



# Department of Homeland Security Office of Inspector General

## Internal Controls in the FEMA Disaster Acquisition Process





Homeland  
Security

February 19, 2009

### Preface

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.

This report presents the results of the audit of the Federal Emergency Management Agency's internal controls governing disaster acquisitions. We contracted with the independent public accounting firm of Urbach Kahn & Werlin LLP (UKW) to perform the audit. The contract required that UKW perform its audit according to generally accepted government auditing standards. UKW identified six areas where internal controls could be strengthened.

UKW is responsible for the attached report dated January 28, 2009, and the conclusions expressed in the report.

The recommendations herein have been developed to the best knowledge available to our contractor and have been discussed in draft with those responsible for implementation. We trust that this report will result in more effective, efficient, and economical operations. We express our appreciation to all who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Richard L. Skinner".

Richard L. Skinner  
Inspector General

January 28, 2009

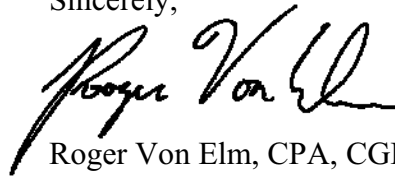
Mr. Matt Jadacki  
Deputy Inspector General for Office of Emergency Management Oversight  
Office of Inspector General  
Department of Homeland Security  
245 Murray Drive, Building 410  
Washington, DC 20528

Dear Mr. Jadacki:

Urbach Kahn and Werlin performed an audit of internal controls over the Federal Emergency Management Agency disaster acquisition process. The audit objective was to determine the extent that internal controls over the disaster acquisition process have improved since the 2005 Gulf Coast hurricanes and to identify weaknesses that remain. This report presents the results of the audit and includes recommendations the agency can implement to enhance the acquisition program's overall success. We performed the audit as stipulated in Task Order TPDFIGBPA070009A-0071.

We appreciate the opportunity to have conducted the audit. Should you have any questions, or if we can be of any further assistance, please call me at (571) 227-9500.

Sincerely,



Roger Von Elm, CPA, CGFM  
Partner

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## Abbreviations

CO	Contracting Officer
COTR	Contracting Officer's Technical Representative
DHS	Department of Homeland Security
FAR	Federal Acquisition Regulation
FEMA	Federal Emergency Management Agency
FMFIA	<i>Federal Managers' Financial Integrity Act of 1982</i>
FY	Fiscal Year
GAO	Government Accountability Office
IMAT	Incident Management Assistance Team
OAM	FEMA Office of Acquisition Management
OMB	Office of Management and Budget
OIG	Office of Inspector General
UKW	Urbach Kahn & Werlin LLP

# OIG

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*Department of Homeland Security  
Office of Inspector General*

## **Executive Summary**

Urbach Kahn & Werlin LLP audited the Federal Emergency Management Agency's (FEMA) acquisition process to determine the extent to which internal controls have improved since the 2005 Gulf Coast hurricanes and to identify weaknesses that remain. FEMA has begun to establish a control environment over the disaster acquisition process. However, additional safeguards to protect assets and prevent and detect errors should be implemented. FEMA should:

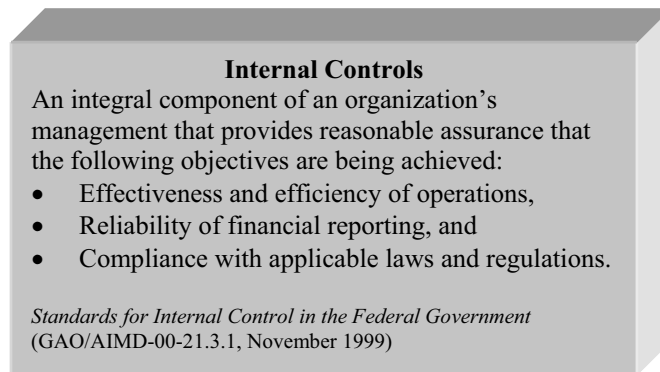
- Establish an internal control board and assess the adequacy of its internal controls annually;
- Hold contracting officers accountable for their contract file maintenance responsibilities;
- Implement departmental policy requiring that contracting officers report to contracting professionals for technical performance elements;
- Hold contracting officer's technical representatives accountable for their delegated contract management tasks in performance evaluations;
- Determine what audit findings and recommendations the Office of Acquisition Management is responsible for and ensure that corrective action is taken; and
- Comply with Federal Acquisition Regulation on contract close out, so that unused funds can be spent to address future needs.

FEMA concurred with the recommendations and has begun to address some of the weaknesses identified in the report.

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## Background

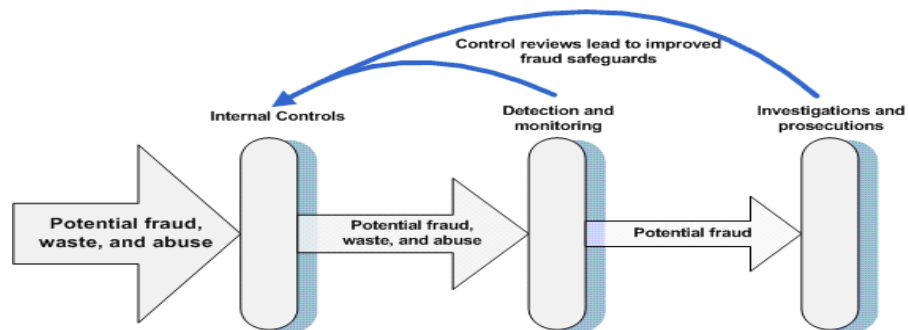
Federal program managers are continually seeking ways to better achieve agencies' missions and program results. A key factor in helping achieve such outcomes is to implement appropriate internal controls. Internal controls comprise the plans, methods, and procedures that an agency uses to meet missions, goals, and objectives, and in doing so (1) support performance-based management and (2) help prevent fraud, waste, and abuse.



Internal controls, along with monitoring controls to determine their effectiveness, help screen out fraud and are the most effective and efficient means to do so. Figure 1, below, illustrates the important role internal controls play in fraud prevention.

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**Figure 1: Using Internal Controls to Prevent Fraud**



Source: UKW, from a U.S. Government Accountability Office figure<sup>1</sup>

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<sup>1</sup> *INDIVIDUAL DISASTER ASSISTANCE PROGRAMS: Framework for Fraud Prevention, Detection, and Prosecution*, (GAO-06-954T, July 2006).

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As programs change and agencies strive to improve operational processes, they must continually assess and update internal controls as necessary to ensure effectiveness. For example, in response to lessons learned from the 2005 Gulf Coast hurricanes, FEMA has:

- Restructured the Chief Procurement Office;
- Created the Office of Acquisition Management (OAM);<sup>2</sup>
- Increased the number of prepositioned contracts to support disaster response activities;
- Established a contracting officer's technical representative (COTR) training program;
- Developed a strategy map and scorecard to guide its internal operations; and
- Identified initiatives for strengthening the internal controls of acquisition operations.

However, much work remains to be done. FEMA has yet to implement hundreds of recommendations that would result in more effective, efficient, and economical operations.<sup>3</sup> Government internal control standards,<sup>4</sup> which define the minimum level of acceptable quality for internal controls, prescribe that internal control monitoring should ensure that audit findings are promptly resolved.

## Results of Audit

### Improving FEMA Internal Controls

In fiscal year (FY) 2007, FEMA could not provide reasonable assurance of the effectiveness of its internal controls. FEMA has yet to implement the *Federal Managers' Financial Integrity Act of 1982* (FMFIA) and a number of key corrective actions. Additionally, FEMA does not yet have formal processes in place to provide oversight of internal control improvements,

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<sup>2</sup> In January 2009, OAM was renamed the Acquisition Management Division as part of a FEMA Management Directorate realignment. See Appendix C for updated organization chart.

<sup>3</sup> *Status Report on Open Recommendations to DHS Components* (OIG-08-27, February 2008).

<sup>4</sup> *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1, November 1999).



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including a FEMA-wide accountability structure for monitoring ongoing internal control activities.

Office of Management and Budget (OMB) Circular A-123 and the statute it implements, FMFIA, are at the heart of federal requirements to improve internal controls. The circular defines management's responsibility for internal controls and provides guidance on improving the accountability and effectiveness of operations by establishing, assessing, correcting, and reporting on internal controls. Management is responsible for setting the "Tone at the Top," or the ethical atmosphere created in the workplace. By not implementing FMFIA and not taking timely corrective actions, FEMA's management has not set the "Tone at the Top" that is critical to strong internal controls.

***What is "TONE AT THE TOP?"***

"Tone at the Top" refers to the ethical atmosphere created in the workplace by the organization's leadership. Employees pay close attention to the behavior and actions of their bosses, and they follow their lead. In short, employees will do what they witness their bosses doing.

Association of Certified Fraud Examiners

FMFIA requires managers to examine internal controls annually to determine how well they are performing, how they may be improved, and the degree to which they help identify and address major risks for fraud, waste, abuse, and mismanagement. FEMA has not assessed internal controls annually, nor has it established an internal control review board to formally oversee internal control improvements. OMB Circular A-123 requires agencies to integrate internal controls into their systems to direct and guide operations and encourages agencies to establish a senior management council or internal control board to address management accountability and related issues within the broader context of agency operations.

FEMA offices, including OAM, have not performed required internal control reviews. The Acting Chief Financial Officer said, "We are not as far along as we need to be" with implementing Circular A-123. Office of the Chief Financial Officer officials said that key staff vacancies and the catastrophic nature of the 2005 hurricane season caused delays in implementing the circular. FEMA has written a draft internal control board charter, but as of September 2008, it had not approved the charter or established the board.

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The draft internal control board charter shows the Chief Financial Officer as the council chair. To demonstrate management's commitment to support a healthy internal control environment and to bring appropriate focus to the crosscutting issues affecting not only OAM, but also all of FEMA, the internal control board should be chaired by the FEMA Administrator or Deputy Administrator. Having the chair at a higher level would demonstrate management's commitment to a strong control system. It would also focus attention on acquisition process improvement initiatives that contribute to the Administrator's inability to provide a positive assurance statement on FEMA internal controls.

**Senior Management Council Chair**

To ensure senior management involvement, many agencies have created their own senior management council, often chaired by the agency's lead management official, to address management accountability and related issues in the broader context of agency operations.

OMB Circular A-123

**Recommendation:**

We recommend that the Administrator, Federal Emergency Management Agency

**Recommendation #1:** Implement the requirements of the *Federal Managers' Financial Integrity Act* at the office and branch level in FEMA and establish an internal control board chaired by either the FEMA Administrator or Deputy Administrator.

**Management Comments and Contractor Analysis**

FEMA concurred with the recommendation and said that it would provide a detailed corrective action plan in its 90-day response. We consider FEMA's planned action responsive to the recommendation.

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## Strengthening Contract Files Oversight

The contract file is the record of what the government bought, how they bought it, and how the contractor performed. OAM does not routinely monitor contracting officers' (CO) compliance with contract file policies and procedures, organization and maintenance regulations, and contract closeout requirements. FEMA could not locate 27% of the contract files requested for review. Many contract files are not organized and are missing key information.

### Effective Internal Controls

Ensure all transactions and other significant events are authorized, approved, and clearly documented, and the documentation is readily available for examination.

*Standards for Internal Control in the Federal Government*  
(GAO-AIMD-00-21.3.1, November 1999)

Federal Acquisition Regulation (FAR) Subpart 4.8 contains the requirements for establishing, maintaining, and disposing of contract files. It requires that contract file documentation be sufficient to constitute a complete history of the acquisition. FAR Subparts 4.802 and 4.803 describe types of contract files and examples of records that they should contain, the contract file organization requirements, and maintenance and closeout guidance. Contract files should contain items such as the following:

### Contract File Documentation Should –

- Provide a complete background to inform decisions at each step of the acquisition process
- Support actions taken
- Provide information for reviews and investigations
- Furnish essential facts in the event of litigation or congressional inquiries.

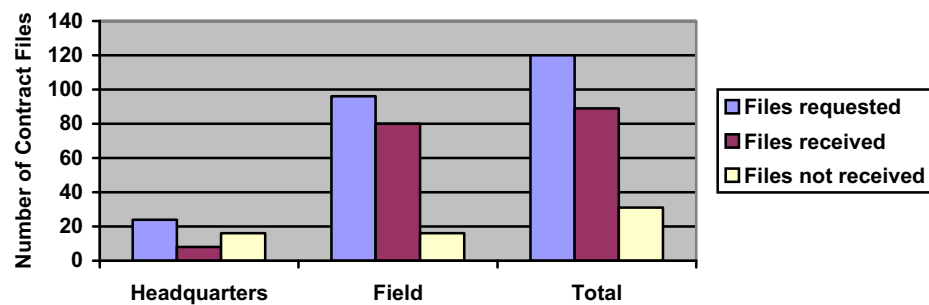
*Federal Acquisition Regulation*

- Purchase request, acquisition planning, and other presolicitation requirements;
- Justifications and approvals;
- Evidence of the availability of funds;
- Cost/price proposals;
- Basis for the acquisition and the award;

- Assignment of contract responsibilities, including payment responsibilities;
- Independent government cost estimates; and
- CO’s determination of the contractor’s responsibility.

COs could not find many of the contract files we requested. Figure 2 shows that COs could not locate 32 of the 120 contract files we requested (27%). Headquarters’ COs could not find 16 of 24 files (67%). Regional and disaster field office COs could not find 16 of 96 files (17%). In some instances, COs did not provide files until months after they were requested, or COs provided files that they created to respond to our request.

**Figure 2: UKW Contract Files Requested and Received from FEMA**



Source: UKW

OAM did not have a standardized approach to documentation and file maintenance. COs had access to acquisition file checklists designed for various contract types and situations. These checklists appeared to be in line with FAR requirements and showed what items to include in the contract file. However, COs were not required to use the checklists, and we did not find them in most of the files we reviewed. Basic documents were missing from the files, and many existing documents did not contain authorizing signatures. The missing or unsigned documents included contracts, COTR designation letters, FEMA Form 40-1 “Requisition and Commitment for Services and Supplies,” and FEMA Form 60-1 “Requisition for Supplies, Equipment and/or Services.”

Supervisors did not hold COs accountable for maintaining complete, organized files, and OAM did not monitor file contents to ensure that they were complete and organized. The condition of contract files appeared to relate directly to the responsible CO’s diligence in file maintenance.

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At one office, the CO was adamant about the files leaving “a footprint” so that anyone could pick up a contract file and know the history of the contract. This CO used the FEMA acquisition file checklist (FEMA Form 40-13) for every file created in the region and in the disaster response field office the CO supported. However, the CO and other FEMA officials told us the checklist had been rescinded from FEMA procedures.

At OAM headquarters, COs found 8 of 24 contract files (33%) we requested. The 8 contract files were not consistent in content or structure. COs included an acquisition file checklist in only two files. Documentation was missing from most of the headquarters contract files.

Contracting staff turnover contributed to and exacerbated file maintenance issues. Frequently, contract files were transferred as a result of personnel changes and if the file was not in order at this point, it was difficult if not impossible for the newly assigned CO to put the file in order.

When contract files are disorganized and incomplete, particularly when COs change, the incoming CO has no way of knowing what has been done up to the point when the file was passed on. Also, not monitoring a CO’s adherence to contract file organization and maintenance requirements exposes FEMA to fraud, waste, and abuse. It is difficult, if not impossible, to establish what the contract was for, if appropriate contracting competition rules were followed, if the government received a fair price, and if the goods or services were properly delivered and paid for.

In September 2008, the OAM Director issued two standard operating procedures that address aspects

**Recent FEMA Standard Operating Procedures**

- “Labeling and Organizing Official Contract File Folders”
- “Transfer of Contract Files from the Joint Field Office to the Appropriate Regional Office”

FEMA Office of Acquisition Management

of the contract files management problems. The procedures require FEMA COs and contract specialists to create and maintain contract file folders as required by the FAR, and to retain files in a central file location during periods of inactivity and when completed. The procedures require COs at disaster field offices to transfer files, which include a complete acquisition history, prior to leaving the field office.

Both procedures include checklists that reference FAR requirements and require contracting staff to identify specific document locations. The checklists could serve as a mechanism to hold contracting staff accountable for their file management responsibilities. With modification, the procedures for transferring files from disaster field offices could be

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expanded to include all instances when a contract file is transferred from one CO to another. For additional information on acquisition policies and procedures and acquisition workforce issues, see *Challenges Facing FEMA's Acquisition Workforce*, OIG-09-11, November 2008.

## Recommendations:

We recommend that the Director, Office of Acquisition Management:

**Recommendation #2:** Require that all files transferred from one contracting officer to another contracting officer meet criteria consistent with policy included in the standard operating procedure on joint field office file transfer.

**Recommendation #3:** Require supervisors to monitor contract file maintenance and hold contracting officers and contracting specialists accountable by including, in the annual performance evaluation process, an assessment of their contract file maintenance activities.

## Management Comments and Contractor Analysis

FEMA concurred with the recommendations and said that it would provide a detailed corrective action plan in its 90-day response. We consider FEMA's planned action responsive to the recommendations.

## Improving Performance Management of Contracting Officers

COs who work in regions or in disaster operations field offices commonly report to and receive performance appraisals from supervisors who are not certified contracting professionals. This is contrary to DHS policy, and because the rating official is frequently a manager reporting to superiors who have program delivery responsibilities, it creates a potential conflict-of-interest situation for the CO.

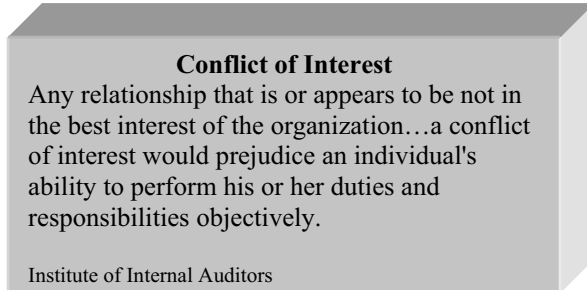
### **GS-1102 Rating Official**

The Head of Contracting Activity shall ensure that all GS-1102s in their organizational element have a certified GS-1102 contracting professional designated as the rating official of record for GS-1102 technical performance factors.

*DHS Management Directive # 0781.1*

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Internal control standards indicate that key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud, and that transactions should be authorized and executed only by persons acting within the scope of their authority. DHS MD 0781.1, Contracting Professional (GS-1102) Career Information, requires that certified contracting professionals evaluate the technical performance of all contracting professionals. FEMA has not consistently implemented MD 0781.1 requirements.



OAM officials said that they provide technical assistance and guidance to regional and disaster response field office contracting staff, but that the CO's supervisor, usually a Finance/Administration Section manager, evaluates the CO's performance for all performance factors. In essence, the CO's performance evaluation is provided by the "customer," which may potentially affect the CO's independence.

In 2007, the Director of OAM discussed changing regional CO reporting responsibilities with regional managers. Regional managers opposed the change.

One regional CO reporting to regional program managers said that although he had never been forced to take actions that he did not feel comfortable with, sometimes the bosses did not like the decisions the CO had to make and did not like it when he called OAM for technical assistance.

During FY 2007, FEMA began to assemble new national and regional response teams, called Incident Management Assistance Teams (IMATs), to ensure FEMA's capability to immediately deploy qualified and experienced personnel and capabilities in support of any disaster incident response. FEMA's IMAT concept of operations places the teams in the FEMA Disaster Operations Directorate. Some teams will include a full-time CO with a reporting chain similar to regional and disaster field office COs.

COs are responsible for ensuring that acquisitions take place according to federal contracting rules. Having a CO's technical performance and career advancement controlled by the customer or a supervisor who is not a certified contracting professional increases the risk of fraud, waste, abuse, and mismanagement in the FEMA disaster acquisition process.

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## Recommendation:

We recommend that the Director, Office of Acquisition Management:

**Recommendation #4:** Implement policy in compliance with *Department of Homeland Security Management Directive #0781.1* and require that all contracting officers have a certified contracting professional as their rating official of record for technical performance factors. Contracting officers should report to headquarters Office of Acquisition Management.

## Management Comments and Contractor Analysis

FEMA concurred with the recommendation and said that it would provide a detailed corrective action plan in its 90-day response. We consider FEMA's planned action responsive to the recommendation.

## Improving COTR Performance Feedback

FEMA COTRs serve an important, clearly defined role in the acquisition process. In November 2007, the OAM Director issued policy that established COTR responsibilities and requirements. According to the policy, the program office recommends a COTR for the contract, and the CO appoints the COTR and establishes COTR expectations in writing.

The appointment letter lists the COTR's duties and responsibilities.

COTRs perform their technical acquisition functions under the CO's direction, but the FEMA performance management system does not hold them accountable for their COTR duties. COTRs frequently work for the program office that requested the contract and report to a program office supervisor. Often, the COTR function is a collateral duty, and the CO does not rate the COTR's contract management performance.



### Common COTR Responsibilities

- Monitor contractor's performance
- Maintain a file documenting COTR actions
- Communicate with contractor regarding performance
- Alert CO to contractor deficiencies
- Review and approve invoices

FEMA Office of Acquisition Management Policy



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Human capital permeates virtually every effort within an agency, including successfully acquiring goods and services, and executing and monitoring contracts. Human capital policies and practices, a critical factor in the control environment, should include a performance management system that provides candid and constructive feedback to help people understand their contributions and help the organization achieve its goals.

With no formal process in place for the CO to provide performance feedback to the COTR's supervisor, the COTR's evaluation may not reflect contract technical oversight responsibilities. The COTR is not ensured credit for contract oversight accomplishments or counseling to address performance deficiencies. This could reduce the effectiveness and consistency of both the contracting and the evaluation process. OAM said that DHS has considered creating a policy to require the COTR's supervisor to include the CO's performance feedback in the COTR's annual appraisal.

### **Recommendation:**

We recommend that the Administrator, Federal Emergency Management Agency:

**Recommendation #5:** Revise the performance management process so that the supervisor of record includes the contracting officer's written assessment of the contracting officer's technical representative's contract management performance in the annual performance appraisal. The assessment should address factors listed in the designation letter.

### **Management Comments and Contractor Analysis**

FEMA concurred with the recommendation and said it would provide a detailed corrective action plan in its 90-day response. We consider FEMA's planned action responsive to the recommendation.

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## Enhancing Oversight of Recommended Corrective Actions

FEMA and OAM do not effectively track audit findings and recommendations, and do not have an accurate report on the status of corrective actions relative to those audit recommendations. These weaknesses exist because FEMA does not place sufficient emphasis on effectively tracking audit results. Consequently, there is increased risk of inefficient and ineffective operations, and management is not able to provide assurance that issues reported in audits are addressed.

### Tracking Audit Recommendations

Audit follow-up is an integral part of good management, and is a shared responsibility of agency management officials and auditors.

OMB Circular A-50 Revised

FEMA maintains corrective action plans in separate audit files, but does not have an effective automated tracking system to monitor its response to GAO, OIG, and other internal studies and evaluations. FEMA uses a “spreadsheet approach,” which relies on manual input as new audit recommendations are issued or changes in the status of corrective actions occur.

FEMA is developing an automated tracking system. We reviewed information from the new system on OAM audit recommendations and found it to be incomplete and unreliable. OAM does not have a current or accurate list of audit recommendations for which it is responsible. Without a current, accurate inventory of open recommendations, OAM may not take recommended corrective actions to improve the acquisition process.

### Recommendation:

We recommend that the Director, Office of Acquisition Management:

**Recommendation #6:** Determine what audit findings and recommendations the Office of Acquisition Management is responsible for and ensure that corrective action is taken.

### Management Comments and Contractor Analysis

FEMA concurred with the recommendation and said that it would provide a detailed corrective action plan in its 90-day response. We consider FEMA’s planned action responsive to the recommendation.

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## Improving Contract Closeout Timeliness

As discussed in the preceding sections of this report, effective internal controls help FEMA to better achieve mission and program results, including compliance with applicable laws and regulations. Effective internal controls would have prompted COs in FEMA's

regional and disaster operations field offices to adhere to the FAR and FEMA guidance governing contract closeouts. These COs did not close out contracts within the timeframes prescribed under FAR Subpart 4.804-1 and the *FEMA Disaster Contracting Desk Guide*, resulting in unliquidated obligations<sup>5</sup> of more than \$5 billion that could be used for other needs.

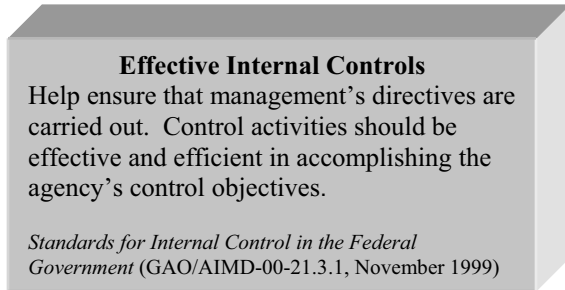
COs are required to start the contract closeout process when FEMA has received and paid for all the goods and services it purchased. However, OAM did not monitor contract closeouts or hold COs accountable. Further, missing and incomplete contract files make it difficult to close contracts in a timely manner.

OAM officials agreed that the issue of closing contracts and deobligating unused funds was serious, and they have begun to address it. FEMA has hired a contractor to assist in closing contracts whose performance periods have ended. OAM officials told us that they have deobligated \$76 million since the contractor began work in 2007. Although this is a sizeable amount, given over \$5 billion in unliquidated obligations, much work remains.

### Recommendations:

We recommend that the Director, Office of Acquisition Management:

**Recommendation #7:** Require each contracting officer to close out contract files according to timeframes in the Federal Acquisition Regulation and FEMA policy.



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<sup>5</sup> An obligation occurs when FEMA signs a contract; an unliquidated obligation is the amount of a financial obligation not yet expended (Source: U.S. Department of Agriculture, Departmental Regulation 2230-001, *Reviews of Unliquidated Obligations*, August 22, 2006).

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**Recommendation #8:** Accelerate closeout of eligible contracts so that funds are more quickly made available for future use.

### **Management Comments and Contractor Analysis**

FEMA concurred with the recommendations and said that it would provide a detailed corrective action plan in its 90-day response. With regard to recommendation #7, FEMA said that either the Management Directorate's Acquisition Management Division personnel, or contractor support, will close out contract files. With regard to recommendation #8, FEMA said that the Acquisition Management Division is working with the Office of the Chief Financial Officer to address the close-out of eligible contracts. We consider FEMA's current and planned actions responsive to the recommendations.

## Appendix A

### Purpose, Scope, and Methodology

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DHS OIG contracted with UKW to audit internal controls over the FEMA acquisition process. The audit objective was to determine the extent to which internal controls have improved since the 2005 Gulf Coast hurricanes and to identify weaknesses that remain.

We conducted this performance audit according to generally accepted government auditing standards (*Government Auditing Standards*, July 2007 revision). 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 on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit focused on acquisitions from October 2006 through July 2008. We reviewed FEMA and OAM records and a judgmental sample of contract files selected at headquarters and field offices. We performed work at FEMA headquarters in Washington, DC; at the Brentwood, Tennessee Joint Field Office; the Atlanta, Georgia and Kansas City, Missouri Regional Offices; and the New Orleans and Baton Rouge, Louisiana Transitional Recovery Offices. We held discussions with FEMA officials throughout the audit and discussed audit results with FEMA officials on November 5, 2008.

To establish criteria for this audit, we researched U.S. laws and regulations; DHS directives; FEMA policies and guidance; and OMB, GAO, and Office of Federal Procurement Policy (OFPP) requirements and guidelines applicable to internal control and to acquisition activities. We reviewed assessments of the FEMA acquisition process prepared by FEMA contractors and prior reports and congressional testimony by FEMA, DHS OIG, and GAO to identify their findings and recommendations related to FEMA's acquisition process. We reviewed information, including contract file checklists, contained on the Virtual Acquisition Office, an acquisition knowledge management subscription service that is available to OAM staff.

## Appendix B Management Comments to the Draft Report


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



# FEMA

MEMORANDUM FOR: Matt Jadacki  
Deputy Inspector General  
Office of Emergency Management Oversight

FROM:   
Pat Stahlschmidt  
Acting Director  
Office of Policy & Program Analysis

SUBJECT: Comments on OIG Draft Report, *Internal Controls in the FEMA Disaster Acquisition Process-For Official Use Only (FOUO)*

Thank you for the opportunity to review and comment on the Office of Inspector General's (OIG's) subject draft audit report. As FEMA works toward refining its programs, the OIG's independent analysis of program performance greatly benefits our ability to continuously improve our activities.

FEMA concurs with the draft report's eight recommendations. Regarding the recommendation that each contracting officer be required to close out contract files according to timeframes in the Federal Acquisition Regulation and FEMA policy, while we concur with the recommendation, we note that either the Management Directorate's Acquisition Management Division (AMD) personnel, or contractor support, will close out contract files. With respect to the last recommendation dealing with accelerating closeout of eligible contracts so that funds are more quickly made available for future use, please be aware that the AMD is engaging in a concerted effort with the Office of the Chief Financial Officer to address the de-obligation of un-liquidated obligations on exiting contracts and has reached an agreement on the process for accelerating the de-obligations and closeout of eligible contracts. In our 90-day letter following the issuance of your final report, we will provide a detailed corrective action plan with timeframes for completion of each of the report's eight recommendations.

Thank you again for the opportunity to comment on this draft report and we look forward to working with you on other issues as we both strive to make FEMA the nation's Preeminent Emergency Management and Preparedness Agency.

[www.fema.gov](http://www.fema.gov)

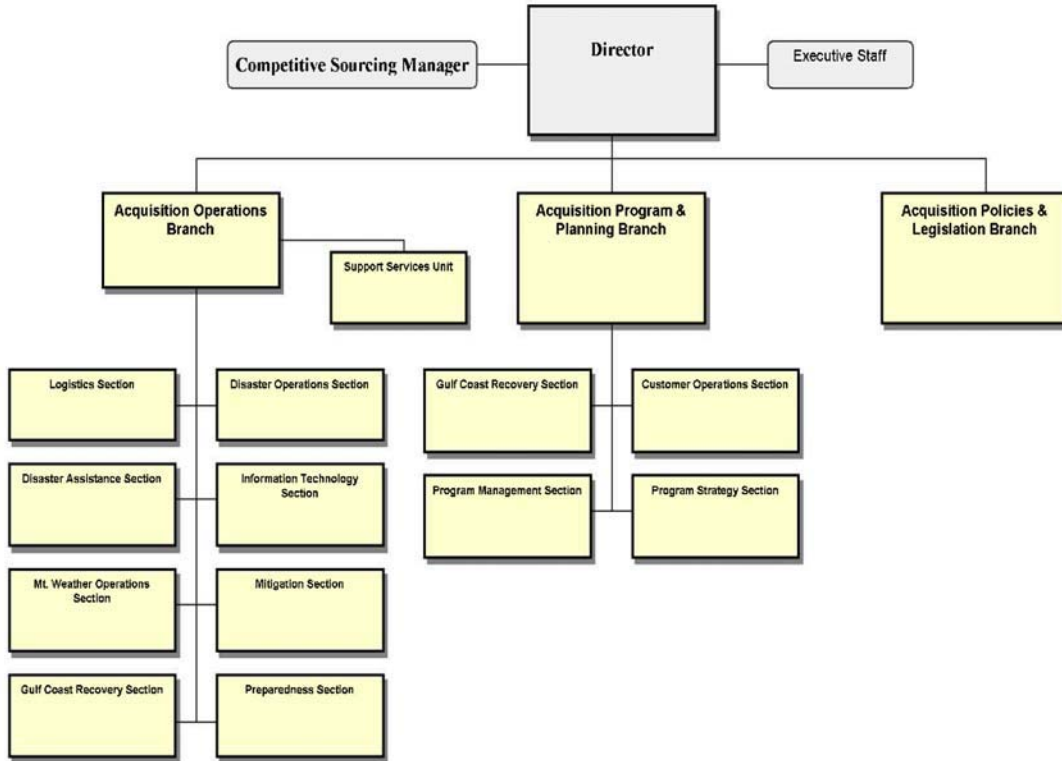
**Appendix C**  
**FEMA Acquisition Management Division Organization Chart**

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**US Department of Homeland Security/FEMA**  
**Management Directorate**  
**Acquisition Management Division**

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Source: FEMA

**Appendix D**  
**Report Distribution**

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**Department of Homeland Security**

Secretary  
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Chief of Staff  
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General Counsel  
Executive Secretary  
Director, GAO/OIG Liaison Office  
Assistant Secretary for Office of Policy  
Assistant Secretary for Office of Public Affairs  
Assistant Secretary for Office of Legislative Affairs  
FEMA Audit Liaison (Job Code DC7A01)

**Office of Management and Budget**

Chief, Homeland Security Branch  
DHS OIG Budget Examiner

**Congress**

Congressional Oversight and Appropriations Committees, as appropriate





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