

**Special Report: Lessons  
Learned from Prior  
DHS-OIG Reports Related  
to FEMA's Response to  
Texas Disasters and Texas'  
Management of FEMA  
Grant Funds**





# DHS OIG SPECIAL REPORT

## *Lessons Learned from Prior DHS-OIG Reports Related to FEMA's Response to Texas Disasters and Texas' Management of FEMA Grant Funds*

November 30, 2017

### Why We Did This Special Report

This is a Department of Homeland Security Office of the Inspector General (DHS-OIG) special report regarding the Federal Emergency Management Agency's (FEMA) response and recovery efforts related to Hurricane Harvey in Texas. This report describes lessons learned from prior DHS-OIG reports on FEMA's response to Texas disasters and the Texas Division of Emergency Management (Texas) management of FEMA grant funds.

### What We Recommend

We made no recommendations.

#### **For Further Information:**

Contact our Office of Public Affairs at (202) 254-4100, or email us at [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

### What We Found

FEMA is currently responding to Hurricane Harvey in Texas, one of the largest disasters in U.S. history, with current damage estimates reported to exceed \$100 billion. Due to the massive scale of damage, FEMA and Texas, as a FEMA grantee, will face many challenges in the recovery phase of the disaster.

Our prior reports (see appendix A) identified that FEMA faced resource challenges in its response to a May 2015 Texas flooding disaster and determined that Texas needs to improve its grant management efforts. We urge FEMA officials to be mindful of lessons learned from these reports in providing disaster assistance to Hurricane Harvey survivors and that they closely monitor Texas' grant management activities. Doing so should provide reasonable, but not absolute, assurance that Federal disaster assistance funds are spent properly and that the risk of ineligible and excessive costs borne by taxpayers is mitigated.



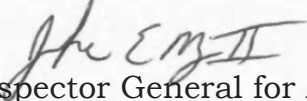
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Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

NOV 30 2017

MEMORANDUM FOR: Jeffrey Byard  
Associate Administrator  
Office of Response and Recovery  
Federal Emergency Management Agency

FROM: John E. McCoy II   
Acting Assistant Inspector General for Audits

SUBJECT: Special Report: *Lessons Learned from Prior DHS-OIG Reports Related to FEMA's Response to Texas Disasters and Texas' Management of FEMA Grant Funds*

Attached is our final special report, *Lessons Learned from Prior DHS-OIG Reports Related to FEMA's Response to Texas Disasters and Texas' Management of FEMA Grant Funds*. This report was prepared under the *Inspector General Act of 1978*, as amended, section 2(2), to provide leadership and coordination and recommend policies for activities designed to promote economy, efficiency, and effectiveness in the administration of, and to prevent and detect fraud and abuse in, such programs and operations.

This report describes lessons learned from prior DHS-OIG reports related to FEMA's response to Texas disasters and Texas' management of FEMA grant funds. We made no recommendations in this report. However, it does provide a source of previously reported findings that FEMA needs to be mindful of to help prevent their reoccurrence during the recovery phase of Hurricane Harvey.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of this report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post a version of the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Paul Wood, Acting Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



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### Background

On August 25, 2017, Hurricane Harvey made landfall in Texas as a Category 4 hurricane. It caused catastrophic flooding and widespread destruction. In some locations, including the Houston metropolitan area, Harvey's rainfall exceeded 50 inches, and wind speeds reached 150 miles per hour. It was reported that approximately 200,000 homes were damaged or destroyed, over 1 million residents were displaced, and more than 75 individuals lost their lives. The President approved a Major Disaster Declaration for Texas (DR-4332-TX) on August 25, 2017. Estimates of Harvey's recovery costs have been reported to exceed \$100 billion and may continue to increase.

Each disaster presents unique challenges, requiring FEMA to both adhere to Federal law yet be flexible enough to solve critical problems. These challenges, if not met successfully, can expose FEMA to financial, programmatic, and internal control risks costing millions of dollars and can adversely affect recovery efforts.

Under the Public Assistance program, FEMA reimburses states to administer Public Assistance grants awarded to state, local, and tribal governments and certain types of private nonprofit organizations so that communities can quickly respond to and recover from major disasters. According to the Code of Federal Regulations (CFR), Texas, as a FEMA grantee, must provide guidance and monitor the activities of its subrecipients to ensure that they use disaster recovery funds for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the award.<sup>1</sup> Federal regulations also require the grantee (Texas) to follow up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award detected through audits, investigations, on-site reviews and other means.<sup>2</sup>

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<sup>1</sup> See 2 CFR 200.331(d)

<sup>2</sup> See 2 CFR 200.331(d)(2)



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**Lessons Learned from Prior DHS-OIG Reports Related to  
FEMA's Response to Texas Disasters and Texas'  
Management of FEMA Grant Funds**

Our prior reports (see appendix A) identified that FEMA faced several significant challenges and resource shortages in its response to a May 2015 Texas flooding disaster and determined that Texas needs to improve its grant management efforts.

*FEMA's Response to Texas May 2015 Flooding Disaster*

We conducted an audit of FEMA's initial response to Texas severe storms and flooding that occurred in May 2015.<sup>3</sup> Although the report contained no recommendations, we noted that the geographic size, scope, and complexity of the disaster challenged FEMA's response. Additionally FEMA faced resource shortfalls in three areas that hampered its efforts to provide Texans with disaster assistance. First, FEMA did not move into its Joint Field Office in Austin until 17 days after the disaster declaration. During this time, FEMA operated in at least two interim facilities. While at these temporary locations, FEMA started its field operations, meeting with other Federal, State, and local officials and determining where FEMA staff should deploy. However, without a Joint Field Office, FEMA could not efficiently provide deployed FEMA staff with the workspace and equipment necessary to perform their duties.

Second, a shortage of disaster reservist personnel hampered FEMA's efforts to respond efficiently. Because the disaster was so widespread, FEMA deployed its staff to the Joint Field Office in Austin and two field offices (Houston and Denton). However, FEMA encountered a significant shortage of personnel available for deployment. Joint Field Office officials could not obtain a sufficient number of disaster staff through FEMA's Deployment Tracking System. In addition, FEMA Region VI officials were concurrently responding to three other major disasters that were in various stages of the disaster process. In response to the shortage of staff, Joint Field Office officials activated Public Assistance Technical Assistance contractors and the FEMA Corps. FEMA also implemented a new method to determine estimates of joint preliminary damage assessments.

Finally, many FEMA reservists needed training to become knowledgeable about Federal regulations applicable to grantees and subrecipients, especially those related to procurement. To overcome this challenge, FEMA's Deployed Field

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<sup>3</sup> *FEMA's Initial Response to the 2015 Texas Spring Severe Storms and Flooding* (OIG-16-85-D, May 2016)



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Counsel proactively coordinated with Joint Field Office officials to arrange training for reservists and other disaster personnel. FEMA’s Procurement Disaster Assistance Team provided training to FEMA and Texas disaster personnel at the Joint Field Office.

*FEMA Grant Funds Awarded to Texas’ Subrecipients*

**Public Assistance Grants** – In prior audits of Public Assistance grants awarded to Texas subrecipients, we identified several issues that were the result, in part, of Texas’ lack of adequate monitoring of subrecipients’ activities. From October 1, 2014, through June 28, 2017, we conducted nine of these audits. We identified a total of \$48.0 million of potential monetary benefits, which included \$28.8 million in funds that could be put to better use and \$19.2 million in costs we recommended FEMA disallow. Specifically, we identified mismanagement and misuse of FEMA grant funds, improper cash management, inadequate project accounting, unsupported and ineligible costs, and noncompliance with Federal procurement standards (see table 1). In total, we made nine monetary recommendations to FEMA for putting the \$28.8 million to better use and recovering the \$19.2 million of ineligible costs. We also made five grant management recommendations aimed at improving Texas’ oversight and monitoring of its subrecipients to provide reasonable assurance that they comply with Federal accounting and procurement regulations. Additionally, we made one recommendation regarding FEMA’s procedures for determining whether to replace or repair damaged assets. FEMA concurred with all 15 recommendations and they were resolved and closed.

**Table 1: Description of Findings**

<b>Finding Description</b>	<b>Questioned Costs</b>	<b>Funds Put to Better Use</b>
Mismanagement and Misuse of Federal Funds <sup>4</sup>	\$17,562,212	\$14,803,463
Ineligible Equipment Costs	138,959	0
Unsupported Costs	62,177	50,000
Improper Procurement Practices	1,473,045	13,897,855
<b>Total Potential Monetary Benefits</b>	<b>\$19,236,393</b>	<b>\$28,751,318</b>

Source: Office of Inspector General (OIG) analysis of findings in issued reports

**Homeland Security Grant Program** – In our recent audit of Texas’ management of FEMA Homeland Security Grant Program awards for fiscal years 2012–2014 we reported that, in most instances, Texas distributed and

<sup>4</sup> Mismanagement and misuse of Federal funds consists of a combination of several findings including unsupported costs, inadequate project accounting, cash management, and improper procurement. The report did not segregate these costs into categories. *FEMA Should Recover \$32.4 Million in Grant Funds Awarded to Riverside General Hospital, Houston, Texas* (OIG-15-149-D, September 2015).



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spent the grant awards in compliance with applicable laws and regulations. However, Texas lacked adequate controls over more than \$1.0 million in grant funds.<sup>5</sup> This occurred because FEMA and Texas did not ensure adequate management and oversight of the grant funds. Specifically, FEMA and Texas needed to improve their monitoring and guidance of property management, salary documentation, and equipment procurement. We made three recommendations for better management and oversight of the grant program awards. FEMA concurred with all three recommendations and expected to implement the recommendations by August 31, 2017. However, as of September 21, 2017, two of the recommendations related to property management and salary documentation remained open.

### **Conclusion**

As FEMA moves into the recovery phase for Hurricane Harvey, it will begin to obligate hundreds of millions, if not billions, of dollars from the Disaster Relief Fund for administrative costs and for Public Assistance and Hazard Mitigation grants to eligible state, tribal, and local governments and certain nonprofit organizations. Texas, as FEMA's grantee, will be responsible for oversight and monitoring of the disaster grants to Texas subrecipients. We urge FEMA officials to be mindful of lessons learned from these reports in providing disaster assistance to Hurricane Harvey survivors and that they closely monitor Texas' grant management activities. Doing so should provide reasonable, but not absolute, assurance that Federal disaster assistance funds are spent properly and that the risk of ineligible and excessive costs borne by taxpayers is mitigated.

### **Objective, Scope, and Methodology**

The objective of this review was to identify lessons learned from prior DHS-OIG reports on FEMA's response to Texas disasters and Texas' management of FEMA grant funds. To accomplish our objective, we reviewed reports issued from October 1, 2014, through September 30, 2017, which were related to our objective (see appendix A).

This report was prepared under the *Inspector General Act of 1978*, as amended, section 2(2), to provide leadership and coordination and recommend policies for activities designed to promote economy, efficiency, and effectiveness in the administration of, and to prevent and detect fraud and abuse in, such programs and operations. The work performed in this review does not

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<sup>5</sup> *Texas' Management of Homeland Security Grant Program Awards for Fiscal Years 2012-14* (OIG-17-15, December 2016)



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constitute an audit in accordance with generally accepted government auditing standards.

The Office of Audits major contributors to this report are: David Kimble, Director; Adrienne Bryant, Audit Manager; Kim Lemon, Senior Auditor; and Tai Cheung, Independent Referencer.





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### Appendix A

### Prior DHS-OIG Reports Related to FEMA's Response to Texas Disasters and Texas' Management of FEMA Grant Funds:

DHS-OIG reports can be found under the "Reports" tab at <http://www.oig.dhs.gov>

#### **Emergency Management Oversight Team (EMOT) Report – Public Assistance:**

- *FEMA's Initial Response to the 2015 Texas Spring Severe Storms and Flooding* (OIG-16-85-D, May 2016)  
<https://www.oig.dhs.gov/sites/default/files/assets/GrantReports/2016/OIG-16-85-D-May16.pdf>

#### **Public Assistance Grant Reports:**

- *FEMA Should Recover \$32.4 Million in Grant Funds Awarded to Riverside General Hospital, Houston, Texas* (OIG-15-149-D, September 2015)  
<https://www.oig.dhs.gov/sites/default/files/assets/GrantReports/2015/OIG-15-149-D-Sep15.pdf>
- *The City of Austin, Texas, Has Adequate Policies and Procedures to Comply with FEMA Public Assistance Grant Requirements* (OIG-16-22-D, January 2016)  
<https://www.oig.dhs.gov/sites/default/files/assets/GrantReports/2016/OIG-16-22-D-Jan16.pdf>
- *The West School Administration Effectively Accounted for the FEMA Emergency Grant Funds Awarded for the West, Texas Fertilizer Plant Explosion* (OIG-16-86-D, May 2016)  
<https://www.oig.dhs.gov/sites/default/files/assets/GrantReports/2016/OIG-16-86-D-May16.pdf>
- *FEMA Miscalculated the 50 Percent Rule when Deciding to Replace School Buildings after the West, Texas Explosion* (OIG-16-132-D, September 2016)  
<https://www.oig.dhs.gov/sites/default/files/assets/GrantReports/2016/OIG-16-132-D-Sep16.pdf>



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- *FEMA Should Disallow \$1.5 Million in Grant Funds Awarded to Hays County, Texas* (OIG-17-77-D, June 2017)  
<https://www.oig.dhs.gov/sites/default/files/assets/2017/OIG-17-77-D-Jun17.pdf>
- *Colorado County, Texas, Has Adequate Policies, Procedures, and Business Practices to Manage Its FEMA Grant* (OIG-17-57-D, May 2017)  
[https://www.oig.dhs.gov/sites/default/files/assets/2017/OIG-17-57-D-May17\\_0.pdf](https://www.oig.dhs.gov/sites/default/files/assets/2017/OIG-17-57-D-May17_0.pdf)
- *Texas Should Continue to Provide Deweyville Independent School District Assistance in Managing FEMA Grant Funds* (OIG-17-62-D, May 2017)  
<https://www.oig.dhs.gov/sites/default/files/assets/2017/OIG-17-62-D-May17.pdf>
- *Fort Bend County, Texas, Needs Additional Assistance and Monitoring to Ensure Proper Management of Its FEMA Grant* (OIG-17-83-D, June 2017)  
<https://www.oig.dhs.gov/sites/default/files/assets/2017/OIG-17-83-D-Jun17.pdf>

### **Homeland Security Grant Program (HSGP) Report:**

- *Texas' Management of Homeland Security Grant Program Awards for Fiscal Years 2012 – 2014* (OIG-17-15, December 2016)  
<https://www.oig.dhs.gov/sites/default/files/assets/2017/OIG-17-15-Dec16.pdf>



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