

**FEMA Should Disallow
\$12.2 Million in Disaster Case
Management Program
Grant Funds Awarded to
New York for Hurricane Sandy**





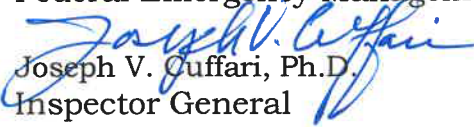
OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

November 18, 2020

MEMORANDUM FOR: The Honorable Peter T. Gaynor
Administrator
Federal Emergency Management Agency

FROM: 
Joseph V. Cuffari, Ph.D.
Inspector General

SUBJECT: *FEMA Should Disallow \$12.2 Million in Disaster Case Management Program Grant Funds Awarded to New York for Hurricane Sandy*

For your action is our final report, *FEMA Should Disallow \$12.2 Million in Disaster Case Management Program Grant Funds Awarded to New York for Hurricane Sandy*. We incorporated the formal comments provided by your office.

The report contains six recommendations. Your office concurred with all six recommendations. Based on information provided in your response to the draft report, we consider recommendations 1, 2, 3, 4, and 5 resolved and open with an estimated completion date of July 30, 2021. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days accompanied by evidence of completion of agreed-upon corrective actions so that we may close the recommendations.

Based on information provided in your response to the draft report, we consider recommendation 6 unresolved and open. As prescribed by the Department of Homeland Security Directive 077-01, *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. Also, please include your responsible parties and other supporting documentation to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendation will be considered unresolved and open. Please send your response or closure request to OIGAuditsFollowup@oig.dhs.gov.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the final report on our website for public dissemination. Please call me with any questions or your staff may contact Sondra McCauley, Assistant Inspector General for Audits, at (202) 981-6000.



DHS OIG HIGHLIGHTS

FEMA Should Disallow \$12.2 Million in Disaster Case Management Program Grant Funds Awarded to New York for Hurricane Sandy

November 18, 2020

Why We Did This Audit

At the request of FEMA, we conducted this audit to determine whether DHSES-NY accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines. Under DCMP, FEMA provided DHSES-NY an Individual Assistance grant of \$40.8 million to provide individual disaster recovery plans to disaster survivors.

What We Recommend

We made six recommendations to FEMA that, when implemented, should help strengthen oversight of FEMA's individual assistance grant funds.

For Further Information:

Contact our Office of Public Affairs at (202) 981-6000, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov.

What We Found

The Federal Emergency Management Agency (FEMA) did not provide the oversight needed to ensure the Department of Homeland Security Emergency Services, New York (DHSES-NY) fully carried out its responsibilities related to the Disaster Case Management Program (DCMP). DHSES-NY, the FEMA grantee, and its managing contractor did not always properly account for FEMA grant funds in accordance with Federal regulations and FEMA guidelines when approving claimed contractor costs, resulting in questioned costs of \$12.2 million. Specifically, DHSES-NY:

- lacked supporting documentation for \$8.7 million in contractor claims;
- approved and paid \$1.7 million in ineligible other than personnel services costs; and
- approved and paid \$1.8 million in duplicate administrative overhead rate charges.

This occurred because FEMA did not provide adequate oversight of DHSES-NY's paper-based system for tracking DCMP grant funding and expenditures to ensure contractors claimed eligible costs for payment. Additionally, DHSES-NY did not investigate further questionable costs claimed prior to approving payment. As a result, there is no assurance the contractors' claimed costs are valid, putting Federal funds and taxpayers' money at risk of fraud, waste, and abuse.

FEMA Response

FEMA concurred with all six recommendations. Appendix A contains FEMA's response in its entirety. All recommendations will remain open pending evidence to support completion of the corrective actions.



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Background

On October 30, 2012, the President declared Hurricane Sandy a major disaster in the State of New York and approved Individual Assistance (IA)¹ program funding for the 13 counties affected.² The Federal Emergency Management Agency (FEMA) approved the Department of Homeland Security Emergency Services, New York's (DHSES-NY) application for about \$40.8 million to provide Disaster Case Management Program (DCMP) services to disaster survivors for household recovery efforts. See Table 1 for the DCMP award and costs.

Table 1. Total Award and Costs for DCMP Services

Total DCMP Award	DHSES-NY's DCMP Costs	19 Contractors' DCMP Costs
\$40,839,256	\$472,026	\$40,367,230

Source: Office of Inspector General (OIG) analysis of FEMA and DHSES-NY records

DCMP, administered by FEMA and funded by the Disaster Relief Fund pursuant to the *Robert T. Stafford Disaster Relief and Emergency Assistance Act* (Stafford Act, as amended), is intended to promote effective delivery of post-disaster case management services in partnership with affected states. Specifically, DCMP is designed to provide relief to disaster survivors by connecting them with the resources and services of multiple state and local-level agencies. DCMP provides Federal funding to voluntary, faith-based, and nonprofit organizations that deliver post-disaster case management services.

In the event of a major disaster declaration (e.g., Hurricane Sandy), an affected state may request DCMP funding if the declaration is approved for an IA program grant. States responsible for DCMP oversight may contract directly with local service providers or with a contractor to manage service sub-providers.

DHSES-NY contracted with a non-profit organization based in New York City to manage the program for obtaining FEMA DCMP services. In all, there were 18 subcontractors: the managing contractor subcontracted to itself and 17 other organizations to deliver DCMP services.

¹ FEMA's Individual Assistance Program helps individuals who have suffered loss from a disaster, whether a tornado or hurricane, an explosion, or a terrorist event.

² The October 30, 2012 declaration originally approved IA funding for seven counties. The amendments brought the total to 13 counties.



Results of Audit

DHSES-NY Did Not Have Supporting Documentation for \$8.7 Million in Contractor Claims

According to Federal regulations, costs must be adequately documented to be allowable under Federal awards. Additionally, the April 16, 2013 contract between DHSES-NY and the managing contractor required all accounting records be supported by source documentation to establish an auditable trail of evidence. However, DHSES-NY approved and paid its managing contractor's submitted costs without sufficient supporting documentation. Specifically, the managing contractor lacked supporting documentation for:

- personnel services, such as salary and benefits, totaling \$6,102,360;
- administrative overhead costs calculations totaling \$2,531,519; and
- other than personnel services contractor costs (OTPS), such as travel, telephone, and utility costs totaling \$67,492.

As a result, FEMA has no assurance that \$8,701,371 in claimed costs were eligible for FEMA funding.

Personnel Services Costs (Salaries and Fringe Benefits Costs)

According to 2 Code of Federal Regulations (C.F.R.); Part 225, Appendix B; Section (8)(h)(4), when employees are engaged in multiple activities, documentation must show the allocation of salaries or wages to each program. The managing contractor and subcontractors collectively claimed \$31,110,349 in personnel services costs (\$24,450,714 for salaries and \$6,659,635 for fringe benefits). Of the total, we determined that \$6,102,360 in costs claimed and paid (\$4,805,905 for salaries and \$1,296,455 for fringe benefits) to the managing contractor and its subcontractors were not properly supported by documentation.

Specifically, for the claim amounts we reviewed, some contractors claimed they split their time performing work between DCMP and other Federal programs. Contractors recorded the proportion of time they spent working on DCMP activities, which they applied against their salaries and submitted as costs claimed for reimbursement. Table 2 provides an example of how a contractor calculated a cost claim for an employee, applying the percent of time spent working on DCMP activities to monthly salaries.



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Table 2. Example of Contractor Cost Claims for Work under Multiple Federal Programs, Including DCMP

Employee	July Salaries	August Salaries	September Salaries	Total Claimed for 3rd Quarter
██████████	\$5,230.75	\$5,230.75	\$5,348.48	
Percent Allocation to DCM	20%	20%	60%	
Amount Billed	\$1,046.15	\$1,046.15	\$3,209.09	\$5,301.39

Source: OIG analysis of DHSES-NY and contractor records

However, neither DHSES-NY nor the managing contractor could support contractor time percentage allocations related to DCMP activities with activity logs, time sheets, work logs, or equivalent documentation, as required by 44 C.F.R. 13.20(b)(6). Additionally, they could not support how they calculated the associated \$1,296,455 in fringe benefits.

DHSES-NY and managing contractor officials stated they did not require subcontractors to comply with the documentation requirement to support the contractors' time percentage allocations. As a result, DHSES-NY reimbursed \$6,102,360 in questionable, unsupported claimed personnel costs. Further, because neither DHSES-NY nor the managing contractor required subcontractors to submit supporting documentation, FEMA has no assurance that the remaining \$25,007,989 in personnel services costs claimed and paid under the contract for DCMP activities complied with Federal regulations.

Administrative Overhead Rate Charges

DHSES-NY did not comply with Federal requirements³ to support overhead rate charges properly, and 11 subcontractors did not comply with their contract terms resulting in \$2,531,519 in unsupported costs. Specifically,

- Five subcontractors did not submit the cost data they used to calculate administrative overhead rates totaling \$914,615. These contractors instead submitted an annual percentage rate to claim administrative overhead rate costs to the program. We could not validate the rate percentages or the costs claimed.
- Four subcontractors used rates from prior to the program's existence to claim costs totaling \$1,119,293 that were not applicable.
- Two subcontractors did not submit any data for \$497,611 in administration overhead rate charges.

³ 44 C.F.R. 13.20(b)(2) and (b)(6).
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DHSES-NY did not properly review the administrative overhead rate charges and thus approved and paid \$2,531,519 in questionable costs.

Other Than Personnel Services Costs

DHSES-NY approved and paid \$67,492 in unsupported, OTPS claims for contractor travel, telephone, and utilities. Specifically,

- \$41,897 of the \$77,744 claimed for privately-owned vehicles, rental cars, meals, and metro cards were not supported by mileage logs, receipts, and names of commuters; and
- \$25,595 of the \$63,152 claimed for telephones and utilities were not supported by invoices, checks, or other payment documents.

As a result, DHSES-NY reimbursed \$67,492 in questionable, unsupported travel, telephone, and utility costs.

DHSES-NY Approved and Paid \$1.7 Million in Ineligible Costs

DHSES-NY did not comply with FEMA requirements when it approved and paid \$1,264,441 in contractors' ineligible OTPS costs for rent and lease of buildings as well as \$381,324 in ineligible, unrelated OTPS costs for equipment, construction, telephones/utilities, insurance, and personal services. As a result, DHSES-NY approved and paid \$1,645,765 in ineligible costs.

Ineligible Indirect OTPS Rent and Lease of Buildings Costs

FEMA does not authorize the use of funds for indirect costs. According to Federal regulations,⁴ indirect costs are those incurred to benefit more than one cost objective (i.e., Federal program). DHSES-NY approved and paid \$1,264,441 for contractors' rent and lease costs for 34 office space locations under DCMP. However, these rent and lease costs were indirect costs because the contractors used the space for other Federal programs in addition to DCMP. Specifically:

- For nine locations, subcontractors claimed \$643,901 for leases established prior to Hurricane Sandy. Furthermore, the leased spaces were used for more than one Federal program, but subcontractors did not provide documentation showing how they allocated and dedicated square-foot office space use to DCMP. Because the leases were

⁴ 2 C.F.R. 225, App. A, Section (F)(1).
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established prior to Hurricane Sandy and used for other purposes in addition to DCMP, they met the criteria for indirect costs and were ineligible for FEMA funding under DCMP.

- Subcontractors claimed \$373,532 for 19 locations established after Hurricane Sandy that were used for more than one Federal program. However, neither DHSES-NY nor the managing contractor provided documentation to show that these costs were necessary for performance and administration of DCMP.

Additionally, we determined:

- For five locations, subcontractors involved in more than one Federal program claimed \$202,425 in costs even though the subcontractors did not pay rent for their work space. For these locations, subcontractors submitted other costs such as operating costs and utility expenses.
- One lease established after Hurricane Sandy was between the managing contractor and a DCMP subcontractor involved in more than one Federal program. However, the managing contractor, which was the parent company of the subcontractor, held financial control of the subcontractor. As a result, we questioned \$44,583 in costs claimed.

Although FEMA initially disallowed rent and lease costs, it later agreed that because the grantee entered into a contract with a managing contractor, rent and lease costs were generally allowable as direct costs when executing the DCMP award. When requested, FEMA could not provide us legal justification for allowing lease and rent costs as direct costs under DCMP.

Ineligible, Unrelated OTPS Costs for Equipment, Construction, Telephone/Utilities, Insurance, and Personal Services

According to FEMA's DCMP Guide:

- The use of grant funds to conduct damage assessments beyond disaster victims' unmet needs (food, clothing, shelter, financial, physical, emotional, or spiritual well-being) is not allowed.
- FEMA must provide prior approval for equipment purchases equal to or in excess of \$5,000.
- Construction costs are not allowed; and telephone/utilities costs must be directly related to DCMP.

However, DHSES-NY approved and paid \$381,324 to its managing contractor and subcontractors for ineligible, unrelated OTPS project management, equipment, construction, telephone/utilities, insurance, and personal services costs. Specifically, the managing contractor's claimed costs included:



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- \$276,975 for contractor performance of damage assessments of disaster victims' homes, which did not meet DCMP criteria for 'unmet' needs;
- \$19,060 for telephone, security, and intercom systems without obtaining required pre-approval from FEMA to validate that the additional equipment directly supported DCMP;
- \$6,400 to begin a new lease, building renovations, and structural repairs for one subcontractor, but FEMA's DCMP Guide states that construction costs are an unallowable expense; and
- \$6,260 for telephones and utilities incurred at locations not identified as performing DCMP work.

Additionally, we identified ineligible contractor claims for:

- \$72,329 for insurance between the managing contractor and its subcontractors, although their contract stipulated subcontractors shall maintain general liability insurance costs "at their own expense"; and
- \$300 for acupuncture services.

As a result, DHSES-NY approved and paid \$381,324 in questionable costs for ineligible, unrelated OTPS claims for equipment, construction, telephone/utilities, insurance, and personal services.

DHSES-NY Approved and Paid \$1.8 Million in Duplicate Administrative Overhead Rate Charges

According to the Stafford Act⁵ an entity may not receive duplicate funding from different sources for the same item of work. However, DHSES-NY's managing contractor and subcontractors duplicated \$1,831,834 in administration overhead rate charges. We reviewed and compared the expenses included in calculating the administration overhead rate to already claimed DCMP expenses.

Eight contractors calculated this rate using their annual functional expenses for all Federal programs such as payroll/fringe benefits, rent, and utilities listed in their respective Comprehensive Annual Financial Reports (CAFR).⁶

⁵ 42 U.S.C. 5155.

⁶ A CAFR is a set of U.S. government financial statements comprising the financial report of a state, municipal, or other governmental entity that complies with the accounting requirements promulgated by the Governmental Accounting Standards Board. The purpose is to provide accurate and meaningful information concerning an entity's financial condition and performance. CAFRs are verified by independent auditors to ensure the entity has fairly presented its financial position, in all material respects, in accordance with accounting principles generally accepted in the United States.



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DCMP expenses were not removed when calculating this percentage, though it is also a Federal program. DHSES-NY approved and paid these costs twice (once in the administration overhead rate and the other within DCMP expenses) with FEMA grant funds. This occurred because DHSES-NY and FEMA did not properly review administration overhead rates claimed to determine duplication of costs. As a result, DHSES-NY paid \$1,831,834 in questionable costs.

DHSES-NY and FEMA Did Not Provide Appropriate Oversight of DCMP

According to 44 C.F.R. 13.40(a), grantees are required to manage the day-to-day grant program activities. As the grantee, DHSES-NY was responsible for overseeing contractor activities, which included determining the eligibility of contractor-claimed costs and distributing payment. However, breakdowns in controls over the cost approval process resulted in DHSES-NY approving ineligible costs.

To illustrate, DHSES-NY used a paper-based system that was inadequate to track grant funding and expenditures. DHSES-NY hired the managing contractor and paid it \$4.7 million to be accountable for the program's accounting system and records. The managing contractor submitted all records and invoices to DHSES-NY in paper form. To help determine eligibility of contractor-claimed costs, DHSES-NY then relied on a consulting firm to consolidate and review the cost documentation provided by the managing contractor and to make payment recommendations according to Federal regulations and FEMA guidance. However, this paper-based system caused the consulting firm significant challenges. The cost claims submitted by 19 contractors had to be traced to more than 100 hardcopy binders of documentation to determine whether the costs complied with Federal regulations and program guidelines. According to 44 C.F.R. 13.20(a)(2), funds must be sufficiently traceable to establish they have not been used in violation of the restrictions and prohibitions of applicable statutes. See Figure 1 for photos of the voluminous hardcopy documentation.



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Figure 1. DHSES-NY Binders of Funding and Expenditure Documentation

Source: OIG photos of binders belonging to DHSES-NY, July 2017

Additionally, when the consulting firm identified instances of questionable eligibility for some claimed costs, the DHSES-NY approving official did not investigate further before approving the costs. In instances of questionable cost claims, the approving official should have requested additional documentation from the contractor to support the claims. According to DHSES-NY officials, they did not request additional supporting documentation from the managing contractor and subcontractors because requesting and reviewing the additional information would have delayed payment to the contractors. Under New York state law⁷ failure to make contract payments by required due dates would have required DHSES-NY to pay interest to the contractors. To avoid interest payments, DHSES-NY chose to approve contractor cost claims despite questionable support.

According to 31 United States Code (U.S.C.) 7504(a)(1), FEMA is ultimately responsible for monitoring grants it awards, as well as overseeing the grantee's use and management of Federal awards. However, FEMA did not provide

⁷ New York State Finance Law, Section 179-f.
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sufficient grant oversight to ensure DHSES-NY had an adequate financial management system to account for and track DCMP grant funding. As a result, DHSES-NY, the FEMA grantee, and its managing contractor did not always properly account for FEMA grant funds in accordance with Federal regulations and FEMA guidelines when approving claimed contractor costs of \$12.2 million.

Without adequate internal controls and systems, future DCMP funding may also be exposed to significant risk of waste, fraud, and abuse. Therefore, FEMA should ensure grant recipients have adequate financial management systems in place to accurately account for DCMP grant funding. FEMA should also review the *Disaster Case Management Program Guide's* grant monitoring requirements and revise them to ensure grantees comply with Federal regulations for managing day-to-day grant program activities.

Recommendations

Recommendation 1: We recommend the Regional Administrator, Federal Emergency Management Agency, Region II disallow unsupported salaries and fringe benefits, administrative overhead costs, and other than personnel services costs of \$8,701,371.

Recommendation 2: We recommend the Regional Administrator, Federal Emergency Management Agency, Region II ensure the remaining balance of \$25,007,989 claimed for salaries and fringe benefits costs comply with Federal regulations and Federal Emergency Management Agency guidelines.

Recommendation 3: We recommend the Regional Administrator, Federal Emergency Management Agency, Region II disallow \$1,645,765 in ineligible other than personnel services costs that did not comply with Federal regulations and Federal Emergency Management Agency requirements.

Recommendation 4: We recommend the Regional Administrator, Federal Emergency Management Agency, Region II disallow \$1,831,834 in duplicate administrative overhead rate charges.

Recommendation 5: We recommend the Regional Administrator, Federal Emergency Management Agency, Region II closely monitor the Department of Homeland Security Emergency Services, New York to ensure it maintains an accounting system that adequately identifies the source and application of funds with support by source documentation (44 C.F.R. 13.20(b)(2)(6)).



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Recommendation 6: We recommend the Federal Emergency Management Agency Administrator review and revise the *Disaster Case Management Program Guide* grantee monitoring requirements as required to ensure compliance with Federal regulations to manage the day-to-day operations of grant program activities (44 C.F.R. 13.40(a)).

FEMA's Response and OIG Analysis

FEMA provided written comments to our draft report on September 17, 2020. FEMA concurred with all six recommendations. Appendix A contains a copy of FEMA's response in its entirety. We also received technical comments and incorporated changes to the report where appropriate. We consider recommendations 1, 2, 3, 4, and 5 resolved and open with an estimated completion date of July 30, 2021. Recommendation 6 is considered unresolved and open. A summary of FEMA's responses to the recommendations and our analysis follows.

FEMA's Response to Recommendation 1: Concur. FEMA will review the documentation associated with salaries and fringe benefits, administrative overhead costs, and other than personnel service costs to disallow any unallowable costs. Estimated Completion Date (ECD): July 30, 2021.

OIG Analysis: FEMA's corrective action is responsive to the recommendation. The recommendation will remain resolved and open until FEMA provides evidence to support that corrective actions are completed.

FEMA's Response to Recommendation 2: Concur. FEMA will work with the grantee to review the claims for salaries and fringe benefits and determine if they comply with Federal regulations and FEMA policy. ECD: July 30, 2021.

OIG Analysis: FEMA's corrective action is responsive to the recommendation. The recommendation will remain resolved and open until FEMA provides evidence to support that corrective actions are completed.

FEMA's Response to Recommendation 3: Concur. FEMA will work with the grantee to determine if the "other than personnel services" costs claimed comply with Federal regulations and FEMA policy and will disallow any ineligible costs. ECD: July 30, 2021.



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OIG Analysis: FEMA's corrective action is responsive to the recommendation. The recommendation will remain resolved and open until FEMA provides evidence to support that corrective actions are completed.

FEMA's Response to Recommendation 4: Concur. FEMA will review the administrative overhead rate charges and will disallow any duplicate costs. ECD: July 30, 2021.

OIG Analysis: FEMA's corrective action is responsive to the recommendation. The recommendation will remain resolved and open until FEMA provides evidence to support that corrective actions are completed.

FEMA's Response to Recommendation 5: Concur. FEMA will work with the grantee and provide technical assistance to ensure the grantee is aware of Federal grant requirements and regulations and maintains an accounting system that adequately identifies the source and application of funds. ECD: July 30, 2021.

OIG Analysis: FEMA's corrective action is responsive to the recommendation. The recommendation will remain resolved and open until FEMA provides evidence to support that corrective actions are completed.

FEMA's Response to Recommendation 6: Concur. FEMA indicated the *Disaster Case Management Program Guide* was superseded by the *Individual Assistance Program and Policy Guide* (IAPPG), published in March 2019. The IAPPG includes monitoring requirements to ensure compliance with Federal regulations. Additionally, FEMA offered Federal Grants Management courses and provided them to Individual Assistance staff in FEMA HQ and FEMA Regions in 2020 to ensure compliance with Federal regulations. According to FEMA, the previously delivered IAPPG and completed training actions address the intent of the recommendation. As such, FEMA requested we close this recommendation.

OIG Analysis: FEMA's corrective action is partially responsive to the recommendation. Although FEMA included monitoring requirements in the IAPPG, it has not updated the requirements to address the issues identified in our report. For instance, guidance is still lacking on how states should assist and monitor the grantee to ensure claimed costs are supported by source documentation, eligible for reimbursement, and not duplicated, in accordance with Federal grant requirements and regulations. Additionally, FEMA did not provide evidence of the Federal Grants Management courses offered and provided to Individual Assistance staff in FEMA Headquarters and Regions in 2020. The recommendation will remain unresolved and open until FEMA provides evidence to support that corrective actions are completed.



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Objective, Scope, and Methodology

The Department of Homeland Security Office of Inspector General was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*.

We performed this audit based on a request from FEMA to review Individual Assistance funds awarded to DHSES-NY (Agreement Number 4085DRNYIDCM). Our objective was to determine whether DHSES-NY, as a grantee, accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines for Disaster Number 4085 DR-NY.

FEMA awarded \$40.8 million to provide DCMP services to disaster survivors resulting from Hurricane Sandy in October 2012. The audit covered the period from October 30, 2012 to September 30, 2016.

We selected our cost claim sample for testing from a universe of awarded Individual Assistance funds downloaded from FEMA's computerized Integrated Financial Management Information System (IFMIS) and verified that payments and claimed costs were supported by source documents. We did not rely on or test the data from the system. However, we deemed the information sufficient to answer our audit objective. We compared FEMA's awarded costs to state payments and verified the payments were supported by source documents.

We assessed the reliability of computer-based and hardcopy data received from FEMA, DHSES-NY, and the managing contractor's claimed costs by reviewing supporting documentation. For personnel services costs (salaries and fringe benefits), we judgmentally selected a sample based on dollar value totaling 20 percent of the claimed and paid amounts.

For OTPS costs, we judgmentally selected samples based on the dollar value totaling 76 percent of the claimed and paid amounts. Lastly, for administration overhead and DHSES-NY's oversight costs, we performed a 100 percent review. For the purpose of this report, we determined the data was sufficiently reliable.

To accomplish our objective, we interviewed FEMA, DHSES-NY, and managing contractor personnel; gained an understanding of DHSES-NY's method of accounting for DCMP-related costs in our audit scope; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our audit objective. In addition, we reviewed FEMA's and DHSES-NY's determination memos and other



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documents such as contracts and contract amendments.

We did not perform a detailed assessment of DHSES-NY's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective.

We conducted this performance audit between July 2017 and October 2019 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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. To conduct this audit, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.


Office of Audits contributors to this report are David Kimble, Director (retired); Larry Arnold, Director; Felipe Pubillones, Audit Manager; Nadine F. Ramjohn, Auditor-in-Charge; Sabrina Paul, Program Analyst; Helen White, Auditor; Amos Dienne, Auditor; Nedra Rucker, Auditor; Jessica Makowski, Program Analyst; Omar Russell, Auditor; Angela McNabb, Independent Referencer Reviewer; and Thomas Hamlin, Communications Analyst.



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Appendix A
FEMA's Response to the Draft Report

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

 **FEMA**

September 16, 2020

MEMORANDUM FOR: Joseph V. Cuffari, Ph.D.
Inspector General
Office of Inspector General

FROM: *for* Thomas Von Essen **KATHY D FIELDS** Digitally signed by KATHY D FIELDS
Date: 2020.09.16 18:36:23 -04'00'
Regional Administrator, Region II

SUBJECT: Management's Response to OIG Draft Report: *"FEMA Should Disallow \$12.2 Million in Disaster Case Management Program Grant Funds Awarded to New York for Hurricane Sandy"*
(Project No. 17-031-EMO-FEMA)

Thank you for the opportunity to review and comment on this draft report. The Federal Emergency Management Agency (FEMA) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

New York State Department of Homeland Security Emergency Services (NYS DHSES) received \$40,839,256 in disaster assistance for the Disaster Case Management Program in response to Hurricane Sandy. FEMA is required to monitor its grant awards to ensure compliance with federal regulations, guidance and policy. As a consequence, on an annual basis, FEMA assesses the awards to pre-determine the awards that require monitoring. Pre-scripted protocols are used to evaluate the recipient's financial and internal controls. In 2014, 2015 and 2016, FEMA Region II conducted compliance reviews that included this program and issued the results of those reviews to NYSDHSES in a corrective action report that included questioned payments. Since that time, FEMA and NYSDHSES have corresponded on these topics. The FEMA review represents a small sample of transactions and therefore will not capture the extensive review conducted by the OIG team. FEMA is committed to working with NYSDHSES to clarify all costs claimed and determine eligibility based on Federal regulations and FEMA policy.

The draft report contained six (6) recommendations with which the FEMA concurs. Please see the attached for our detailed response to each recommendation.

Again, thank you for the opportunity to review and comment on this draft report. Technical comments were previously provided under separate cover. If you have any questions, please contact Dale McShine at (212) 680-3636 or by email at Dale.Mcshine@fema.dhs.gov. We look forward to working with you in the future.



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**Attachment: DHS Management Response to Recommendations
Contained in OIG 17-031**

The OIG recommended that the Regional Administrator, FEMA Region II:

Recommendation 1: Disallow unsupported salaries and fringe benefits, administrative overhead costs, and other than personnel services costs of \$8,701,371.

Response: Concur. FEMA Region II will review the documentation associated with salaries and fringe benefits, administrative overhead costs and other than personnel service costs and will disallow any unallowable costs.

Estimated Completion Date (ECD): 07/30/2021

Recommendation 2: Ensure the remaining balance of \$25,007,989 claimed for salaries and fringe benefits costs comply with Federal regulations and Federal Emergency Management Agency guidelines.

Response: Concur. FEMA Region II will work with NYSDHSES to review the claim for salaries and fringe benefits and determine if they comply with Federal regulations and FEMA policy.

ECD: 07/30/2021

Recommendation 3: Disallow \$1,645,765 in ineligible other than personnel services costs that did not comply with Federal regulations and Federal Emergency Management Agency requirements.

Response: Concur. FEMA Region II will work with NYSDHSES to determine if the “other than personnel services” costs claimed comply with Federal regulations and FEMA policy and will disallow any ineligible costs.

ECD: 07/30/2021

Recommendation 4: Disallow \$1,831,834 in duplicate administrative overhead rate charges.

Response: Concur. FEMA Region II will review the administrative overhead rate charges and will disallow any duplicate costs.

ECD: 07/30/2021

Recommendation 5: Closely monitor the Department of Homeland Security Emergency Services, New York to ensure it maintains an accounting system that adequately identifies the source and application of funds with support by source documentation (44 CFR 13.20(b)(2)(6)).



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Response: Concur. FEMA Region II will work with NYSDHSES and provide technical assistance to ensure NYSDHSES is aware of Federal grant requirements/regulations and ensure they maintain an accounting system that adequately identifies the source and application of funds.

ECD: 07/30/2021

Recommendation 6: We recommend the Federal Emergency Management Agency review and revise the *Disaster Case Management Program Guide* grantee monitoring requirements as required to ensure compliance with Federal regulations to manage the day-to-day operations of grant program activities (44 CFR 13.40(a)).

Response: Concur. The Disaster Case Management Program Guide has been superseded by the Individual Assistance Program and Policy Guide (IAPPG), published in March 2019. The monitoring requirements to ensure compliance with Federal regulations are included. Additionally, Federal Grants Management courses were offered and provided to Individual Assistance staff in FEMA HQ and FEMA Regions in 2020 to ensure compliance with federal regulations.

FEMA believes the previously delivered IAPPG and training actions completed addresses the intent of the recommendation and FEMA requests closure for this recommendation.



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**Appendix B
Potential Monetary Benefits**

Table 3. Questioned Costs by Finding Area and Program Area

Finding Area	Program Area	Questioned Cost Amount
Unsupported Costs	Personnel Services (Salaries and Fringe Benefits)	\$6,102,360
	Administration Overhead Rate	\$2,531,519
	OTPS (Travel, Telephone and Utilities)	\$67,492
Ineligible Costs	OTPS (Rent and Lease of Buildings)	\$1,264,441
	OTPS (Unrelated Costs for Insurance, Equipment, Construction, Telephone/Utilities, and Personal Services)	\$381,324
Duplicate Costs	Administration Overhead Rate	\$1,831,834
Total		\$12,178,970

Type of Potential Monetary Benefit	Rec. No.	Amounts	Federal Share
Questioned Cost – Unsupported	1	\$8,701,371	\$8,701,371
Questioned Cost – Ineligible	3	\$1,645,765	\$1,645,765
Questioned Cost – Duplicate	4	\$1,831,834	\$1,831,834
Totals		\$12,178,970	\$12,178,970

Source: OIG analysis of findings in this report



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Appendix C
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