

The Puerto Rico Department of Housing Did Not Properly Administer \$90.79 Million of FEMA Grant Funds Awarded for the New Secure Housing Program





DHS OIG HIGHLIGHTS

The Puerto Rico Department of Housing Did Not Properly Administer \$90.79 Million of FEMA Grant Funds Awarded for the New Secure Housing Program

September 9, 2015

Why We Did This Audit

The Puerto Rico Department of Housing received two Federal Emergency Management Agency (FEMA) grant awards totaling \$186.13 million to implement the New Secure Housing Program following Hurricane Georges in September 1998. In August 2012, the Puerto Rico Department of Housing submitted final expenditure claims totaling \$184.34 million. FEMA requested that we audit these claims to facilitate closeout of the grants.

What We Recommend

FEMA should disallow the \$90.79 million of ineligible costs unless the Department provides additional documentation to show the costs are eligible. FEMA should also remind Puerto Rico Emergency Management Agency of its grant management responsibilities so that it can work to improve its monitoring of FEMA subgrants.

For Further Information:

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

What We Found

The Puerto Rico Department of Housing did not always account for and expend FEMA grant funds awarded for the New Secure Housing Program according to Federal requirements. Of the \$179.98 million of construction costs the Puerto Rico Department of Housing claimed, we found that \$90.79 million was ineligible. The ineligible construction costs consisted of:

- \$34.63 million of costs that did not comply with FEMA property acquisition requirements;
- \$25.39 million of costs for unoccupied housing units;
- \$20.80 million of costs claimed twice;
- \$7.54 million of unrelated costs; and
- \$2.43 million of unsupported costs.

The majority of these findings occurred because the Puerto Rico Emergency Management Agency, as the grantee, should have done a better job of managing the grants. Grantees are responsible for ensuring that subgrantees are aware of and follow Federal regulations. They are also responsible for reviewing subgrantees' claims for funding to determine eligibility and the adequacy of documentation supporting their claims.

FEMA Response

FEMA's written response is due within 90 days.



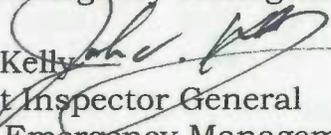
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Department of Homeland Security

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

SEP 9 2015

MEMORANDUM FOR: Jerome Hatfield
Regional Administrator, Region II
Federal Emergency Management Agency

FROM: John V. Kelly 
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT *The Puerto Rico Department of Housing Did Not Properly Administer \$90.79 Million of FEMA Grant Funds Awarded for the New Secure Housing Program*
Audit Report Number OIG-15-142-D

At the request of Federal Emergency Management Agency (FEMA) Region II, we audited FEMA grant funds awarded to the Puerto Rico Department of Housing (Department) to implement the New Secure Housing Program following Hurricane Georges, which occurred in September 1998. FEMA made the request to facilitate its closeout of the grants.

The Department received two FEMA grant awards totaling \$186.13 million from the Puerto Rico Emergency Management Agency (Puerto Rico), a FEMA grantee, (see appendix A, table 5).¹ The awards provided 75 percent FEMA funding. The Department completed work under the grant awards in April 2011 and submitted final expenditure claims totaling \$184.34 million to Puerto Rico in August 2012. We audited \$154.86 million, or about 84 percent of the total amount claimed. FEMA postponed its review of the Department's final claims pending receipt of our final audit report.

We divided the audit into two phases. During the first phase, we audited \$4.26 million of costs the Department claimed for processing and determining eligibility of participants of the New Secure Housing Program. Our first report questioned \$785,706 of ineligible costs.²

¹ At the time of the award in 1999, the Puerto Rico Office of Management and Budget was the designated FEMA grantee.

² OIG-14-121-D, *The Puerto Rico Department of Housing Generally Complied with FEMA Hazard Mitigation Grant Program Eligibility Requirements for Participants of the New Secure Housing Program - Hurricane Georges*, July 30, 2014.



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During this second phase, we reviewed the eligibility of and supporting documentation for \$179.98 million of construction costs the Department claimed to rebuild and/or replace homes the disaster damaged.

Background

On September 21, 1998, Hurricane Georges swept across Puerto Rico, causing major damage to the island's infrastructure, including public and private buildings and personal property. The disaster forced over 28,000 families to take shelter in 420 government-sponsored facilities located throughout the island. Approximately 100,000 homes experienced severe or moderate damages, and the disaster left 31,000 families homeless. On September 24, 1998, President Clinton issued a major disaster declaration for all 78 municipalities of Puerto Rico. To assist recovery from this disaster, the Governor of Puerto Rico created the New Secure Housing Program and used funds from two FEMA grant programs to pay for it—the Hazard Mitigation Grant Program and Disaster Assistance for Unmet Needs.

New Secure Housing Program — On October 15, 1998, the Governor of Puerto Rico signed an executive order establishing a multi-agency task force to plan, coordinate, and develop a mitigation project to rebuild and/or replace homes the disaster damaged. The executive order resulted in the creation of the New Secure Housing Program. The purpose of the program was to replace or rebuild low-income housing stock the disaster damaged while undertaking permanent measures to mitigate against damages from similar future events of a destructive nature. On June 23, 1999, the Puerto Rico Office of Management and Budget submitted an application for the New Secure Housing Program to FEMA Region II for approval as a hazard mitigation project. FEMA Region II approved the project on June 25, 1999, contingent upon certain conditions defined in the approval letter.

The New Secure Housing Program contained two components. The first component, known as the “on-site component,” was for replacing highly vulnerable structures with disaster-resistant homes at existing sites. The second component, known as the “off-site component,” was for the acquisition and removal of damaged or destroyed homes from severe flood zones and areas subject to seismic activity and landslides and replacing them with homes at new sites not subject to such hazards. Critical to the off-site component were (1) the subsequent demolition of the damaged or destroyed structures, (2) open space restriction of the acquired land, and (3) the construction of disaster-resistant replacement homes at new hazards-free sites. The Puerto Rico Housing Finance Corporation managed the off-site component in coordination with the Department.



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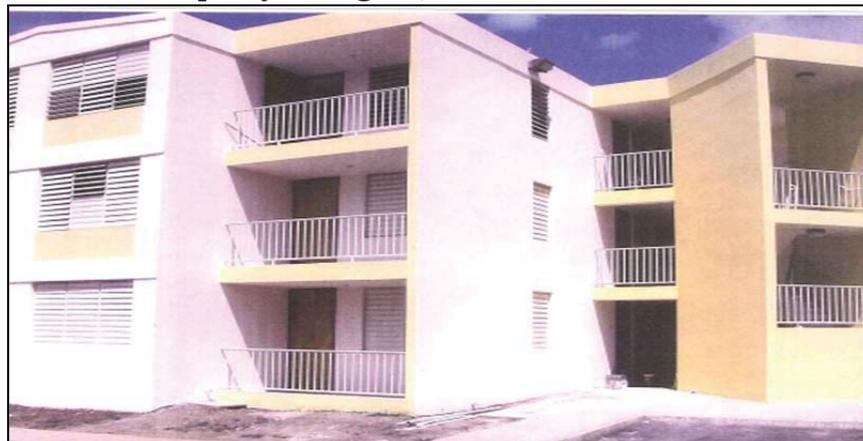
The Implementation Annex set forth the FEMA-approved processes and procedures that the Commonwealth, Department, and the Puerto Rico Housing Finance Corporation were to follow in implementing the New Secure Housing Program. Project work to replace homes under the on-site component began in June 2003, and the Department completed project work for both components in April 2011. In total, the New Secure Housing Program provided 1,647 new disaster-resistant housing units in 16 municipalities throughout Puerto Rico (66 in the on-site component and 1,581 in the off-site component). Figures 1 and 2 show examples of housing units constructed under the program.

Figure 1: Disaster Resistant Housing Unit Constructed in the Municipality of Arroyo, Puerto Rico



Source: FEMA

Figure 2: Disaster Resistant Housing Units Constructed in the Municipality of Caguas, Puerto Rico



Source: FEMA



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Hazard Mitigation Grant Program — Section 404 of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, (*Stafford Act*) authorizes the Hazard Mitigation Grant Program. The purpose of the Hazard Mitigation Grant Program is to reduce the loss of life and property from future disasters. FEMA awards grants to States and other eligible grantees, which in turn may award subgrants to other State agencies, local governments, Indian tribal organizations, and other eligible entities.

Disaster Assistance for Unmet Needs — Public Law 106-31 (the *Emergency Supplemental Appropriations Act for Fiscal Year 1999*) directed FEMA to distribute \$230.00 million to grantees for “Disaster Assistance for Unmet Needs.” FEMA awarded Unmet Needs funding to address communities’ disaster-related needs not met by other FEMA funding, Small Business Administration loans, or the U.S. Army Corps of Engineers. Grantees were to administer Unmet Needs funds in conjunction with the administration of other FEMA disaster assistance programs and use them for mitigation, buyout assistance, disaster relief, and long-term recovery. Grantees were to administer Unmet Needs funding used for mitigation and buy-out consistently with the intent of the Hazard Mitigation Grant Program.

Results of Audit

The Department did not always account for and expend FEMA grant funds according to Federal requirements. Of the \$184.34 million of costs the Department claimed, we question the following amounts totaling \$90.79 million as ineligible or unsupported construction costs:

- \$34.63 million of costs that did not comply with FEMA property acquisition requirements;
- \$25.39 million of costs for unoccupied housing units;
- \$20.80 million of costs claimed twice;
- \$7.54 million of costs for housing units unrelated to the New Secure Housing Program; and
- \$2.43 million of unsupported costs.

The majority of these issues occurred because Puerto Rico, as the grantee, should have done a better job managing the grant. Grantees are responsible for ensuring that subgrantees are aware of and follow Federal regulations. They are also responsible for reviewing subgrantees’ claims to determine whether the documentation adequately supports their claims and that the costs are eligible and allowable under the Federal award.



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Finding A: Noncompliance with FEMA Property Acquisition Requirements

The Department claimed \$34.63 million of ineligible construction costs for 309 off-site program participants for whom the Department did not complete FEMA demolition and/or deed restriction requirements. The FEMA-approved Implementation Annex of the New Secure Housing Program required the Department to demolish each acquired property within 90 days from the date of closing on the property. Further, 44 Code of Federal Regulations (CFR) 206.434(d) specifically required the Department, for all property acquisitions, to—

- place deed restrictions on properties located in floodplains or high landslide risk areas to dedicate and maintain the acquired properties in perpetuity for uses compatible with open space, recreational, or wetlands management practices, including parks, nature reserves, grazing, camping, unimproved parking areas, and buffer zones; and
- build no new structure(s) on the property, other than a public facility that is open on all sides and functionally related to a designated open space or recreational use; a restroom; or a structure that is compatible with open space, recreational, or wetlands management usage and proper floodplain management policies and practices, which FEMA was to pre-approve.

However, the Department did not complete the demolition and/or deed restriction requirements for 309 of the 1,364 off-site program participants who received replacement housing under the award. Based on our analysis of project cost documentation, the Department claimed \$34.63 million of construction-related costs for the 309 noncompliant cases. Department officials told us they had not completed the required activities because of delays and difficulties they had experienced in working with local and commonwealth agencies to complete the tasks. We question the \$34.63 million as ineligible construction costs, as table 1 shows.



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Table 1: Noncompliance Cases of Off-Site Component

Municipality	No Evidence of Deed Restricted	No Evidence of Structure Demolished	Total Non-Compliant Cases*	Questioned Costs
Arroyo	4	0	4	\$ 353,776
Caguas	4	1	5	478,020
Canovanas	93	4	97	10,319,733
Coamo	1	0	1	125,974
Guayama	9	2	11	732,303
Jayuya	4	1	5	735,960
Juana Diaz	20	8	28	3,641,736
Juncos	3	19	22	2,318,206
Morovis	1	1	2	234,794
Ponce I	12	1	13	1,033,786
Ponce II	24	3	27	2,936,574
Santa Isabel	0	8	8	897,024
Toa Baja	50	0	50	4,462,500
Vega Alta	4	1	5	524,885
Villalba	29	2	31	5,833,890
Totals	258	51	309	\$34,629,161

*Some cases did not comply with either requirement; however, to avoid duplicate counting, we applied the most restrictive requirement applicable under each case.

Source: Puerto Rico Department of Housing records and Office of Inspector General (OIG) analysis

Despite the Department’s noncompliance, FEMA has provided the Department a final opportunity to resolve these noncompliant cases. In November 2014, Department officials requested that FEMA grant the Department until May 5, 2016, to meet the demolition and/or deed restriction requirements for the noncompliant properties. The Department made this request to FEMA as a result of findings we identified in our phase one audit work. On December 9, 2014, FEMA partially granted the Department’s request, agreeing to give the Department until June 30, 2015, to comply with the property acquisition requirements.³ Therefore, if the Department completes all actions necessary to resolve the noncompliant cases by the established deadline, it would eliminate the \$34.63 million of ineligible costs we question in this finding.

Department officials generally agreed with this finding. They said that they are working to provide FEMA with the required demolition and/or deed restrictions

³ Subsequent to our field work, FEMA indicated that it would consider extending the due date beyond June 30, 2015, if the Department requests additional time to resolve the noncompliant cases.



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for the questioned cases as quickly as possible, which they believe will substantially reduce the questioned costs under this finding.

Finding B: Unoccupied Housing Units

The Department claimed \$25.39 million of costs for 217 housing units it constructed, but left unoccupied because it could not find eligible program participants to occupy the homes. In June 2011, FEMA notified the Department that it would not reimburse any expenditures for housing units in which the Department had not identified eligible program participants. Therefore, we question the \$25.39 million.

The Department constructed 1,581 off-site housing units; however, from the applications it received and processed, it was only able to identify eligible program participants to occupy 1,364 units. On April 26, 2011, the Department requested that FEMA transfer ownership of the 217 unoccupied housing units to the Department. FEMA granted this request on June 3, 2011, with the condition that it would not reimburse any expenditures related to the 217 surplus housing units or other housing units for which the Department had not identified eligible program participants. Despite this condition, the Department claimed \$25.39 million of construction costs for the 217 unoccupied housing units. Table 2 identifies the \$25.39 million of ineligible costs we question in this finding.

Table 2: Unoccupied Housing Units

Municipality	Project Costs Claimed	Housing Units Built	Unoccupied Housing Units	Questioned Costs
Arroyo	\$ 4,864,412	55	1	\$ 88,444
Caguas	5,162,638	54	42	4,015,368
Canovanas	15,000,821	141	3	319,167
Coamo	10,581,850	84	68	8,566,232
Guayama	6,657,283	100	1	66,573
Juana Diaz	13,006,188	100	51	6,633,162
Juncos	8,429,801	80	19	2,002,087
Morovis	3,991,498	34	25	2,934,925
Ponce II	13,051,434	120	7	761,334
Others	89,219,281	813	0	0
Totals	\$169,965,206	1,581	217	\$25,387,292

Source: Puerto Rico Department of Housing records and OIG analysis

Department officials generally agreed with this finding, saying that they believed there would be enough eligible participants to occupy the planned



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housing units, but unfortunately it was impossible for them to foresee the outcome.

Finding C: Duplicate Benefits

The Department mistakenly claimed the same \$20.80 million of costs twice, resulting in \$20.80 million of duplicate benefits. Section 312 of the *Stafford Act* states that no entity will receive assistance for any loss for which it has received financial assistance from any other program, insurance, or any other source.

In October 1999, FEMA awarded the Department a \$20,800,000 Disaster Assistance for Unmet Needs (Unmet Needs) grant to supplement Hazard Mitigation grant funding the Department received for the New Secure Housing Program. FEMA authorized the Department to use the Unmet Needs grant for three pilot housing projects for the New Secure Housing Program: Machuelo in Ponce, Campanillas in Toa Baja, and Usabal in Canovanas. In July 2002, the Department claimed \$20.80 million of costs to Puerto Rico for implementing the three housing projects.

On August 31, 2012, Puerto Rico submitted the Department's final claim of \$184.34 million for the New Secure Housing Program to FEMA. However, we determined that the Department's claim for the Hazard Mitigation grant included \$20.80 million of costs the Department had previously claimed under the Unmet Needs grant. Accordingly, we question the \$20.80 million as ineligible duplicate benefits.

We believe the duplication occurred because of staffing changes the Department experienced over the course of the Hazard Mitigation grant. During the grant cycle, Puerto Rico and the Department went through three administration changes resulting in staffing changes with each administration.

Department officials generally agreed with this finding, saying that they mistakenly submitted the expenditures for the Unmet Needs grant twice. They said that the Department will request that Puerto Rico amend its claim for the New Secure Housing Program.

Finding D: Unrelated Housing Costs

The Department's claim included \$7.54 million of construction costs for 58 housing units that it built for a Commonwealth housing program unrelated to the New Secure Housing Program. According to Federal cost principles at 2 CFR Part 225, Appendix A, Section C.1.b, a cost must be allocable to a



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Federal award to be eligible for reimbursement.⁴ Department officials said that this was the result of an error on their part and most likely occurred because of staffing turnover the Department experienced over the course of the FEMA grant.

The Department built housing units for a Commonwealth-funded “Comunidades Especiales” in conjunction with building housing units under the FEMA-funded New Secure Housing Program.⁵ During our review of project documentation for the New Secure Housing Program, we identified costs totaling \$7.54 million that the Department claimed for constructing 58 housing units under the Comunidades Especiales project. Accordingly, we question the \$7.54 million of unrelated costs as table 3 shows.

Table 3: Unrelated Housing Costs

Municipality	Housing Units Invoiced	Questioned Costs
Dorado	24	\$ 3,549,280
Morovis ⁶	34	3,991,498
Totals	58	\$7,540,778

Source: Puerto Rico Department of Housing records and OIG analysis

Department officials withheld comments on this finding, saying that they needed additional time to review the costs we questioned.

Finding E: Unsupported Costs

The Department’s claim included \$2.43 million of unsupported construction costs. Federal cost principles at 2 CFR Part 225, Appendix A, Section C.1.j., require costs to be adequately documented to be allowable.

⁴ Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* was in effect at the time of the disaster. OMB relocated it to 2 CFR Part 225 on August 31, 2005.

⁵ In March 2001, the Commonwealth of Puerto Rico established a Commonwealth program designated as “Comunidades Especiales” to improve deteriorated housing units as well as the infrastructure in low income communities. The Commonwealth charged the Department with carrying out the requirements of the Comunidades Especiales program, which included building housing units to replace deteriorated structures.

⁶ These 34 units the Department built under the Comunidades Especiales project are in addition to the 34 units the Department built under the New Secure Housing Program. The Department claimed a total of \$7.98 million for the 68 units (multifamily housing units) it built in Morovis and did not allocate costs between the two programs. Therefore, we are questioning half of the \$7.98 million for the 34 units the Department built under the Comunidades Especiales project.



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We reviewed \$154.86 million of construction costs (project construction, construction management, and inspection services) the Department claimed for constructing the 1,581 off-site housing units in the 16 municipalities. The Department provided separate spreadsheets for costs claimed for each municipality that included the contractor name, invoice number, dates of work, and other information as support for the costs. However, the Department could not provide documents such as the contractor invoices, payment records, or daily logs that supported \$4,871,446 of costs listed on the spreadsheets. Accordingly, we could not validate the accuracy and eligibility of the costs. Further, we determined that \$2,439,141 of the unsupported costs were applicable to ineligible construction costs we already questioned under findings A and B of this report. Therefore, to avoid questioning the same costs twice, we only question \$2,432,305 (\$4,871,446 less \$2,439,141) as unsupported in this finding. Table 4 identifies the questioned costs by municipality.

Department officials withheld comments on this finding, saying that they needed additional time to review and locate documentation to support the questioned costs.

Table: 4 Unsupported Construction Costs

Municipality	Total Unsupported Costs	Unsupported Costs Questioned as Ineligible in Findings A and B	Net Questioned Costs for Finding E
Arroyo	\$ 400,167	\$ 40,017	\$ 360,150
Caguas	30,188	26,263	3,925
Canovanas	1,284,235	911,807	372,428
Coamo	551,594	457,823	93,771
Juana Diaz	1,012,775	800,092	212,683
Ponce I	892,884	53,573	839,311
Toa Baja	674,030	148,287	525,743
Vega Alta	25,573	1,279	24,294
Totals	\$ 4,871,446	\$2,439,141	\$2,432,305

Source: Puerto Rico Department of Housing records and OIG analysis

Finding F: Grant Management

Puerto Rico did not satisfactorily fulfill its grantee responsibility to ensure the Department followed applicable Federal regulations. The nature and extent of ineligible and unsupported costs we identified demonstrate that Puerto Rico should have done a better job of reviewing the Department’s grant costs. Federal regulations require grantees to (1) ensure that subgrantees are aware of Federal statutes and regulations, (2) manage the day-to-day operations of



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subgrant activity, and (3) monitor subgrant activity to ensure compliance.⁷ Although work under the grants is complete, FEMA should remind Puerto Rico of its grantee responsibilities so that it can work to improve its FEMA subgrantee monitoring.

Recommendations

We recommend that the Regional Administrator, FEMA Region II:

Recommendation 1: Disallow \$34.63 million (Federal share \$25.97 million) of ineligible construction costs the Department claimed for program participants that did not meet FEMA's property acquisition requirements unless the Department submits sufficient documentation by FEMA's approved deadline to show that the participants met the requirements (finding A).

Recommendation 2: Disallow \$25.39 million (Federal share \$19.04 million) of ineligible costs the Department claimed for unoccupied housing units (finding B).

Recommendation 3: Disallow as ineligible \$20.80 million (Federal share \$15.60 million) of duplicate benefits the Department received from another FEMA program for the same purpose (finding C).

Recommendation 4: Disallow as ineligible \$7.54 million (Federal share \$5.65 million) of costs the Department claimed for constructing housing units that did not relate to the New Secure Housing Program (finding D)

Recommendation 5: Disallow \$2.43 million (Federal share \$1.82 million) of unsupported costs the Department claimed. However, if the Department satisfies the requirements set forth in finding A, or FEMA deems the work eligible in finding B, the unsupported amount that FEMA should disallow is \$4.87 million unless the Department provides adequate support for these costs (finding E).

Recommendation 6: Remind Puerto Rico of its responsibilities to adequately monitor and review costs that subgrantees claim for adherence to Federal statutes and regulations and FEMA guidelines (finding F).

⁷ 44 CFR 13.37(a)(2) and 44 CFR 13.40(a).



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Discussion with Management and Audit Follow-up

We discussed the audit results with Department officials during our audit. We also provided a draft report in advance to Department, Puerto Rico, and FEMA officials and discussed it at the exit conference on April 22, 2015. Department officials generally agreed with findings A, B, and C. For findings D and E, they said that they needed additional time to review and locate documentation to support the questioned costs. Neither the Department nor Puerto Rico provided comments on finding F. We included the Department officials' comments, where appropriate, in the body of this report. FEMA officials will review the findings and recommendations and respond after we issue our final report.

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 for each recommendation. Also, please include the contact information for responsible parties and any other supporting documentation necessary to inform us about the status of the recommendations. Please email a signed pdf copy of all responses and closeout request to carl.kimble@oig.dhs.gov. Until we receive and evaluate your response, we will consider the recommendations as open and unresolved.

The Office of Emergency Management Oversight major contributors to this report are David Kimble, Director; Felipe Pubillones, Audit Manager; Salvador Maldonado-Avila, Auditor-in-Charge; and Vilmarie Serrano-Rosario, Senior Auditor.

Please call me with any questions at (202) 254-4100, or your staff may contact David Kimble, Director, Eastern Regional Office - South, at (404) 832-6702.



Appendix A

Objective, Scope, and Methodology

We audited FEMA Hazard Mitigation and Unmet Needs grant funds awarded to the Department, FIPS Code 000-92151. Our audit objective was to determine whether the Department accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines for FEMA Disaster Number 1247-DR-PR. Puerto Rico awarded the Department two grant awards totaling \$186.13 million to implement the New Secure Housing Program following Hurricane Georges in September 1998 (see table 5). The awards provided 75 percent FEMA funding. The audit covered the period June 25, 1999, through August 31, 2012, during which the Department claimed \$184.34 million under the two grants.

Table 5: FEMA Grants Awarded

Grant Description	Date of Award	Award Amount (millions)
Disaster Assistance for Unmet Needs	October 1999	\$ 20.80
New Secure Housing Program – Hazard Mitigation Grant Program Funds	June 1999	\$ 165.33
Total		\$186.13

Source: FEMA and Puerto Rico Department of Housing records

We audited \$154.86 million, or about 84 percent of the total amount claimed, focusing on project construction and land acquisition costs the Department claimed for 16 off-site components and 1 on-site component located in 16 municipalities throughout Puerto Rico.

To accomplish our objective, we—

- interviewed FEMA, Puerto Rico, and Department officials; and gained an understanding of the Department’s method of accounting for disaster-related costs and its procurement policies and procedures;
- judgmentally selected and reviewed (generally based on dollar amounts) project costs and procurement transactions;
- reviewed applicable Federal regulations and FEMA guidelines governing the Hazard Mitigation Grant Program, Disaster Assistance for Unmet Needs, and New Secure Housing Program; and
- performed other procedures considered necessary to accomplish our audit objective.



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Appendix A (continued)

As part of our standard audit procedures, we also notified the Recovery Accountability and Transparency Board of all contracts the Department awarded under the project within our audit scope to determine whether the contractors were debarred or whether there were any indications of other issues related to them that would indicate fraud, waste, or abuse. As of the date of the report, the Recovery Accountability and Transparency Board's analysis of contracts was ongoing. When it is complete, we will review the results and determine whether additional action is necessary. We did not perform a detailed assessment of the Department's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objectives. However, we gained an understanding of the Department's policies and procedures for administering activities provided for under the FEMA awards.

We conducted this performance audit between May 2014 and April 2015 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 that 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.



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Appendix B

Potential Monetary Benefits

Table 6: Schedule of Questioned Costs

Municipality	Housing Units Built	Non-Compliant Cases (Finding A)	Unoccupied Housing Units (Finding B)	Duplicate Benefits (Finding C)	Unrelated Project Costs (Finding D)	Unsupported Costs (Finding E)	Total Questioned Costs
Off-Site Component							
Arroyo	55	\$ 353,776	\$ 88,444	-	-	\$ 360,150	\$ 802,370
Caguas	54	478,020	4,015,368	-	-	3,925	4,497,313
Canovanas	141	10,319,733	319,167	\$2,414,584	-	372,428	13,425,912
Coamo	84	125,974	8,566,232	-	-	93,771	8,785,977
Dorado	157	-	-	-	\$3,549,280	-	3,549,280
Guayama	100	732,303	66,573	-	-	-	798,876
Jayuya	35	735,960	-	-	-	-	735,960
Juana Diaz	100	3,641,736	6,633,162	-	-	212,683	10,487,581
Juncos	80	2,318,206	2,002,087	-	-	-	4,320,293
Morovis	68	234,794	2,934,925	-	3,991,498	-	7,161,217
Ponce I	218	1,033,786	-	9,358,595	-	839,311	11,231,692
Ponce II	120	2,936,574	761,334	-	-	-	3,697,908
Santa Isabel	50	897,024	-	-	-	-	897,024
Toa Baja	223	4,462,500	-	9,026,821	-	525,743	14,015,064
Vega Alta	103	524,885	-	-	-	24,294	549,179
Villalba	51	5,833,890	-	-	-	-	5,833,890
Sub-Total	1,639	\$34,629,161	\$25,387,292	\$20,800,000	\$7,540,778	\$2,432,305	\$90,789,536
On-Site Component							
Various Locations	66	0	0	0	0	0	0
Grand Total	1,705	\$34,629,161	\$25,387,292	\$20,800,000	\$7,540,778	\$2,432,305	\$90,789,536

Source: FEMA and Puerto Rico Department of Housing records and OIG analysis



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Appendix B (continued)

Table 7: Summary of Potential Monetary Benefits

Type of Potential Monetary Benefit	Amounts	Federal Share
Questioned Costs – Ineligible	\$ 88,357,231	\$ 66,267,923
Questioned Costs – Unsupported	2,432,305	1,824,229
Funds Put to Better Use	0	0
Totals	<u>\$90,789,536</u>	<u>\$68,092,152</u>

Source: OIG analysis of findings in this report



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Appendix C

Report Distribution

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