

**Risk Assessment of
FEMA's Grant Closeout
Process**





OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

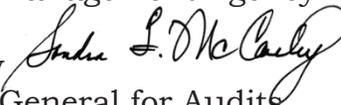
Washington, DC 20528 / www.oig.dhs.gov

January 30, 2020

MEMORANDUM FOR: Stacy Marcott
Acting Chief Financial Officer
Department of Homeland Security

Mary Comans
Chief Financial Officer
Federal Emergency Management Agency

FROM:

Sondra F. McCauley 
Assistant Inspector General for Audits

SUBJECT: *Risk Assessment of FEMA's Grant Closeout Process*

Attached is our final memo, *Risk Assessment of FEMA's Grant Closeout Process*. We incorporated the formal comments provided by your offices.

The memo contains no recommendations, so no further action is required at this time.

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 Katherine Trimble, Deputy Assistant Inspector General for Audits, at (202) 981-6000.



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Introduction

The Department of Homeland Security, Office of Inspector General (OIG) has completed its risk assessment of the Federal Emergency Management Agency's (FEMA) grant closeout process, as required by the *Grants Oversight and New Efficiency (GONE) Act of 2016*, Public Law 114-117. This memorandum presents the results of our risk assessment and represents OIG's reporting requirement under the GONE Act. We are not making any recommendations to FEMA in this memorandum.

Consistent with OIG's GONE Act section 2 obligations, our assessment objective was to determine whether an audit or review of FEMA's grant closeout process is warranted. We identified potential risks in FEMA's grant closeout process across three broad categories.¹ As a result, we conclude, pursuant to the dictates of GONE Act section 2, that a full audit of FEMA's grant closeout process is warranted.

Background

Enacted on January 28, 2016, the GONE Act required Federal agencies to report open Federal grant and cooperative agreement awards with periods of performance that had been expired for at least 2 years. Specifically, the GONE Act:

- Section 2(a)(1) required agencies to submit an initial report to Congress and to the Secretary of Health and Human Services not later than December 31, 2017.
- Section 2(b)(1) required agencies to submit an update to the initial report within one year indicating whether the open awards listed in the initial GONE Act submission had been closed.
- Section 2(c) required the Inspector General of an agency with more than \$500 million in annual grant funding to conduct a risk assessment to determine whether an audit or review of the agency's grant closeout process was warranted.

¹ The three broad categories include risks associated with Unreliable Systems of Record, Lack of Integration in Grant Closeout Policies and Guidance, and Delays in Grant Closeout and Deobligation of Funds. These risks are discussed later in this memo.



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Because FEMA awards approximately 98 percent of the estimated \$10 billion DHS disperses annually in grants and cooperative agreements, and was the only DHS component that met the \$500 million threshold, we focused our risk assessment on FEMA.

To comply with the GONE Act reporting requirements, FEMA’s Office of the Chief Financial Officer submitted grant data to DHS’ Office of the Chief Financial Officer (DHS OCFO), which was combined with data received from other DHS agencies and reported in the Department’s fiscal year 2017 Agency Financial Report and 2018 update, as shown in Table 1.

Table 1: DHS Grants Expired 2 Years or More

Grant Program	2017 Report		2018 Update	
	# of Grants	Balance	# of Grants	Balance
FEMA Public Assistance Grants	73	\$ 99,292,643	34	\$ 58,691,543
FEMA Assistance to Firefighter Grants	536	1,330,584	0	0
Other FEMA Grants	200	15,103,103	27	6,201,207
Other DHS Grants	69	654,293	12	1,646
TOTALS	878	\$116,380,623	73	\$64,894,396

Source: FEMA data summarized by DHS OIG

In the FY 2017 report, DHS stated it had 878 open grants² totaling more than \$116 million that had been expired for at least 2 years. In its 2018 update, DHS said it had reduced those numbers to 73 grants totaling nearly \$65 million. In both reports, the majority of the grants were awarded by FEMA.

Scope and Methodology

We conducted our assessment work from March through August 2019, pursuant to the *Inspector General Act of 1978*, as amended, and the GONE Act Section 2. To complete our assessment, we:

- reviewed applicable laws and regulations;
- reviewed applicable DHS and FEMA policies, procedures, and memorandums;

² DHS actually reported 875 open grants. DHS advised that FEMA provided a status update prior to the publication of the FY 2017 Annual Financial Report, which indicated three more grants had been closed. However, DHS could not identify the specific grants. As the total dollar amount of the grants reported did not change, it can be surmised the closed grants had zero balances when initially reported.



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- interviewed DHS and FEMA officials;
- reviewed DHS' FY 2017 GONE Act Report and 2018 update; and
- analyzed selected grant data used for DHS' FY 2017 GONE Act Report and 2018 update.³

Results of Review

We identified risks in three broad categories associated with FEMA's grant closeout process.

Unreliable Systems of Record

DHS policy⁴ requires that information technology be acquired and maintained to allow for the achievement of mission objectives. Past OIG audits have revealed deficiencies with FEMA's various information technology systems. For example, in our report *FEMA's Longstanding IT Deficiencies Hindered 2017 Response and Recovery Operation*, OIG-19-58, August 27, 2019, we detailed how FEMA information technology systems lacked functionality necessary to accomplish mission tasks, including non-integrated systems that did not support efficient data tracking and exchange. We concluded this lack of systems integration prevented efficient tracking and management of individual grants.

FEMA uses various systems to manage and monitor grant closeouts, including:

- Non-Disaster Grants Management System (ND Grants)
- Grants Reporting Tool (GRT)
- Emergency Management Mission Integrated Environment (EMMIE)
- National Emergency Management Information System (NEMIS)
- Mitigation Electronic Grants Management System (MT-eGrants)
- Assistance to Firefighters Grants Management System (AFG eGrants)

However, during the fieldwork for this risk assessment, we found these systems were not always reliable. FEMA officials explained they could not rely on these systems because of data integrity issues. Also, as we stated in our August 27, 2019 report, FEMA indicated the various systems the agency was using were not integrated. To compensate, FEMA used various external databases and spreadsheets to manually monitor grant closeouts.

³ Because this was a risk assessment, we did not conduct a thorough validation or make conclusions on the validity of the data submitted by DHS.

⁴ DHS Instruction 142-02, *Information Technology Integration and Management*, February 6, 2014



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Information from these manual processes was also used to prepare GONE Act reports. For example, FEMA's financial management system, the agency's only system that includes all of its grants from its various grant programs, does not provide a grant's period of performance (POP) date for all of FEMA's grants. A grant's POP date was the basis provided by the GONE Act for determining whether the grant needed to be reported. To obtain the POP dates for the other grants, FEMA had to use a variety of sources, including its various program-specific grant management systems, manually prepared spreadsheets, and locally maintained databases. Reliance on such manual processes may increase the risk that grant awards will not be closed out properly and on time.

Lack of Integration in Grant Closeout Policies and Guidance

The Comptroller General establishes internal control standards for Federal programs and processes.⁵ These standards stipulate management should effectively communicate to personnel the policies and procedures of a program so personnel can implement the control activities for their assigned responsibilities.

FEMA did not have standardized integrated processes or policies for grant closeout across all grant programs. Rather, the policies and guidance varied depending on the specific grant program. The lack of integrated grant closeout policies and guidance may make it difficult to effectively manage the grant oversight process, and may increase the risk of significant delays in closing expired or inactive grants.

Delays in Grant Closeout and Deobligation of Funds

Federal regulations require agencies close out Federal awards once they have determined the award recipients have completed the applicable administrative actions and required work.⁶ Additionally, recipients of awards made after December 24, 2014 must liquidate all obligations within 90 days after the end of the period of performance, unless the awarding agency has authorized an extension or a program statute specifying a different liquidation period exists.⁷ As illustrated in Table 1, in 2017, DHS reported 878 open grants totaling more than \$116 million that had been expired for at least 2 years. In its 2018 update, DHS reported it had reduced those numbers to 73 grants totaling

⁵ U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, Section 3.01, GAO-14-704G, September 2014

⁶ 44 CFR § 13.50(a) and 2 CFR § 200.343

⁷ 2 CFR § 200.343(b)



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nearly \$65 million. In both years, the majority of those grants were awarded by FEMA.

Further, in our report *The State of Washington's Oversight of FEMA's Public Assistance Grant Program for Fiscal Years 2015–2017 Was Generally Effective*, OIG-19-64, September 2019, we noted multiple instances when recipients for completed grants did not submit closeout requests timely, and FEMA did not pursue those requests. This resulted in many grants not being closed out within a reasonable timeframe.

Delayed follow up on grant funds that remain after a grant's period of performance has expired may unnecessarily prolong the final disbursement of grant funding to grantees and subgrantees whose budgets may be significantly affected by the delays. Deobligating the remaining funding for completed grants sooner would allow those funds to be put to better use.

Conclusion

We identified several risks related to FEMA's grant closeout process and determined that a full audit is warranted. This memorandum does not contain recommendations to FEMA.

Management Comments and OIG Analysis

DHS and FEMA provided a consolidated response to our draft memo, which is included in its entirety in appendix A. DHS and FEMA leadership concurred with our risk assessment, and provided details on improvements already made and planned future improvements to FEMA's grant closeout processes.

While FEMA has initiated improvements to its grant closeout processes, significant risks remain. We will coordinate with FEMA, as appropriate, about a future full audit of FEMA's grant closeout processes.

Major Contributors

The Office of Audits major contributors to this report are Brooke Bebow, Director; Louis Ochoa, Audit Manager; Renee Gradin, Auditor-in-Charge; Shawn Cosman, Auditor; Darrel Francis, Auditor; Curtis Watkins, Program Analyst; Deborah Mouton-Miller, Communications Analyst; and Lauren Moore, Independent Referencer.



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Appendix A
DHS and FEMA Comments

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



**Homeland
Security**

December 20, 2019

MEMORANDUM FOR: Sondra F. McCauley
Assistant Inspector General for Audits
Office of the Inspector General

FROM: Jim H. Crumacker, CIA, CFE 
Director
Departmental GAO-OIG Liaison Office

SUBJECT: Management Response to Draft Report: "Risk Assessment of
FEMA's Grant Closeout Process"
Project No. 19-026-AUD-FEMA

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

FEMA provides preparedness, mitigation, and disaster grants to support our citizens and first responders and help ensure that we work together as a nation to build, sustain and improve our capability to prepare for, protect against, respond to, recover from and mitigate all hazards. Since 2016, FEMA has provided nearly \$34 billion in grants, with more than \$14 billion provided during Fiscal Year (FY) 2017 due to Hurricanes Harvey, Irma, and Maria, and the California Wildfires. DHS and FEMA remain committed to building and developing a culture of preparedness across the country and unifying all levels of community and government into an integrated approach to emergency management.

Both DHS and FEMA leadership concur with OIG's risk assessment of FEMA's "Grants Oversight and New Efficiency" (GONE) Act-related grant closeouts during 2017 and 2018. It is important to note, however, that significant improvements to closeout procedures were made during 2019, after OIG's fieldwork for this assessment was completed.

For example, FEMA began consolidating and standardizing grants management across the Agency by implementing uniform grant policies, internal controls, and systems.



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Specifically, in May 2019, the Acting Administrator directed that non-disaster and disaster grants policy and procedures, as well as the Grants Management Modernization (GMM) initiative, be aligned under the Assistant Administrator of the Grant Programs Directorate to ensure FEMA implements standard approaches agency-wide.

In addition, during September 2019, FEMA awarded FY 2018 Assistance to Firefighters Grant (AFG) Program grants in the FEMA Grants Outcomes (FEMA GO) System. As part of GMM, FEMA GO will become the single platform for all grant awards, standardizing grants administration practices and enhancing grant program data collection and maintenance. FEMA GO's next priorities are to award FY 2019 AFG grants and the Building Resilient Infrastructure and Communities grant in early 2020. FEMA anticipates all grant programs under the Agency's purview will be migrated to FEMA GO by March 31, 2024.

The consolidation of non-disaster and disaster grants policy and procedures, as well as GMM, will enable FEMA to (1) use consistent, reliable systems of record, (2) standardize grant closeout policies and guidance agency wide, and (3) proactively pursue timely grant closeouts. Additionally, streamlining FEMA grant processes will improve the grants interface for disaster survivors, grant recipients, and the internal partners we serve.

Again, thank you for the opportunity to review and comment on this draft report. DHS and FEMA previously provided technical comments under a separate cover. Please feel free to contact me if you have any questions. We look forward to working with you again in the future.



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Appendix B
Memo Distribution

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