the best available options for development of such a tool for PA PDAs, based on previous efforts to explore development of such a tool and in light of currently refined technologies.

The PDA process provides FEMA officials the information that they would consider in evaluating whether a major disaster declaration is warranted. The PDA process does not establish a final level of eligible funding in a declared event. FEMA is implementing other initiatives to improve disaster budgeting and program management once a declaration has been made that will enhance FEMA's ability to manage and budget for expenditures from the Disaster Relief Fund. This includes improved monthly budgeting in disaster operations, and better financial management of grant funding through enhanced quarterly reporting on projects through the States as grantees for the Public Assistance Program.

Recommendation #2: Update the current state per capita threshold criteria to better reflect current economic conditions.

FEMA does not concur with this recommendation pertaining to the per capita indicators. In 1999, FEMA issued a regulation outlining the factors considered when evaluating a Governor's request for a major disaster declaration. The proposed rule, published on January 26, 1999, stated that the factors represent, "a simple, clear and reasonable means to measure the severity, magnitude and impact of a disaster, while at the same time ensure that the President can respond quickly and effectively to a Governor's request for assistance." The final regulation, published



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on September 1, 1999, provided formal, clear and publicly articulated criteria that would be applied to all requests for major disaster declarations. In this way, all parties, Federal, State and local, are now informed of and have an understanding of the criteria for the consideration of requests for assistance. It is important to reiterate that the regulation established factors for consideration of requests, and did not establish “thresholds”, as stated by the OIG. Further, the factors pertain to FEMA making a recommendation to the President on whether Federal assistance is warranted, while the President maintains final discretion on the declaration of a major disaster.

FEMA initially proposed establishing formal major disaster declaration criteria in 1986. The notice in the *Federal Register* stated that, “Based on a per capita income of \$11,687 it appears reasonable that a State would be capable of providing \$1.00 for each resident of that State to cover the cost of State efforts to alleviate the damage which results from a disaster situation. Based on \$1.00 per capita, the capability indicators developed for States correlate closely to about 0.1 of one percent of the estimated General Fund expenditures by States. Using \$1.00 per capita multiplied times the population of a State and then multiplying that figure by the ratio of a State’s per capita personal income to the national average per capita personal income (to provide an adjustment for State that have per capita incomes above or below the National average), an objective indicator, which can be used in the declaration process will be developed for each State.” This proposal was not adopted.

In 1998, FEMA issued a notice in the *Federal Register* proposing to adjust the \$1.00 per capita figure to \$1.51 based on inflation since 1986. FEMA received comments from the public expressing concern about adjusting the indicator for inflation retroactively to 1986. FEMA did not implement this proposal.

FEMA issued a proposed rule on January 26, 1999, to formally establish the factors considered when evaluating a Governor’s request for a major disaster declaration. The rule included a statewide indicator of \$1.00 per capita for the evaluation of the estimated cost of Public Assistance. The final rule, published on September 1, 1999, did not adjust the per capita indicator for inflation retroactively. Rather, the rule did establish that the statewide per capita indicator would be adjusted annually from that point forward based on the Consumer Price Index for all Urban Consumers. The statewide per capita indicator currently in use (\$1.35) is based on the indicator established in 1999 and reflects annual adjustments based on the Consumer Price Index (CPI) since the regulation went into effect.

Based on the OIG’s findings, if the \$1.00 per capita figure had been adjusted retroactively based on CPI since 1983, over 36% of major disasters declared in 2009 and 2010 would not have reached the statewide per capita indicator. FEMA does not believe that it is reasonable to retroactively apply such an adjustment that could result in over one third of currently declared incidents not being declared major disasters. FEMA is fully cognizant of current constraints on the Federal budget, and is implementing measures to closely manage the Disaster Relief Fund (DRF) in particular. However, many State and local governments are likewise experiencing significant budgetary constraints, which often makes Federal disaster assistance dollars all the more important to communities recovering from the impact of major disasters.



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Recommendation #3: Evaluate other federal data source measures to determine whether they provide a better indicator of a state's capacity to respond to a disaster and, if appropriate, replace the current threshold measurement.

FEMA does not concur with this recommendation. FEMA reviewed other sources of data in 2001 for potential use as major disaster declaration criteria and chose not to propose changes to the current factors outlined in FEMA regulations. FEMA does not plan at this time to propose changes to the factors or indicators for assessing requests for the authorization of Public Assistance as part of a major disaster declaration.

The current criteria for disaster declarations, as outlined in FEMA regulations, are consistent with the intention of the Stafford Act, and the use of the Statewide indicator as one of the factors for consideration is not contrary to the Section 320 of the Stafford Act prohibiting the use of an arithmetic formula as the sole basis for precluding assistance to any geographic area. FEMA believes, as stated in 1999, that the current factors provide, "a simple, clear and reasonable means to measure the severity, magnitude and impact of a disaster, while at the same time ensure that the President can respond quickly and effectively to a Governor's request for assistance."

Once again, thank you for the opportunity to comment on the draft report. Please feel free to provide any comments/concerns to our Chief Audit Liaison, Mr. Brad Shetka, 202-646-1308.



Appendix C

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Appendix D

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