



Department of Homeland Security Office of Inspector General

FEMA Temporary Housing Property Management Controls





Homeland
Security

DEC - 8 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 an audit of the Federal Emergency Management Agency's property management controls governing accountable property. 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 certain internal control weaknesses and determined that FEMA had not effectively captured and disseminated needed information following Hurricane Katrina. The report contains two recommendations.

UKW is responsible for the attached report dated August 19, 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 this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.


Richard L. Skinner
Inspector General

August 19, 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:

This draft report presents the results of our review of the Federal Emergency Management Agency's control over accountable property including temporary housing units. The draft report includes recommendations the agency can implement to enhance the accountable property system's overall effectiveness. We performed the audit as stipulated in Task Order TPDFIGBPA070009-0072.

We conducted the performance audit in accordance with *Government Auditing Standards*, July 2007 Revision. The audit objectives were to assess property management controls and practices at FEMA and provide recommendations for improvements of the accountable property system including LIMS and within the THU Program and Logistics Management Directorate. We appreciate the opportunity to have conducted this audit and appreciate the cooperation of FEMA's housing and logistics staff. 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
Roger Von Elm, CPA, CGFM
Partner

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Abbreviations

DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
LMD	Logistics Management Directorate
OIG	Office of Inspector General
THU	Temporary Housing Unit
UKW	Urbach Kahn & Werlin LLP

Executive Summary

The Federal Emergency Management Agency has made progress in reorganizing its logistics function in response to a 2006 congressional mandate. In 2007, the agency created the Logistics Management Directorate that has since strengthened operations, asset visibility, and coordination with other emergency providers, and has increased staffing with experienced logisticians.

As part of these initiatives, the agency has significantly improved logistics property management by enhancing guidance, processes, and controls, and by establishing new reporting tools to enhance property management of housing units and other accountable property. The property management division within the Logistics Management Directorate now includes a dedicated internal review group assigned to perform detailed tests of property data, including semiannual and annual inventory counts. Under the newly structured directorate, the agency also created several new positions to oversee and monitor the effectiveness of its property management controls, including a property management division chief and a temporary housing unit branch chief.

Notwithstanding these recent initiatives, the agency lacks adequate control over some aspects of its accountable property systems and needs to take corrective action to address the conditions that include inaccurate and unreliable data, noncompliance with existing procedures, and the lack of an adequate system to manage temporary housing units.

We are making two recommendations to address these property management challenges in an effort to assist the Federal Emergency Management Agency in its oversight of the temporary housing unit program.

Background

In the aftermath of Hurricane Katrina, the demand for temporary housing to meet the needs of several hundred thousand displaced individuals was unprecedented. The Federal Emergency Management Agency (FEMA) contracted with numerous manufacturers to provide on short notice more than 130,000 Temporary Housing Units (THUs) and to furnish general temporary housing management services. Without a well-developed housing program at that time, FEMA lacked guidance and controls on acquiring, receiving, maintaining, tracking, and disposing of temporary housing units and related equipment. See figure 1 for an example of a FEMA THU staging area.

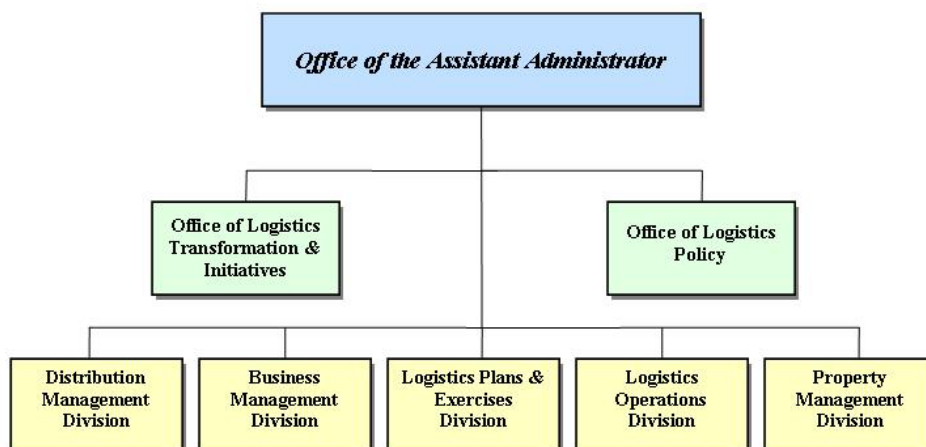
Figure 1. FEMA Staging Area Housing Units



Source: OIG 2008 photo

As part of the restructuring mandated by the *Post-Katrina Emergency Management Reform Act of 2006* (Public Law 109-295), FEMA reorganized its logistics function, and created the Logistics Management Directorate (LMD) in April 2007 to oversee the storage and delivery of disaster materiel, including THUs. Figure 2 displays LMD's organization chart.

Figure 2: Logistics Management Directorate Organization Chart



Source: OIG prepared using FEMA data

Under the newly structured directorate, FEMA created several new positions to oversee property management, and hired new field coordinators and site managers in June 2008 to manage its storage sites. To monitor inventory, a dedicated internal review group performs detailed tests of property data, including semi-annual and annual inventory counts. Plans call for several initiatives to improve the effectiveness of the housing program, including 1) reducing the number of housing units shipped directly to disaster sites, 2) creating a “strike team” to assist disaster personnel with logistics management, 3) implementing a lifecycle management system for housing assets, and 4) developing a long-term strategic vision. Yet even with the recent improvements, the LMD acknowledges that significant deficiencies exist in the management of housing units, including insufficient visibility over units deployed to the field and a lack of property controls over units at disaster sites.

FEMA currently maintains an inventory of more than 130,000 THUs (travel trailers and manufactured housing) that were used to shelter hurricane victims, but are now considered non-mission capable. FEMA plans to dispose of most of the current inventory. FEMA will eventually increase the number of ready-for-dispatch units from the current number of 2,229 to about 4,000 units that will be available in case of a disaster. This number will be augmented by units acquired from vendors, as needed. Figure 3 provides a breakdown of mission-capable housing units by storage location.

Figure 3: Number of Units and Percent Mission Capable

<i>Location</i>	<i>Number of Units</i>	<i>Number of Units Ready for Dispatch (Mission Capable)</i>	<i>Percent Mission Capable</i>
<i>Selma, AL</i>	10,676	1,301	12%
<i>Hope, AR</i>	18,174	615	3%
<i>Cumberland, MD</i>	1,243	313	25%
<i>Other Sites</i>	107,568	0	0%
Total	137,661	2,229	2%

Source: Urbach Kahn & Werlin based on data provided by FEMA

Results of Audit

Temporary Housing Property Management

Although FEMA has controls in place to ensure that its system can accurately reflect what is on hand and can track asset movement, we identified problems related to missing documents, noncompliance with established procedures, and a need for guidance regarding records maintenance. During our fieldwork, we selected seven of the largest storage facilities that contain 65% of FEMA’s THU inventory. The results of our tests are summarized below.

Transaction Controls: When units arrive at the storage sites, several controls are in place to ensure that the receiving process is completed and the housing units are received and recorded in a manner consistent with established criteria.¹ Established controls include (1) recording and inspecting incoming units, (2) reconciling received assets with shipping documents, (3) recording discrepancies, (4) applying an identifying barcode, and (5) scanning assets into the automated system.

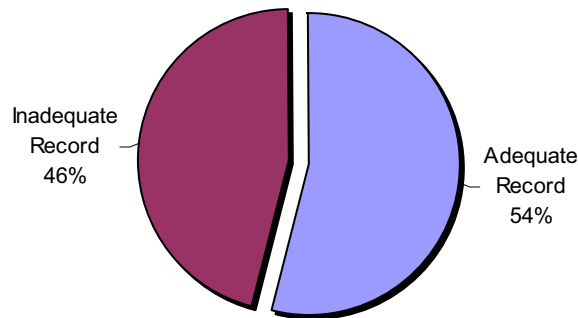
During our review, we identified insufficient management controls at some sites, including insufficient separation of duties between receiving functions. Controls varied from site to site; some locations required a second review and sign-off, while others did not. Furthermore, the data entry function does not have adequate supervision and is susceptible to the transaction errors we found, including inaccurate, incomplete, and unreliable records.

Accountable Property Records: We observed procedures, examined processes and paperwork related to initial property receipt and subsequent

¹ FEMA’s Property Management Manual 6150.1, and Logistics’ Standard Operating Procedures.

transfer, and compared a sample of inventory to records. In 46% (77 of 167) of the cases, the records were not adequate to document the original receipt of housing units. For example, either the original bill of lading could not be located or other evidence of receipt of the property could not be verified. In some cases, the insufficient information made it difficult to determine when FEMA received the property. Officials told us that many records were lost in the aftermath of Hurricane Katrina when record maintenance and retention procedures were not closely followed at the government-managed and contractor-managed housing sites while the units were occupied by disaster victims. Figure 4 shows the breakdown of housing unit samples with receipt documentation.

Figure 4. Receipt Documentation

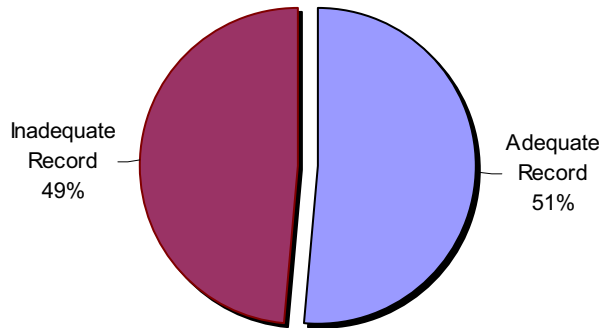


Source: Urbach Kahn & Werlin data

After disaster victims were relocated to more permanent accommodations, the THUs were transferred to storage sites for cleaning and refurbishment, or for eventual disposal. Our tests disclosed that 49% (81 of 167) of those returned units did not have adequate transfer documentation. Often, the transfer of several housing units was recorded on a single transfer document, and data entry errors occurred when the units were not shipped at the same time or were shipped to multiple locations. When this occurs, FEMA can lose track of some housing units, which happened to about half of the units in our sample. Additionally, FEMA can lose track of items that it transfers when they do not use hand receipts (also known as custody receipts) that are used to account for and control nonexpendable and sensitive items transferred between sites and personnel. Prior OIG reports identified this as a problem and determined that many travel trailers and manufactured housing units could

not be located.² Figure 5 displays the breakdown of housing unit samples with transfer documentation.

Figure 5. Transfer Documentation



Source: Urbach Kahn & Werlin data

We also tested other accountable assets at these facilities, (e.g., trucks, radios, transponders, tents) and could not locate 16% (7 of 45) of the items in the inventory. Further, site personnel had not updated the property records to show 4% (2 of 45) of the items located on the site.

Recently, FEMA enhanced inventory records to include full transaction histories for asset acquisition, transfer, and disposition. On a case-by-case basis, the property managers were able to provide full transaction histories of our sample to show the movement of housing units when the records were otherwise unavailable.

Site Mapping: Site mapping is an automated inventory management tool that identifies the precise location of each THU or other accountable item. We conducted tests of housing units and related property to verify whether the listed units actually existed and whether all units in storage were properly entered into agency records. We determined that 15 % (49 of 320) of housing units could not be initially located at storage sites and required additional searching before they were found. This occurred because the site maps had not yet been updated to reflect the current location of the units. In those cases where site maps were up to date, site personnel were able to locate all units in our sample. Currently, storage site personnel have completed updating site

² *Logistics Information Systems Need to Be Strengthened at the Federal Emergency Management Agency* (OIG-08-60), May 2008, and *Hurricane Katrina Temporary Housing Technical Assistance Contracts* (OIG-08-88), August 2008.

maps at FEMA's three primary housing storage sites: Cumberland, MD; Hope, AR; and Selma, AL. In addition, as part of a recently developed standard operating procedure, FEMA is implementing a uniform site map scheme and is updating site storage records through periodic inventory counts and the expanded use of handheld barcode scanners.

Conclusion

Most of the instances of missing records that we encountered involved returned Katrina-era housing units that are not mission-capable and scheduled for disposal. Regarding the mission-capable units, and all future incoming units, FEMA needs to ensure that established procedures for receipt and transfer of units are followed consistently at all storage sites. Although positive steps have been taken to improve asset visibility through enhanced site mapping, more needs to be done to strengthen controls over recording transactions at the sites and ensuring that they are entered into agency records.

Recommendation

We recommend that the Administrator, Federal Emergency Management Agency:

Recommendation #1: Ensure that storage sites consistently follow established procedures for recording transactions and entering them into agency records.

Other Program Issues

In connection with this audit, we observed that FEMA's property management system is also inadequate to meet more specific temporary housing program management requirements. LMD personnel have identified the need to track extensive details on THUs' attributes (e.g., number of bedrooms, wheelchair accessibility, appliances, heat and air conditioning features) so an appropriate unit can be deployed where needed. They also report the need to track life-cycle information such as unit condition, the status of repairs and refurbishment. To meet those needs, storage site personnel have found it necessary to create manual spreadsheets that they use to track specific THU attributes that are not currently captured in FEMA's existing automated system.

Without an effective system to manage THU, FEMA is hindered in day-to-day operations and cannot accurately track and report detailed information on mission-capable housing units. The current makeshift process is not prepared with, or reconcilable to, FEMA's existing automated system. The lack of a comprehensive process for capturing data necessary to support program needs

results in stakeholders making management decisions without having the benefit of complete and accurate information to support those decisions.

In 2008, FEMA announced plans to upgrade its enterprise information technology systems as funding becomes available over the coming 5 years. Consideration should be given to the need for maintaining detailed records of mission-capable THUs when planning system upgrades.

Recommendation

We recommend that the Administrator, Federal Emergency Management Agency:

Recommendation #2: Identify critical data requirements for the temporary housing program and incorporate those enhancements into the planned agency-wide systems upgrades.

Management Comments and OIG Analysis

As indicated in the management response to our September 2009 draft report (see Appendix B), FEMA has concurred with each of the recommendations and has agreed to notify the OIG concerning the agency's actions taken or planned to implement them. We consider both of the recommendations resolved because of the steps proposed to address them, and will close the recommendations as corrective actions are implemented.

Appendix A

Purpose, Scope, and Methodology

The Office of Inspector General contracted with Urbach Kahn & Werlin LLP, Certified Public Accountants, to audit FEMA's temporary housing management controls. The audit objectives were to assess property management controls and practices at FEMA and provide recommendations for improvements of the accountable property system as managed by the Logistics Management Directorate's temporary housing unit program.

The scope of the audit covered property management controls since the program's formation in 2004 and practices in relation to the temporary housing units purchased directly by FEMA for hurricane relief efforts, as well as items to include vehicles, tractors, and other equipment at logistics' housing storage/staging sites. We reviewed FEMA's current temporary housing inventory and selected a sample of units to test the accuracy of the data by performing existence and completeness testing over inventory recorded in the logistics system as of March 2009.

This audit was performed under the authority of the *Inspector General Act of 1978*, as amended. Audit fieldwork was conducted from January through May 2009 in the Washington, DC, area and at several field sites. We conferred with FEMA officials throughout the audit, discussing control processes, procedures, and current property management initiatives. Field sites included temporary housing storage and staging sites in Selma, AL; Hope, AR; Lumberton, MS; Lottie, Melville, and Baton Rouge, LA; and Cumberland and Frostburg, MD, where we verified inventories of temporary housing units and other assets, and tested agency records.

Appendix B Management Comments to the Draft Report

U.S. Department of Homeland Security
500 C Street, SW
Washington, DC 20472



FEMA

NOV 24 2009

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

FROM: David J. Kaufman *Robert A. Samson*
Director
Office of Policy and Program Analysis

SUBJECT: Comments on OIG Draft Report, *FEMA Temporary Housing Property Management Controls*

Thank you for the opportunity to review and comment on the Office of Inspector General's (OIG's) subject draft audit report. As the Federal Emergency Management Agency (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 two recommendations. FEMA has been working diligently to correct the issues identified in your audit. While we will be providing corrective action plans in our 90-day response, we provide the following information relative to the two recommendations:

Recommendation #1: Ensure that storage sites consistently follow established procedures for recording transactions and entering them into agency records.

Response: The attached Temporary Housing Unit (THU) Standard Operating Procedure (SOP) prescribes the standard procedures and forms necessary to properly record and enter property transactions. FEMA management continues to reinforce adherence to this SOP by periodic reviews of the THU site operations. Quarterly reviews will be conducted at the three readiness sites beginning in 2nd quarter 2010.

Recommendation #2: Identify critical data requirements for the temporary housing program and incorporate those enhancements into the planned agency-wide systems upgrades

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Appendix B

Management Comments to the Draft Report

Page 2

Response: The findings of this audit further validate the need for FEMA to replace its current property accountability system. The Logistics Information Management System (LIMS) was developed in-house as FEMA's personal property system of record. Because LIMS is not a Commercial Off-The-Shelf (COTS) product, it lacks state of the art functionality that would allow it to seamlessly interface with the industry standard programs resident in the forthcoming Logistics Supply Chain Management System (LSCMS).

A collaborative effort is currently underway with the FEMA Office of the Chief Information Officer, Office of the Chief Financial Officer, Management Directorate, and the Logistics Management Directorate to develop system requirements for the short term replacement of LIMS. The Department of Homeland Security plans to implement a replacement property management system in 2012. Focus is concentrated on fielding a new system that meets the requirements of the Joint Financial Management Improvement Program (JFMIP) guidance for information sharing requirements between financial and inventory management systems.

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 improve FEMA.

Attachment

Appendix C
Report Distribution

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FEMA Chief Financial Officer
FEMA Assistant Administrator, Logistics Management Directorate
FEMA Director, Office of Management
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