

**FEMA Must Take Additional  
Steps to Demonstrate  
the Importance of  
Fraud Prevention and  
Awareness in FEMA Disaster  
Assistance Programs**





# DHS OIG HIGHLIGHTS

## ***FEMA Must Take Additional Steps to Demonstrate the Importance of Fraud Prevention and Awareness in FEMA Disaster Assistance Programs***

**July 24, 2019**

### **Why We Did This Audit**

FEMA's disaster assistance programs are highly susceptible to fraud, waste, and abuse, which poses significant risk to taxpayer dollars. Our objective was to determine the extent to which FEMA has instituted effective mechanisms to demonstrate the importance of fraud prevention in its disaster assistance programs.

### **What We Recommend**

We made five recommendations for FEMA to demonstrate its commitment to fraud prevention in carrying out its disaster assistance programs.

### **For Further Information:**

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

## **What We Found**

The Federal Emergency Management Agency (FEMA) has instituted several effective mechanisms to demonstrate the importance of fraud prevention in its disaster assistance programs, but it needs to do more. In line with our 2011 audit report recommendations, FEMA now uses standard system queries and additional business rules to flag potentially fraudulent disaster assistance applications. However, FEMA must take additional, proactive steps to create and sustain a culture of fraud prevention and awareness.

Specifically, FEMA must —

- adequately staff the Fraud Prevention and Investigation Branch to execute its mission effectively;
- implement an effective process to monitor and discourage staff noncompliance with fraud prevention and awareness training requirements; and
- establish a clear and consistent process for reporting suspected fraud.

Although FEMA promotes prompt assistance to disaster survivors, it does not place equal emphasis on ensuring program integrity and fiscal responsibility. Until FEMA takes visible, substantial, and continual steps needed to carry out its mission programs by detecting and reporting potential fraud in a systematic and timely manner, it will continue to risk the loss and misuse of taxpayer dollars.

## **FEMA Response**

FEMA concurred with all five recommendations and has begun to implement corrective actions.



## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

July 24, 2019

MEMORANDUM FOR: Pete Gaynor  
Acting Administrator  
Federal Emergency Management Agency

FROM: Jennifer L. Costello   
Acting Inspector General

SUBJECT: *FEMA Must Take Additional Steps to Demonstrate the Importance of Fraud Prevention and Awareness in FEMA Disaster Assistance Programs*

Attached for your action is our final report, *FEMA Must Take Additional Steps to Demonstrate the Importance of Fraud Prevention and Awareness in FEMA Disaster Assistance Programs*. We incorporated the formal comments that your office provided.

The report contains five recommendations for FEMA to demonstrate its commitment to fraud prevention in carrying out its disaster assistance programs. Your office concurred with all five recommendations. Based on information provided in your response to the draft report, we consider all five recommendations resolved and open. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.

Please send your response or closure request to [OIGAuditsFollowup@oig.dhs.gov](mailto: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 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.

Attachment



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### Background

The Federal Emergency Management Agency (FEMA) coordinates the Federal Government's role in preparing for, preventing, mitigating the effects of, responding to, and recovering from all domestic disasters, whether natural or manmade, including acts of terror. The *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, Public Law 93–288, *as amended*, gives FEMA the responsibility for providing disaster financial assistance to states, local governments, territories, and tribes; certain types of private nonprofit (PNP) organizations;<sup>1</sup> and individuals and households affected by a presidentially declared disaster incident.

Through its Public Assistance and Individual Assistance programs, FEMA obligates billions of dollars from the Disaster Relief Fund each year for response and recovery activities related to declared disasters. For the devastating 2017 hurricane season alone, FEMA reported that it obligated \$14.638 billion for major disasters.

Immediately after a declared disaster, survivors may apply for financial assistance from the Individual and Households Program (IHP) by calling a toll-free telephone number, going online to the FEMA website, or visiting a disaster recovery center (DRC) in person.<sup>2</sup> Survivors provide FEMA with a variety of information, including name, social security number, address of the damaged property, current address and telephone number, insurance information, and a description of losses incurred. FEMA processes this information in the National Emergency Management Information System (NEMIS), which uses business rules to verify and determine the type and amount of assistance for which a survivor is eligible.

In addition, to help communities quickly respond to, and recover from, major disasters, applicants from local governments and PNPs may apply for public assistance. After approval, FEMA uses a project worksheet to document the location, damage description and dimensions, scope of work, and cost estimate for each project. Furthermore, FEMA encourages protection of damaged facilities from future events by providing assistance for hazard mitigation measures during the recovery process. FEMA uses the Emergency Management Mission Integrated Environment (EMMIE) to capture data specific to the applicant and project worksheets, and to generate disaster-specific reports.

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<sup>1</sup> Eligible PNPs provide critical services to the public such as educational, utility, irrigation, emergency, medical services, rehabilitation and temporary or permanent custodial care facilities and facilities on Indian reservations, as defined by the President (42 United States Code (U.S.C.) § 5122(11)(A).

<sup>2</sup> DRCs are readily accessible facilities where survivors may go for information about FEMA programs or disaster assistance programs, and to ask questions related to their specific case. FEMA: Disaster Recovery Centers, <https://www.fema.gov/disaster-recovery-centers>.



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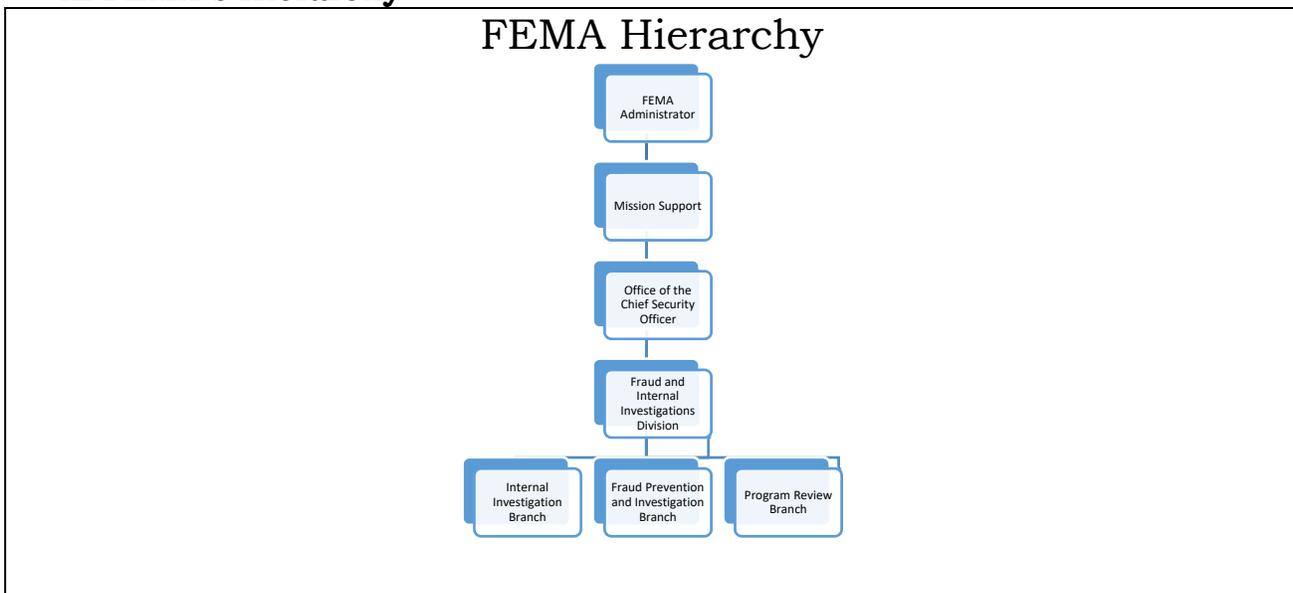
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## Fraud Prevention Efforts for FEMA Financial Assistance Programs

Given the pressure to distribute vast amounts of funds quickly, FEMA’s disaster assistance programs are susceptible to fraud, waste, and abuse. As such, the U.S. Department of Homeland Security and U.S. Department of Justice have set up multiple entities to combat fraudulent activities. In 2005, the U.S. Department of Justice established, and continues to operate, the National Center for Disaster Fraud (NCDF), which assists FEMA in fighting fraudulent disaster claims nationwide. Its mission includes stopping unscrupulous individuals and contractors who illegally seek to obtain financial assistance intended for survivors of disasters. NCDF operates a call center 24 hours a day, 7 days a week, to accept disaster fraud complaints through a national hotline number and via email. NCDF personnel review complaints and, as appropriate, refer them to FEMA and other appropriate Federal, state, or local agencies in the relevant jurisdiction.

Since 2007, FEMA has operated a fraud prevention unit, currently known as the Fraud and Internal Investigations Division (FIID), which promotes employee training to help identify, mitigate, and prevent fraudulent losses of FEMA funds and assets; it also assists in recouping such losses. FIID manages potential fraud complaints from external tips, whistleblowers, and data analysis by researching and determining the credibility of allegations and other criminal behavior. FIID reports to the Office of the Chief Security Officer, which reports to the FEMA Administrator through the Mission Support Office (see figure 1).

**Figure 1: Location of FEMA’s Fraud and Internal Investigations Division in FEMA’s Hierarchy**



Source: FEMA



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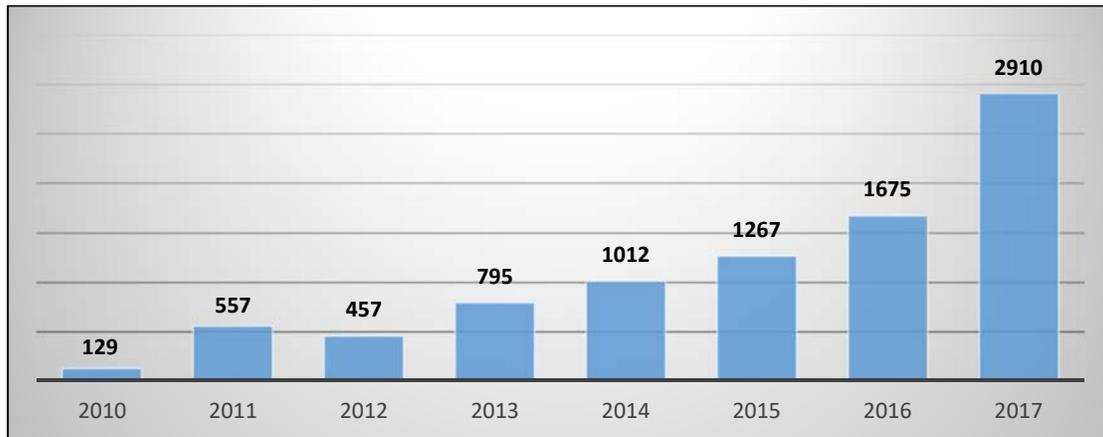
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FIID has three branches that report to it: Internal Investigation Branch, Fraud Prevention and Investigation Branch (FPIB), and Program Review Branch. As a branch of FIID, FPIB has primary responsibility to review indicators of fraud, waste, and abuse in the applications disaster survivors submit for individual and household assistance. After completing its review, FPIB may:

1. activate “Stop Processing” to lock the fraudulent NEMIS file, so no additional funds can be disbursed;
2. forward complaints to DHS Office of Inspector General for investigation when it finds indicators of fraudulent FEMA assistance claims;<sup>3</sup>
3. report matters to the FEMA National Processing Service Center for recoupment or to the FEMA Office of Chief Counsel for civil action, if it determines there is no indication of fraud, but additional action is warranted; or
4. take no further action if it determines there is no indication of fraud and that recoupment is not warranted.

As shown in figure 2, FPIB investigated more than 8,800 fraud complaints from 2010 until 2017. These investigations resulted in recoupment of more than \$51 million and prevented the fraudulent loss of another \$67 million.

**Figure 2. FPIB Complaints Reviewed**



Source: FPIB data as of February 2018

<sup>3</sup> On average, Office of Inspector General (OIG) Investigations accepts less than 6 percent of referrals.



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### **DHS OIG's Prior Audit Assessment of FEMA's Fraud Prevention Efforts**

In May 2011, DHS OIG reported on the effectiveness of FPIB's fraud prevention efforts,<sup>4</sup> identifying deficiencies such as weak internal controls, insufficient resources, and limited authority over FEMA programs. Our report included nine recommendations for FEMA to improve its fraud prevention efforts. By April 2015, FEMA had taken corrective actions to resolve and close all nine recommendations. To address our recommendations, FEMA:

- conducted a staffing, mission, and organizational structure assessment and agreed to increase FPIB's staff and budget;
- issued the Fraud Prevention and Investigation Directive 121-6 in August 2014 to establish the authority of FIID and the responsibilities of all FEMA personnel, programs, and offices with regard to preventing, detecting, deterring, and investigating fraud, waste, and abuse in FEMA's programs;
- improved existing controls within IHP;
- purchased a new custom off-the-shelf Quality Assurance Recording System (QARS) to monitor real-time contacts and assist in deterring fraudulent calls;
- instituted mandatory annual fraud training for all employees;
- released three system changes, and incorporated more than 200 separate enhancements to its system, which provided internal controls, new functionality/processes, improved quality, cost savings, and error reduction;
- required its Internal Control Board to assess and govern internal controls across FEMA, including Individual Assistance, Public Assistance, and mitigation; and
- implemented a process to recoup improper payments.

Despite our recommendation and even after conducting its organizational assessment, FEMA determined it would not realign FPIB to a higher and more visible level in its structural hierarchy.

### **Results of Audit**

FEMA has instituted several effective mechanisms to demonstrate the importance of fraud prevention in its disaster assistance programs, but it needs to do more. In line with our 2011 audit report recommendations, FEMA has expanded its use of querying survivor's claims and the application of business rules. FEMA runs standard queries at multiple intervals throughout the process. These queries test essential elements, such as social security numbers for multiple damaged

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<sup>4</sup> U.S. Department of Homeland Security, Office of Inspector General, OIG No. 11-84, *Assessment of FEMA's Fraud Prevention Efforts* (May 2011).



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dwelling, applicants' dwelling address not identified as their primary residence, and other known vulnerabilities. An additional control designed to detect and prevent fraudulent applications is FEMA's use of business rules. As FPIB identifies vulnerabilities in the application process, it coordinates with IHP to establish business rules to flag future applications that could be potentially fraudulent.

However, FEMA must take additional, proactive steps to create and sustain a culture of fraud prevention and awareness. Specifically, FEMA must:

- staff FPIB adequately to execute its mission effectively;
- implement an effective process to monitor and discourage staff noncompliance with fraud prevention and awareness training requirements; and
- establish a clear and consistent process for reporting suspected fraud.

Although FEMA promotes prompt assistance to disaster survivors, it does not place equal emphasis on ensuring program integrity and fiscal responsibility. Until FEMA takes visible, substantial, and continual steps needed to carry out its mission programs by detecting and reporting potential fraud in a systematic and timely manner, it will continue to risk the loss and misuse of taxpayer dollars.

### **FEMA's Fraud Prevention Unit Is Understaffed**

According to *Standards for Internal Control in the Federal Government*, effective management of an entity's workforce is essential to achieving results and is an important part of internal control.<sup>5</sup> Only when the right personnel for the job are on board and are provided the right training, tools, and responsibilities, is operational success possible.

Nonetheless, FIID remains understaffed to address its increasing workload. Specifically, its Internal Investigations Branch has unfilled vacancies; and the Program Review Branch is new and not fully staffed. In addition, FPIB remains understaffed. In our May 2011 report, we recommended the FEMA Administrator reallocate resources to increase the staff and budget of FPIB. FEMA concurred with our recommendation and increased its core staffing levels by 118 percent in fiscal year 2011 and another 8 percent in FY 2012. However, from FYs 2013 to 2017, FPIB experienced a 33 percent decrease in staff, while its workload increased by more than 266 percent. Figure 3 shows FPIB's caseload and staffing trend from FYs 2010 to 2017.

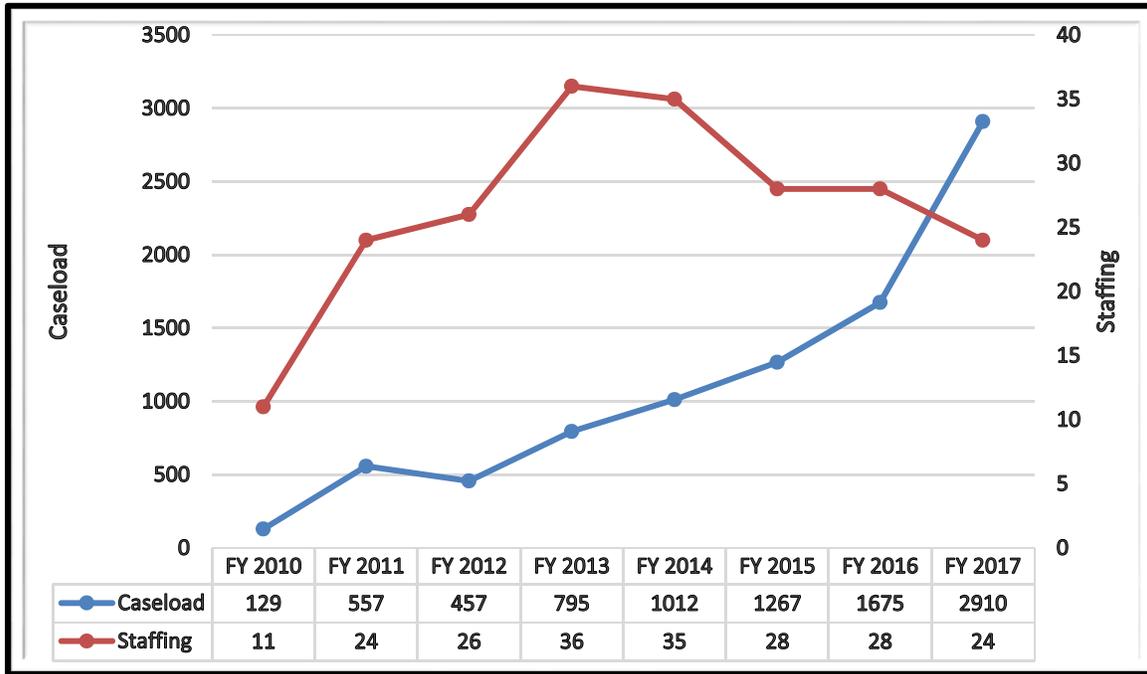
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<sup>5</sup> U.S. Government Accountability Office, GAO-14-704G, *Standards for Internal Control in the Federal Government*, § 10.03 (September 2014).



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**Figure 3. FPIB Caseload and Staffing Trend**



Source: OIG analysis of FIID budget and case data as of February 15, 2018

FPIB understaffing occurred because the branch does not periodically conduct workforce assessments to validate the number of staff needed to satisfy its influx of workload requirements. Specifically, FPIB’s workload directly correlates to the number of disasters and the intensity of storms that occur in any given year or years. As the number of disasters and the intensity of storms increase or decrease, so does FPIB’s number of complaints, caseload, and fraud risk. As a result, FPIB experienced an increased backlog of more than 1,850 fraud cases and complaints when responding to the 2017 hurricanes.

Although FEMA established FIID with FPIB as its branch to combat fraud in all its disaster assistance programs, its primary focus has been on Individual Assistance programs. According to FPIB officials, with Individual Assistance programs comprising 90 percent of FPIB’s workload, the unit does not have the staff to address fraud in Public Assistance, which is FEMA’s largest grant program. FPIB’s biggest challenges continue to be the vast number of disaster fraud complaints, and staffing below its authorized level. To its credit, FIID established the Program Review Branch in May 2018 with a goal of reviewing control activities related to disaster assistance within Public Assistance, mitigation, and other large programs, as well as determining effectiveness.



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FIID's challenges will persist until it reassesses its workforce requirements to accomplish its fraud prevention responsibilities. Without a right-sized workforce, FIID will be unable to manage its current and, possibly future, workloads.

### **FEMA's Workforce Is Not Compliant with Required Annual Fraud Prevention and Awareness Training**

The *Post-Katrina Emergency Management Reform Act of 2006 (Post-Katrina Act)* directs the FEMA Administrator to “develop and implement a program to provide training on the prevention of waste, fraud, and abuse of Federal disaster relief assistance relating to the response to or recovery from natural disasters and acts of terrorism or other man-made disasters and ways to identify such potential waste, fraud, and abuse.”<sup>6</sup>

In our 2011 report, we recommended all FEMA employees receive annual training to increase attention to fraud prevention and deterrence, which could result in fewer instances of improper disaster assistance payments as the *Post-Katrina Act* intended. In 2012, FEMA added IS.38-18 *Fraud Prevention and Awareness Training* to its *Mandatory Training Requirements Matrix*, and requires that all its employees complete it on an annual basis.

Despite the mandatory requirement and FEMA's own policy, most of its employees had not completed the component's annual fraud prevention and awareness training. For the period of April 30, 2017 through May 1, 2018, 18,555 of 19,981 (93 percent) of FEMA employees failed to complete the mandatory fraud training.<sup>7</sup> More importantly, 72 of 75 (96 percent) of senior leadership did not complete it.

*Based on our review, 93 percent of FEMA employees failed to complete the mandatory fraud training.*

FEMA officials said that internal controls are in place to ensure compliance with all mandatory training. Specifically, FEMA employees and supervisors are responsible for identifying, monitoring, recording, and reporting mandatory training requirements. In addition, FEMA tasked

the Office of the Chief Learning Officer with monitoring all mandatory training for completion. However, despite these actions, it is clear that FEMA's internal controls remain inadequate. As such, noncompliance with FEMA fraud training goes undetected and uncorrected. Additionally, there are no consequences for noncompliance with training requirements.

<sup>6</sup> 6 U.S.C. § 797 (2006)

<sup>7</sup> As of May 2, 2018, FEMA employed 19,981 employees.



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Inadequate controls for enforcing completion of required training across leadership and staff affirm that FEMA's culture does not emphasize fraud awareness. The lack of controls can have a detrimental effect on FEMA's overall fraud prevention efforts, and could lead to delays in detecting and reporting fraud, waste, and abuse of disaster assistance funds.

#### **FEMA's Guidance Provides Conflicting Numbers and Email Addresses to Report Suspected Fraud**

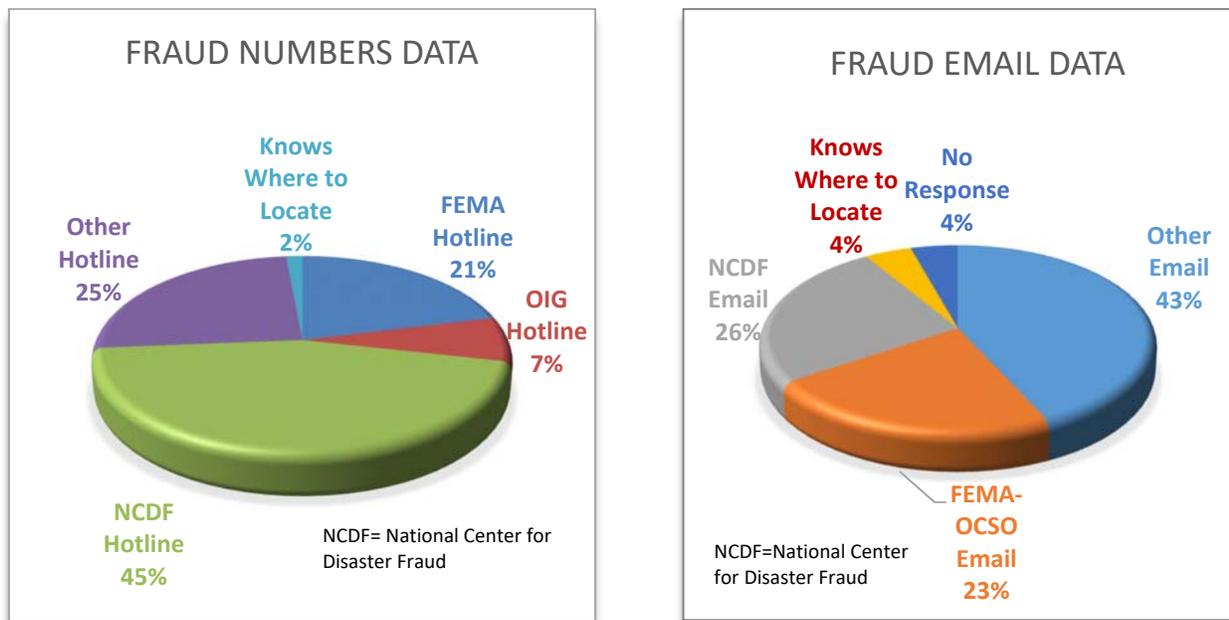
FEMA's guidance on reporting fraud is not consistent across the agency. Specifically, its *Fraud Review Standard Operating Procedures* (SOP), dated November 20, 2017, stipulates that application specialists report fraudulent activities through the agency's fraud hotline and email address. Conversely, the IS.38-18 *Fraud Prevention and Awareness Training* provides the DHS OIG hotline number and email address, as well as the FEMA hotline number and email address for fraud reporting. Both FEMA's Fraud Review SOP and IS.38-18 training provide instructions to call or email FEMA to report fraud. However, because the guidance documents are inconsistent, it is unclear which one to call.

From March 2018 to May 2018, we interviewed 137 FEMA application specialists at 15 DRCs located throughout Texas and Puerto Rico. During our interviews, we asked application specialists the same set of 12 questions pertaining to when, how, and to whom they should report suspected fraud. In response, only 21 percent of the FEMA application specialists provided the FEMA fraud hotline number and only 23 percent could provide the FEMA fraud email address. Figure 4 provides a summary of the responses application specialists provided to us when asked what number and email address should be used to report suspected fraud.



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**Figure 4. Fraud Reporting Data**



Source: DHS OIG’s compilation of data from DRC interviews

Furthermore, while visiting the DRCs, we noticed FEMA commonly displayed large DHS OIG fraud posters with OIG Investigations contact information, as well as the NCDF fraud hotline number (see figure 5). These posters provide survivors with numbers to call to report fraud or suspected fraudulent activity. We noted FEMA had no fraud posters of its own displayed in its DRCs.

FEMA is limited in its ability to address fraud due to inconsistent guidance. As a result, when DRC application specialists and the general public report suspected fraud to other Federal agencies such as DHS OIG and NCDF, there is a greater risk that FEMA may not detect potential fraud or identify fraud trends and schemes in a timely manner. Furthermore, the Association of Certified Fraud Examiners’ *Report to the Nations on Occupational Fraud and Abuse: 2016 Global Fraud Study* reported a typical organization is estimated to lose 5 percent of its income due to fraud.<sup>8</sup> Using this guideline, FEMA’s losses



Figure 5: Disaster Fraud Hotline Posters  
Source: OIG

<sup>8</sup> The certified fraud examiners who participated in the association’s survey estimated that the typical organization loses 5 percent of revenues in a given year due to fraud.



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due to fraud related to 2017 disaster assistance efforts could potentially equate to more than \$731 million.<sup>9</sup> By not detecting and reporting potential fraud in a systematic and timely manner, FEMA will continue to risk losing taxpayers' money.

### Conclusion

Although FEMA has made efforts to improve its fraud prevention and awareness efforts, the agency's culture has not changed much since our 2011 report. FEMA can better demonstrate commitment to fraud prevention by adequately staffing FIID and its branches; implementing the necessary controls to properly monitor, track, and ensure all employees — including leadership — are receiving the required annual fraud training; and establishing a clear and consistent fraud reporting process to promote identification and mitigation of fraud risk. Such actions would also constitute improved fiscal stewardship and accountability.

### Recommendations

**Recommendation 1:** We recommend the Federal Emergency Management Agency's Chief Security Officer periodically conduct workforce studies and take action to right-size the Fraud Prevention and Investigation Branch workforce as appropriate to accomplish its mission effectively.

**Recommendation 2:** We recommend the Federal Emergency Management Agency's Chief Security Officer reassess and project the Fraud Prevention and Investigation Branch's workforce requirements annually based on the workloads from prior disasters.

**Recommendation 3:** We recommend the Federal Emergency Management Agency's Chief Security Officer implement and staff the Program Reviews and Analytics Branch within the Fraud and Internal Investigations Division to assess and determine the effectiveness of fraud prevention and detection activities for all Federal Emergency Management Agency disaster assistance programs.

**Recommendation 4:** We recommend the Federal Emergency Management Agency's Chief Learning Officer implement monitoring and enforcement mechanisms to ensure Federal Emergency Management Agency personnel complete annual fraud prevention and awareness training.

**Recommendation 5:** We recommend the Federal Emergency Management Agency's Chief Learning Officer update all guidance, manuals, and training

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<sup>9</sup> FEMA obligated more than \$14.638 billion for Individual Assistance and Public Assistance program grants for the major 2017 disasters.



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materials to provide consistent direction for reporting fraud and suspected fraudulent activity in the agency's disaster assistance programs.

**Management Comments and OIG Analysis**

FEMA concurred with all of our recommendations. A copy of FEMA's response is included in appendix C. FEMA also provided technical comments and suggested revisions to our report in a separate document. We reviewed the technical comments and made changes to the report where appropriate. A summary of our analysis follows.

**FEMA's Comments to Recommendation 1: Concur.** FPIB will complete its first workforce study by December 31, 2019, and will then conduct additional workforce studies every 3 years (triennial). Estimated Completion Date (ECD): December 31, 2019.

**OIG Analysis:** FEMA's corrective action satisfies the intent of the recommendation. The recommendation will remain open and resolved until FPIB provides evidence that its workforce study has been completed by December 31, 2019, and that it has instituted a policy to commit to reassessing its workforce requirements every 3 years thereafter.

**FEMA's Comments to Recommendation 2: Concur.** FPIB will reassess and project its workforce requirements after completing the first workforce study by December 31, 2019, and will then reassess and project its workforce requirements every 3 years (triennial). FPIB believes triennial workforce studies and projections, using larger quantities of data accrued over a greater span of time, will more accurately identify its workforce requirements. ECD: December 31, 2019.

**OIG Analysis:** FEMA's corrective action satisfies the intent of the recommendation. The recommendation will remain open and resolved until FPIB provides evidence that its workforce study has been completed by December 31, 2019, and that it has instituted a policy to commit to reassessing its workforce requirements every 3 years thereafter.

**FEMA's Comments to Recommendation 3: Concur.** FEMA's Fraud and Internal Investigations Division has already filled the vacant Analyst position and has added an additional Analyst position along with a Computer Scientist position to the Program Review Branch (PRB). PRB has filled the newly created Analyst position and is currently interviewing candidates for the Computer Scientist position. The PRB conducted its first Program Review of the Individuals and Households Program on April 23, 2019, and is tentatively scheduled to conduct its second Program Review of the Grant Programs Directorate on July 15, 2019.



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**OIG Analysis:** FEMA's corrective action satisfies the intent of the recommendation. The recommendation will remain open and resolved until FIID provides an organizational chart listing staffing levels and documentation to support that positions have been filled. In addition, FEMA must provide the framework of its assessments and results of its reviews as of July 15, 2019.

**FEMA's Comments to Recommendation 4: Concur.** FEMA's Fraud Office of the Chief Learning Officer (OCLO) will publish a real-time training dashboard that displays the Fraud Prevention and Awareness training completion rates for each office. FEMA senior leaders shall enforce compliance in their offices based upon the real-time data. FEMA senior leadership will also continue to broadcast the importance of training to all employees. To go one step further, the Acting Administrator will send a communication to his senior leadership team and the entire FEMA workforce emphasizing the importance of completing Fraud Prevention and Awareness training. ECD: July 31, 2019.

**OIG Analysis:** FEMA's corrective action satisfies the intent of the recommendation. The recommendation will remain open and resolved until OCLO provides documentation of its published real-time training dashboard, and has implemented controls that will enforce all FEMA employees comply with mandatory fraud awareness training requirements.

**FEMA's Comments to Recommendation 5: Concur.** FEMA's OCLO will ensure that the training curriculum received from the FEMA Office of the Chief Security Officer (OCSO) is made available to all employees each reporting year. The OCSO organization is responsible for developing the curriculum and can attest to the accuracy of the materials; OCLO's responsibility is to ensure that the materials are made available to all FEMA employees of record. FEMA's Individual Assistance Division will also update processing guidance to include references to both the DHS OIG and FEMA fraud hotlines. ECD: December 31, 2019.

**OIG Analysis:** FEMA's corrective action satisfies the intent of the recommendation. The recommendation will remain open and resolved until OCLO and the Individual Assistance Division provide updated processing guidance with consistent fraud reporting information.



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### Appendix A

#### 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*.

Our objective was to determine the extent to which FEMA has instituted effective mechanisms to demonstrate the importance of fraud prevention in its disaster assistance programs. To answer our objectives, we:

- researched laws, regulations, and internal policies to identify applicable criteria governing FEMA fraud prevention efforts;
- reviewed applicable FEMA policies and procedures related to identifying, mitigating, and reporting potential fraud;
- identified and analyzed data-mining processes that FPIB used;
- analyzed training data that the FEMA Employee Knowledge Center provided for staff completion of fraud training from April 30, 2017, through May 1, 2018;
- analyzed the different fraud reporting processes that FEMA, OIG, and NCDF used;
- reviewed FEMA referral statistics and investigation results;
- collected and assessed FPIB staffing, budget, and complaint data from 2010 to 2017; and
- followed up on DHS OIG Report 11-84 recommendations to assess FEMA's implementation.

We interviewed officials from:

- FEMA Office of Chief Security Office, FIID, FPIB;
- FEMA Individual Assistance Audit Section;
- Puerto Rico Joint Field Office and Disaster Recovery Centers;
- Texas Joint Field Office and Disaster Recovery Centers;
- Winchester and Texas National Processing Service Centers;
- DHS OIG Investigations; and
- National Center for Disaster Fraud.

We assessed the reliability of staff training data that FEMA provided for training course IS.38-18, *Fraud Awareness and Prevention Training*, by performing electronic testing of required data elements and by reviewing existing information about the data and the system that produced the information. In addition, we performed limited testing on staff and case data to determine the reliability of the data. We determined that the training, staff, and case data were sufficiently



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reliable for the purposes of this report.

We conducted this performance audit between January and September 2018, under the authority of 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective.



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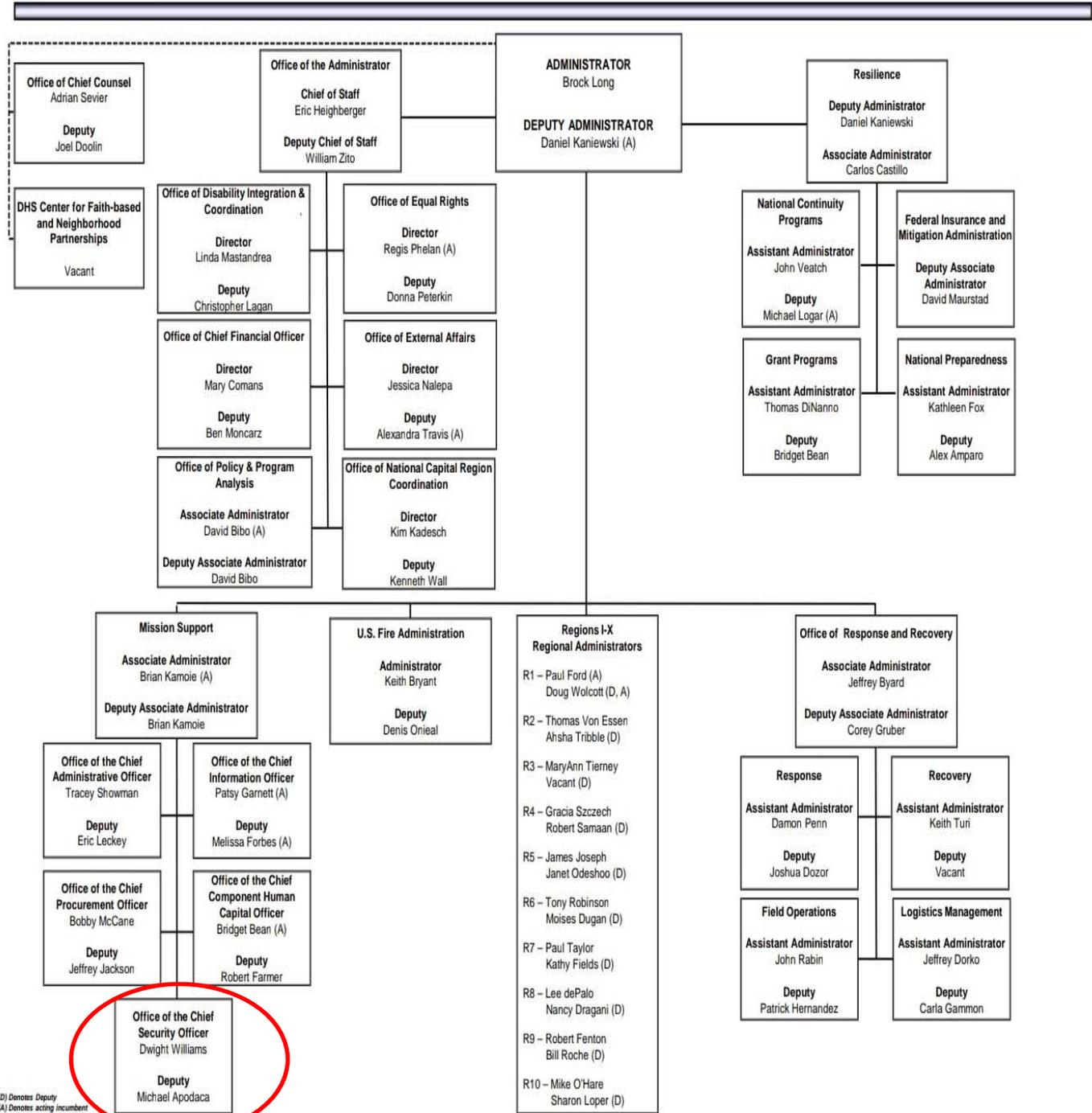
### Appendix B FEMA Organization Chart



**FEMA**

U.S. Department of Homeland Security / FEMA

June 25, 2018



(D) Denotes Deputy  
(A) Denotes acting incumbent



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**Appendix C**  
**FEMA Official Comments**

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



**FEMA**

June 14, 2019

MEMORANDUM FOR: Jennifer L. Costello  
Acting Inspector General

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

SUBJECT: Management Response to Draft Report: "FEMA Must take  
Additional Steps to Demonstrate the Importance of Fraud Prevention  
and Awareness in FEMA Disaster Assistance Programs"  
(Project No. 18-040-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 to note OIG's positive recognition that FEMA has "initiated several effective mechanisms to demonstrate the importance of fraud prevention in its disaster assistance programs," such as using standard systems queries and additional business rules to flag potentially fraudulent disaster assistance applications. In addition, FEMA's Fraud and Internal Investigations Division (FIID) is promoting employee training to help identify, mitigate and prevent fraudulent losses of FEMA funds and assets, and assisting in recouping such losses. As of June 5, 2019, thirty-one percent of FEMA employees have already completed the mandatory Fraud Awareness and Prevention training.

The FIID's Fraud Prevention and Investigation Branch (FPIB) conducts investigations of fraud, waste and abuse of federal disaster funds in all of FEMA's programs. FPIB also detects, prevents, mitigates, and recoups fraudulent losses of federal disaster funds and/or assets through analytical research, fraud prevention and awareness training and investigating complaints of fraud, waste, and abuse pursuant to Department of Homeland Security and FEMA directives.

The Program Review Branch (PRB) conducts independent Program Reviews of FEMA grants and disaster assistance programs to identify potential improvements to internal controls to prevent and detect fraud, waste, and abuse. Through these initiatives in Calendar Year (CY) 2018, FPIB prevented from disbursement or submitted for recoupment a total of \$23.1 million dollars which represents a \$4.1 million or 22 percent increase from CY 2017 (\$18.8 million).



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In addition, FEMA's Office of the Chief Learning Officer (OCLO) provides all employees access to receiving the Fraud Prevention and Awareness training within their learning account in FEMA's learning management system of record which is called FEMA Employee Knowledge Center (FEKC). Employees receive direct emails from FEKC emphasizing the requirement to complete mandatory training.

The draft report contained five recommendations, with which FEMA concurs. Attached find our detailed response to each recommendation. Technical comments were previously provided under separate cover.

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 again in the future.

Attachment



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**Attachment: Management Response to Recommendation  
Contained in 18-040-AUD-FEMA**

The OIG recommended that FEMA's Chief Security Officer:

**Recommendation 1:** Periodically conduct workforce studies and take action to right-size the Fraud Prevention and Investigation Branch workforce as appropriate to accomplish its mission effectively.

**Response:** Concur. FPIB will complete its first workforce study by December 31, 2019 and will then complete additional workforce studies every three years (triennial). Estimated Completion Date (ECD): December 31, 2019.

**Recommendation 2:** Reassess and project the Fraud Prevention and Investigation Branch's workforce requirements annually based on the workloads from prior disasters.

**Response:** Concur. FPIB will reassess and project its workforce requirements, after completing the first workforce study by December 31, 2019, and will then reassess and project its workforce requirements every three years (triennial). FPIB believes triennial workforce studies and projections, using larger quantities of data accrued over a greater span of time, will more accurately identify its workforce requirements. ECD: December 31, 2019.

**Recommendation 3:** Implement and staff the Program Reviews and Analytics Branch within the Fraud and Internal Investigations Division to assess and determine the effectiveness of fraud prevention and detection activities for all Federal Emergency Management Agency disaster assistance programs.

**Response:** Concur. FEMA's Fraud and Internal Investigations Division has already filled the vacant Analyst position and has added an additional Analyst position along with a Computer Scientist position to the Program Review Branch (PRB). PRB has filled the newly created Analyst position and is currently interviewing candidates for the Computer Scientist position. The PRB conducted its first Program Review of the Individuals and Households Program (IHP) on April 23, 2019 and is tentatively scheduled to conduct its second Program Review of the Grant Programs Directorate (GPD) on July 15, 2019.

We request that the OIG consider this recommendation resolved and closed as implemented.

The OIG recommended that FEMA's Chief Learning Officer:

**Recommendation 4:** Implement monitoring and enforcement mechanisms to ensure Federal Emergency Management Agency personnel complete annual fraud prevention and awareness training.



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**Response:** Concur. FEMA's OCLO will publish a real-time training dashboard that displays the completion rates for each office to Fraud Prevention and Awareness training. FEMA senior leaders shall enforce compliance in their offices based upon the real time data. FEMA senior leadership will also continue to broadcast the importance of training to all employees. To go one step further, the Acting Administrator will send a communication to his senior leadership team, and the entire FEMA workforce emphasizing the importance of completing Fraud Prevention and Awareness training. ECD: July 31, 2019.

**Recommendation 5:** Update all guidance, manuals, and training materials to provide consistent direction for reporting fraud and suspected fraudulent activity in the agency's disaster assistance programs.

**Response:** Concur. FEMA's OCLO will ensure that training curriculum received from the FEMA Office of the Chief Security Officer (OCSO) is made available to all employees each reporting year. The OCSO organization is responsible for developing the curriculum and can attest to the accuracy of the materials; OCLO's responsibility is to ensure that the materials are made available to all FEMA employees of record. FEMA's Individual Assistance Division will also update processing guidance to include references to both the DHS OIG and FEMA fraud hotlines. ECD: December 31, 2019.



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**Appendix D**  
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