



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix A
FEMA's Response to Draft Report

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



FEMA

March 8, 2019

MEMORANDUM FOR: John V. Kelly
Senior Official Performing the Duties
of the Inspector General

FROM: Joel Doolin 
Associate Administrator
Office of Policy and Program Analysis

SUBJECT: Management Response to OIG Draft Report: "Lessons
Learned from Prior Reports on FEMA's 50 Percent Repair-
or-Replace Rule Decisions"
(Project No. OIG-18-028-AUD-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.

FEMA is pleased that the OIG has compiled lessons learned from its previous audit reports concerning the Public Assistance (PA) Program's 50 Percent Rule and shared this information with FEMA leadership, congress, and the public. FEMA also notes the OIG's positive recognition of the improvements that FEMA has already made to more consistently and accurately apply the repair versus replacement (50 Percent Rule) calculation. For example, as the draft report highlights, FEMA has updated the 50 Percent Rule policy to address prior concerns by adding second level reviews by the United States Army Corps of Engineers for projects with a federal cost-share over \$5 million.

In addition, FEMA has and will continue to implement policy, training, and process improvements to further promote the consistent and accurate implementation of the 50 Percent Rule. FEMA will continue to proactively seek opportunities to make further clarifications to ensure the 50 Percent Rule calculation to ensure it is easy to understand by both FEMA staff and applicants.

Finally, FEMA has consolidated operations so that all staff that conduct 50 Percent Rule calculations work in teams at each of FEMA's three Consolidated Resource Centers. As a result of this consolidation, FEMA has established a contingent of staff with expertise focused on making these determinations. This greatly increases FEMA's ability to apply internal controls, reduce calculation mistakes, improve consistency, and ensure appropriate

1



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Appendix A, cont'd.

documentation for making determinations, thus significantly improving its delivery of the PA Program. FEMA remains committed to begin a good steward of taxpayer monies, especially as concerns the application of repair versus replacement decisions, and continuing to support our citizens and first responders to ensure that as a nation we work together to build, sustain, and improve our capability to prepare for, protect against, respond to, recover from, and mitigate all hazards.

We noted that the draft report did not contain any recommendations. Technical comments were previously provided under separate cover. We look forward to OIG's continued disaster-related response and recovery work and any formal recommendations once that work is completed.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you in the future.



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Appendix B
Summary of Questioned Costs Related to the 50 Percent
Repair-or-Replace Rule (FYs 2012–2016)

Report Short Title	Report Number	State	Costs Questioned
University of Iowa	DD-12-17	IA	\$ 83,745,594
Paso Robles Joint Unified School District	DS-12-03	CA	12,958,864
Ochsner Clinic	DD-12-15	LA	2,197,550
Martinsville High School	DD-13-04	IL	1,136,581
Alaska Department of Natural Resources	DS-13-06	AK	398,186
City of Cedar Rapids ¹¹	OIG-14-145-D	IA	-
West School Buildings ¹²	OIG-16-132-D	TX	-
Total Questioned Costs			\$100,436,775

Source: See DHS OIG reports under the “Reports” tab at <http://www.oig.dhs.gov/>

¹¹ Although we did not question the costs, we identified unnecessary costs of \$12,103,979 to taxpayers because of improper replacement decisions for four facilities.

¹² The 50 Percent Rule miscalculation did not result in an incorrect replacement decision; therefore, we did not question the costs.



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