

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

Efforts to Expedite Disaster
Recovery in Louisiana



Office of Inspector General

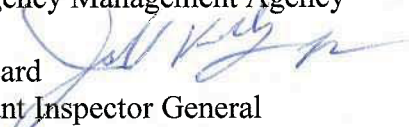
U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

JAN 31 2012

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

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

SUBJECT: *Efforts to Expedite Disaster Recovery in Louisiana*

Attached for your information is our final letter report, *Efforts to Expedite Disaster Recovery in Louisiana*. We incorporated the formal comments from the Federal Emergency Management Agency (FEMA) into the report.

The report contains two recommendations aimed at improving FEMA's public assistance program. Your office concurred with both recommendations. Within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement, (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*, as amended, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. The report will be posted on our website.

Should you have any questions, please call me, or your staff may contact John Kelly, Acting Deputy Assistant Inspector General, Office of Emergency Management Oversight at (202) 254-4163.

cc: Jason McNamara, Chief of Staff, FEMA
David Kaufman, Director, Office of Policy and Program Analysis, FEMA
William Roche, Director, Public Assistance Division, FEMA
Audit Liaison, DHS
Audit Liaison, FEMA

Attachment

Background

The Federal Emergency Management Agency’s (FEMA) Public Assistance (PA) program provides funding to repair, replace, or restore disaster-damaged, publicly owned facilities and the facilities of certain private nonprofit organizations. The program also funds emergency-related activities such as debris removal and emergency protective measures. This assistance is provided to state and local governments, federally recognized tribes, and certain private nonprofit organizations.

The PA process starts with a Preliminary Damage Assessment, which is a joint assessment by the state and FEMA to evaluate the magnitude and impact of an event’s damage. FEMA uses the results of the assessment to determine if the situation is beyond the combined capabilities of state and local resources. If there is a need for federal assistance, the President may declare a disaster. Once a disaster declaration is made, FEMA provides assistance covering at least 75% of the eligible costs. The President has the ability to increase the percentage of federal assistance based on the severity of the disaster.

As of July 12, 2011, FEMA had obligated \$10.2 billion in PA grants to support Louisiana’s recovery from Hurricane Katrina. The hurricane’s landfall and the subsequent flooding overwhelmed Louisiana’s capacity to respond to and recover from the disaster. The President officially declared a disaster, which allowed FEMA to provide financial assistance for disaster recovery. For Hurricane Katrina, the federal share of assistance to Louisiana is 100%.

FEMA is required by Code of Federal Regulations Title 44, Section 206.204(c)(1), to establish PA project deadlines that start on the date of a presidentially declared disaster and should conclude no later than 48 months afterward. Table 1 shows the regulatory deadlines and extensions by project work type.

Table 1. Public Assistance Deadlines

<i>PA Categories and Projects by Work Type</i>	<i>Initial PA Project Deadlines</i>	<i>Grantee Deadline for PA Project Extension</i>	<i>Total Months To Complete PA Projects</i>
A. Debris Clearance	6 months	6 months	12 months
B. Emergency Work	6 months	6 months	12 months
C–G. Permanent Work	18 months	30 months	48 months




Results of Review

Public Assistance Project Closeout in Louisiana

Only 6.3% of Katrina-related PA projects in Louisiana have been closed in the 72 months since Hurricane Katrina made landfall. Projects, especially those in categories A (Debris Clearance) and B (Emergency Work), are years past the closeout deadlines.

The primary reason given by all state, local, and FEMA officials interviewed was the catastrophic nature of Hurricane Katrina. As mentioned in our 2006 report,¹ the magnitude of the storm and its effects completely overwhelmed state and local governments, as well as FEMA's disaster response system and resources. The hardest-hit communities lost all infrastructure: electricity; water and sewer lines; roads and bridges; communication systems including telephone lines, cell phone towers, radio capabilities, and satellite antennas; and, in some instances, basic government operations, including law enforcement. Although FEMA has worked with Louisiana to expedite the recovery effort, state and subgrantee officials said that it may take between 10 and 20 years to close all PA projects in Louisiana. FEMA regional officials made similar statements. Table 2 shows the status of Katrina PA projects in Louisiana, Mississippi, and Alabama.

Table 2. Public Assistance Projects in Three States

<i>Public Assistance Project Categories</i>	<i>Total Projects</i>	<i>Closed Projects</i>	<i>Percentage Closed</i>
 Louisiana-DR 1603			
A. Debris Clearance	615	34	5.5
B. Emergency Work	5,118	413	8.1
C-G. Permanent Work	12,963	731	5.6
Totals	18,696	1,178	6.3
 Mississippi-DR 1604			
A. Debris Clearance	1,168	936	80.1
B. Emergency Work	2,099	1,292	61.5
C-G. Permanent Work	7,806	6,261	80.2
Totals	11,073	8,489	76.6
 Alabama-DR 1605			
A. Debris Clearance	260	260	100
B. Emergency Work	296	295	99.7
C-G. Permanent Work	1,105	1,097	99.3
Totals	1,661	1,652	99.5

¹ *A Performance Review of FEMA's Disaster Management Activities in Response to Hurricane Katrina* (OIG-06-32), March 31, 2006.

Causes of Delays in Public Assistance Project Closeouts

Several factors have contributed to the slow progress of completing and closing out PA projects. FEMA, Louisiana, and subgrantees provided the following explanations as to why the efforts to close PA projects have been delayed.

100% Financing of PA Projects

Louisiana officials and our field auditors said that one of the key contributors to the slow progress in closing out projects was the federal government's decision to fund 100% of eligible Hurricane Katrina costs. Because the state does not pay the project costs, it has no incentive to seek cost-effective replacement or repair solutions, close completed projects, or begin reducing the disaster workforce as work is completed. The 100% financing also led to applicants continuing to identify new damages 5½ years after the event, and asking FEMA to cover eligible costs.

Project Procurement Process

Louisiana and subgrantee officials expressed concerns that FEMA's procurement process is complicated and rigid, especially burdensome after a catastrophic disaster. Some officials said that early in the PA process, repair projects were delayed because FEMA required contracts to be competitively bid. Therefore, the project was delayed until additional bids were received.

PA Program Decisions

Some subgrantees said FEMA decisions for applicant eligibility and replacement versus repair determinations were inconsistent early in the PA project worksheet (PW) formulation process. Applicants must document proof of ownership to be eligible for assistance. Following Katrina's landfall, proof of ownership documents were lost or not easily located. Subgrantees said FEMA had inconsistent rules as to what documents would serve as proof of ownership.

Subgrantees also said FEMA made inconsistent replacement versus repair determinations. The State of Louisiana Legislative Auditor said FEMA's PA process encouraged "false starts" in the development of a PW. A PW might start as a repair, but over time it would be converted into a replacement. For example, one subgrantee wrote a PW to replace a wall of windows that had 50 windowpanes, 20 of which were damaged. FEMA said that it would replace only the 20 damaged panes because the facility did not suffer 50% worth of damage. FEMA later reversed its decision and replaced the entire wall of windows with a single-pane window.

Some of these inconsistent decisions were made by transitional FEMA staff. Subgrantees said that FEMA now has more continuity of staff in Louisiana and PA determinations are more consistent. In addition, to improve repair versus replacement determinations,

FEMA officials said they have improved PA standard operating procedures and expect changes to the PA cost-estimating format in the near future.

State Resources for Project Closeout

Louisiana and subgrantee officials said that some PA projects are eligible for closeout. However, state-level efforts to close these projects are limited because state officials have assigned staff resources to other projects that are considered more important. In contrast, our field auditors and FEMA officials said that \$196 million has been given to the State of Louisiana to manage Katrina PA projects.

Conclusion

In the 72 months since Hurricane Katrina made landfall, only 6.3% of all Katrina-related public assistance projects in Louisiana have been closed. FEMA, state officials, and subgrantees said the catastrophic damage caused by the hurricane is the major cause of delay in completing and closing PA projects. The same officials also said several factors delayed efforts to close PA projects: the federal government commitment to reimburse Louisiana 100% percent of all PA project costs, FEMA's complicated project procurement process, PA decision inconsistencies, and Louisiana's staff resources. FEMA is working to address the PA program decision inconsistencies by assessing PA operating procedures, developing disaster staff continuity, and improving the PA cost-estimating format.

FEMA needs to develop policies, procedures, and timelines to specifically address the PA project management process for projects that are 100% federally funded, coordinate with the State of Louisiana and local governments to evaluate the status of PA projects, and develop a process to expedite the closure of completed projects.

Recommendations

We recommend that the Assistant Administrator, Recovery Directorate:

Recommendation #1: Develop and implement specific policies, procedures, and timelines to ensure that projects with 100% federal funding are closed timely.

Recommendation #2: Evaluate the status of all Public Assistance projects in Louisiana associated with Hurricane Katrina. Develop, in conjunction with the State of Louisiana, a process to close completed projects and expedite the completion of open projects.

Management Comments and OIG Analysis

We received written comments on the draft report from FEMA's Office of Policy and Program Analysis. FEMA concurred with both recommendations. We included a copy of the comments in appendix B.

We analyzed FEMA's comments and agree with actions that FEMA is taking. With regard to Recommendation 1, the development of an updated draft *Public Assistance Program Management and Grant Closeout Standard Operating Procedure* will move FEMA toward better oversight of federal disaster fund management and will provide grants with clear guidance to ensure that federal funds are spent timely and within the scope of work required. We will determine the status of this recommendation once we receive the detailed corrective action plan in FEMA's 90-day letter.

With regard to Recommendation 2, FEMA, in conjunction with the State of Louisiana, developed a plan to expedite the closure of Public Assistance projects related to hurricanes Katrina, Rita, Ike, and Gustav; however, FEMA must remain diligent in its efforts to ensure that the state and its subgrantees are educated on the process and regulations associated with federal disaster funding. We will determine the status of this recommendation once we receive the detailed corrective action plan in FEMA's 90-day letter.

Appendix A

Purpose, Scope, and Methodology

The objective of this inspection was to establish the current status of all FEMA PA projects in Louisiana associated with Hurricane Katrina and to determine why the projects are still open. Our analysis focused specifically on Hurricane Katrina project closeout in Louisiana because of the large number of projects and continued congressional and public interest in Hurricane Katrina recovery activities.

We interviewed officials from FEMA's Region VI Public Assistance Division, the Louisiana State Governor's Office of Homeland Security and Emergency Preparedness, the State of Louisiana Legislative Auditor, and subgrantees in New Orleans. We performed fieldwork in Washington, DC, and Baton Rouge and New Orleans, Louisiana.

Our analysis is based on a review of applicable documentation and interviews. We conducted this inspection between January and May 2011, in accordance with *Quality Standards for Inspections*, President's Council on Integrity and Efficiency, January 2005. The standards require that we plan and perform the inspection to obtain relevant evidence to provide a reasonable basis for our findings and present conclusions based on our inspection objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our inspection objectives.

Appendix B
Managements Comments to the Draft Letter Report

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



FEMA

DEC 19 2011

MEMORANDUM FOR: Charles K. Edwards
Acting Inspector General
Office of the Inspector General

FROM: David J. Kaufman ^{KBF}
Director
Office of Policy and Program Analysis

SUBJECT: FEMA Response to Office of Inspector General (OIG)
Draft Report, *Efforts to Expedite Disaster Recovery in Louisiana*

Thank you for the opportunity to comment on your draft report, *Efforts to Expedite Disaster Recovery in Louisiana* (Project # 10-013-EMO-FEMA). The findings in the report will be used to strengthen the effectiveness and efficiency of how we execute and measure our programs. We recognize the need to continue to improve our processes, including addressing the recommendations raised in this report. Our responses to your two recommendations are as follows:

OIG Recommendation #1: Develop and implement specific policies, procedures, and timelines to ensure that projects with 100% federal funding are closed timely.

FEMA Response: FEMA concurs with this recommendation.

FEMA has completed the draft of an updated Standard Operating Procedure (SOP), *Public Assistance Program Management and Grant Closeout (SOP 9570.14)*. This updated SOP describes the process FEMA staff will follow to efficiently and effectively close out disasters. The purpose of the SOP is to: (1) define and standardize the activities associated with the closeout phase; (2) promote consistency in delivering and monitoring the Public Assistance (PA) Program; and (3) create a common understanding of the expectations and requirements for the assistance provided. The document outlines the roles and responsibilities, objectives, milestones,

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requirements, and performance measures associated with the Program Management and Grant close out phases of the PA process. In some instances, unique or special circumstances may require deviations from the process described in this SOP. The draft includes input from FEMA Regions and stakeholders and is currently in the concurrence process; it is scheduled for release in FY 2012. After completion of the concurrence process, the final SOP will be forwarded to the OIG.

Additionally, a training course is in development that will address the PA Program process, roles and responsibilities as related to close out activities. The training course is tentatively scheduled for implementation in FY 2012.

FEMA requests that this recommendation be resolved and open pending implementation of the stated corrective action.

OIG Recommendation #2: Evaluate the status of all Public Assistance projects in Louisiana associated with Hurricane Katrina. Develop, in conjunction with the State of Louisiana, a process to close completed projects and expedite the completion of open projects.

FEMA Response: FEMA concurs with this recommendation.

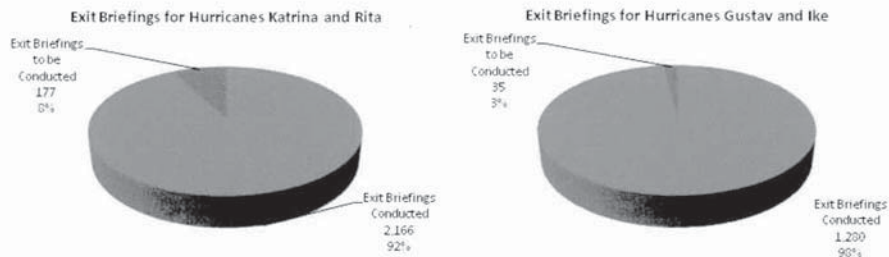
FEMA has developed a procedure that tracks the progress of recovery and the movement toward programmatic closeout of Hurricanes Katrina, Rita, Gustav and Ike projects. The procedure is documented in a weekly Louisiana Recovery Status Report that summarizes the current status of metrics such as project worksheets, funding, appeals, arbitration as well as financial obligation projections and progress towards closeout. Progress towards closeout is documented through the completion of exit briefings, milestones of construction completions, inspections, recovery of excess funds, financial reconciliations, and project, applicant and disaster closeouts.

Once all initial Project Worksheets (PW) for a specific Applicant are created, FEMA initiates an exit briefing. This meeting allows all parties to agree that every identified project has been captured on a PW. To this end, the Louisiana Recovery Office (LRO) is aggressively pursuing the completion of exit briefings of all Applicants.

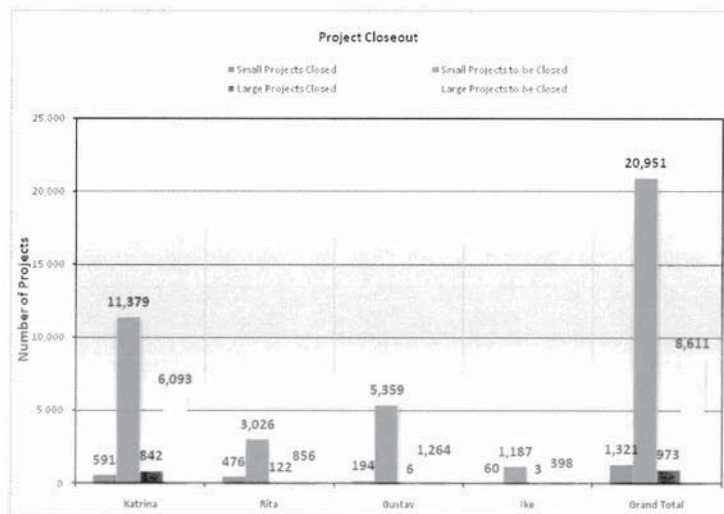
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As shown in the charts below, exit briefings are 92 percent complete for Hurricanes Katrina/Rita and 98 percent complete for Hurricanes Gustav/Ike as of December 16, 2011.



The Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) has developed a closeout process to ensure that each Applicant and project meet the eligibility requirements and documentation standards mandated by Federal and State regulations. The process is State-driven with approval from the FEMA Regional office. FEMA and the State meet regularly to ensure continuing progress. As projects reach construction completion and obligated money is drawn down by the State to reimburse the Applicant for all eligible work, the Applicant may request that the State initiate project closeout. The following graph describes the current status of project closeouts as of December 16, 2012.



FEMA recently participated in a Global Issue Summit with GOHSEP held in Louisiana on October 18-19, 2011. The summit focused on ongoing efforts by FEMA and the State regarding

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outstanding closeout issues. Following the Summit, additional meetings were held the week of October 24, 2011 with the LRO, FEMA Region and the State to develop target dates for completing obligations and closeouts of Louisiana projects. At those meetings, Region VI and the PA staff of the LRO presented the current status of closeouts and projects for Hurricanes Gustav and Ike. It was decided that working groups will be established to develop a strategic plan for moving projects to closeout. GOHSEP committed to making closeout a priority and to providing additional resources to this effort. GOHSEP also committed to working with FEMA to determine if FEMA might be able to augment their staff in the closeout effort. It is expected that the strategic plan for proceeding with the Gustav / Ike closeouts will be completed by the end of December 2011.

While these meetings were focused on closeout activities for Gustav and Ike, FEMA continues to work with GOHSEP to develop a closeout strategy for Katrina/Rita Category A and B projects. FEMA will remain engaged in this process with the State of Louisiana in order to close completed projects and to expedite the completion of open projects.

We thank you, again, for the opportunity to provide our comments to your recommendations contained in your draft report. Should you have further questions regarding our response, please do not hesitate to call FEMA's Chief Audit Liaison, Brad Shefka, at 202-646-1308.

Appendix C
Major Contributors to this Report

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Appendix E
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