

STATEMENT OF MATT JADACKI

**ASSISTANT INSPECTOR GENERAL FOR
EMERGENCY MANAGEMENT OVERSIGHT**

U. S. DEPARTMENT OF HOMELAND SECURITY

BEFORE THE

**AD HOC SUBCOMMITTEE ON DISASTER RECOVERY AND
INTERGOVERNMENTAL AFFAIRS**

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

UNITED STATES SENATE

OCTOBER 20, 2011



Good morning, Mr. Chairman and Members of the Subcommittee. My name is Matt Jadacki and I am the Assistant Inspector General for Emergency Management Oversight for the Department of Homeland Security's (DHS') Office of Inspector General (OIG). Thank you for the opportunity to discuss the Federal Emergency Management Agency's (FEMA) quality controls and business practices.

FEMA's mission is to support citizens and first responders to ensure that we as a nation work together to build, sustain, and improve capabilities to prepare for, protect against, respond to, recover from, and mitigate all hazards. The *Post-Katrina Emergency Management Reform Act of 2006 (Post-Katrina Reform Act)*,¹ enacted to address shortcomings exposed by Hurricane Katrina, expanded the scope of the agency's mission, enhanced FEMA's authority, and gave it primary responsibility for the four phases of comprehensive emergency management: preparedness, response, recovery, and mitigation. FEMA has made great strides in improving and strengthening its disaster preparedness, interacting with other federal agencies, and assisting communities to recover after a disaster.

My testimony today covers the following seven areas:

- Recoupment of Improper Payments and Fraud Prevention
- Acquisitions
- Information Technology Management
- Emergency Management
- Flood Mapping
- Remedial Action Management Program
- Grants Management

Many of these areas are covered in our upcoming department-wide major management challenges report and in FEMA-specific reports we have issued over the last two years.

Recoupment of Improper Payments and Fraud Prevention

This hearing is a follow-up to a March 2011 hearing on FEMA's efforts to recoup \$643 million in potentially improper disaster assistance payments beginning with the aftermath of hurricanes Katrina and Rita. Following issuance of a DHS-OIG management advisory in December 2010, Administrator Fugate approved a recoupment process that had been on hold for several years. In our recent report that was issued in May 2011, *Assessment of FEMA's Fraud Prevention Efforts*, we recommended that FEMA continue to pursue recoupment of these funds. We noted in the report we would periodically check on the status of the recoupment process. As of September 29, 2011, almost 30,000 notices of debt had been mailed; over 500 people had their debts terminated after utilizing the appeals process; and FEMA has recouped more than \$3 million.

¹ Public Law 109-295, Title VI – National Emergency Management, of the *Department of Homeland Security Appropriations Act of 2007*.

The speed with which FEMA disburses assistance through its Individuals and Households Program results in the program's susceptibility to fraud. This susceptibility was increased during the response to Hurricane Katrina because FEMA disabled some internal control functions to speed up its response to the catastrophic disaster.² More recent reports indicate that FEMA has made significant internal control improvements, including identity and address verifications, and inspections prior to approving assistance.³

Our review of FEMA's fraud prevention efforts noted that despite the assistance programs' continued susceptibility to fraud and abuse, FEMA has not implemented formal fraud awareness training mandated by the *Post-Katrina Reform Act*. Further, FEMA has not fully staffed the Fraud Prevention and Investigation Branch, nor provided it with the authority necessary to review programs agency-wide and recommend improvements in internal controls.

To be more effective, the Fraud Branch should be provided with the latest electronic fraud detection tools, similar to those utilized by the Recovery Accountability and Transparency Board's Recovery Operations Center. The Center now has a fraud-mapping tool, which gathers and analyses large quantities of data and helps "connect-the-dots" to identify indicators for fraud and error. This and similar tools would improve FEMA's ability to prevent, detect, and deter fraud.

FEMA has made improvements in its internal controls since Hurricane Katrina, but more needs to be done. The culture at FEMA is to get money to disaster survivors as quickly as possible, but this commendable attitude needs to be tempered throughout the organization by an increased emphasis on providing assistance only to eligible disaster survivors.⁴

Acquisitions

Although FEMA has developed and strengthened acquisition management policies and processes, it continues to face challenges. For example, weak internal controls have resulted in multi-million dollar contracts with vague and questionable requirements⁵ and no performance measures.⁶ Agency employees responsible for managing and monitoring the contractors do not always receive written guidance or training on how to evaluate contractor performance or certify billing invoices. Continued improvements are needed in FEMA's oversight of contracts.

Our audit of FEMA's Public Assistance-Technical Assistance Contracts (PA-TACs) demonstrates FEMA's problems with oversight. The PA-TACS provide technical assistance to state, local, and tribal governments for debris removal and repair of structures such as schools,

² *Hurricanes Katrina and Rita Disaster Relief*, (GAO-07-252T, December 2006)

³ *Hurricanes Gustav and Ike Disaster Assistance*, (GAO-09-671, June 2009) and *Improvements to Internal Controls for FEMA's Individuals and Households Program Registration Process*, (OIG-09-110, September 2009)

⁴ *Assessment of FEMA's Fraud Prevention Efforts*, (OIG-11-84, May 2011)

⁵ *Improving FEMA's Individual Assistance-Technical Assistance Contracts*, (OIG-11-114, September 2011) and *Improvements Needed in FEMA's Management of Public Assistance-Technical Assistance Contracts*, (OIG-11-02, October 2010).

⁶ *Improvements Needed in FEMA's Management of Public Assistance-Technical Assistance Contracts*, (OIG-11-02, October 2010).

medical facilities, and bridges. The *Brooks Act*⁷ requires FEMA to select engineering and architectural firms based on competency, qualifications, and performance; but, FEMA awarded task orders in a manner to ensure the three contractors were paid equal sums over the life of the contracts. Additionally, FEMA had no performance measures for its PA-TACs and did not adequately monitor or evaluate their performance. In response to our recommendation that FEMA develop performance and evaluation criteria, FEMA has advised us a technical evaluation worksheet template has been developed. FEMA staff will use this worksheet and field visits to monitor and evaluate contractor performance.

FEMA made progress in recruiting and retaining a workforce capable of managing complex acquisition programs. Nevertheless, FEMA's contracting program continues to face workforce challenges. For instance, staff turnover resulted in multimillion-dollar contracts not being managed effectively or consistently and exacerbated file maintenance problems. Another challenge is hiring experienced contracting officers to work at disasters. The majority of FEMA staff at a disaster site work on an on-call, intermittent basis. FEMA categorizes all its disaster assistance employees in the occupational series 301, regardless of the function the employee will perform for FEMA. This creates several challenges. First, a Disaster Assistance job announcement will not specifically advertise for contracting officers, limiting FEMA's ability to attract experienced contracting officers. Second, classifying Disaster Assistance Contracting Officers as 301s means they can only administer contracts up to \$150,000. Third, because FEMA classifies them as 301s, the Office of Personnel Management does not allow waivers for retired annuitants in positions classified as 301, and employees classified as 301s are not encouraged to continue working after the first 120 days after a disaster declaration. The Office of Personnel Management does provide waivers for temporary contracting officers. In response to our recommendation that the classification of these positions be reviewed, FEMA has recently advised us that they have revised their policy to allow disaster assistance employees performing contracting functions to be classified as 1102s. This will improve FEMA's ability to hire experienced contracting officers with higher contracting authority.

FEMA has made great strides in improving its contracting officer's technical representatives (COTRs) cadre. FEMA has designated staff to oversee the COTR program; developed a tiered system which ties training requirements to dollar values of contracts a COTR can monitor; and established an intranet site containing tools for COTR use. However, many trained COTRs (which is a supplemental duty) have never been assigned a contract and are unsure of their ability to be effective. And, although they represent the contracting officer, the COTR's appraisal is completed by his supervisor in the program office for which he works, rather than the applicable contracting officer, thus leading to divided loyalties.⁸

We have issued several reports in the last few years recommending improvements to FEMA's acquisition process. Those recommendations have resulted in policies and procedures on contract closeout, transferring contract files from one contracting officer to another, and labeling and organizing contract files so all contract actions are documented.⁹ In Fiscal Year 2010,

⁷ *Brooks Architect-Engineer Act*, 40 U.S.C. §1101, et seq.

⁸ *FEMA's Contracting Officer's Technical Representative Program*, (OIG-11-106, September 2011).

⁹ *Challenges Facing FEMA's Disaster Contract Management*, (OIG-09-70, May 2009) and *Improvements Needed in FEMA's Disaster Contract Management*, (OIG-10-53, May 2010)

FEMA deployed Disaster Assistance Employees to accelerate contract closeout efforts for the Disaster Relief Fund, de-obligating \$1.2 billion. These contract closeout efforts continue annually and are in direct response to an OIG recommendation.¹⁰ We were pleased to learn that FEMA has created Disaster Acquisition Response Teams, whose focus on contract administration and oversight of large disaster contracts is much needed. We also reported FEMA's need for an overarching sourcing strategy. Headquarters, regional and local FEMA representatives were ordering goods without communicating with their counterparts at other locations. This resulted in goods ordered that were not needed, purchased from the wrong source, or at the wrong time. We recommended that FEMA adopt the single-point ordering concept, to coordinate all sourcing decisions through the Logistics Section. As a result of our recommendation follow-up process, FEMA is now making progress in adopting the single-point ordering concept, which is called single-point ordering tracking (SPOT). FEMA has provided training to staff on its use and piloted SPOT during FEMA's response to Hurricane Irene. More needs to be done, including integration of information systems.¹¹

Information Technology Management

FEMA's existing information technology systems do not support disaster response activities effectively. The agency has a number of information technology infrastructure modernization initiatives under way. However, there is not a comprehensive information technology strategic plan with clearly defined goals and objectives or guidance for program office initiatives.¹² In addition, FEMA has not completed its efforts to establish enterprise architecture. Without these critical elements, FEMA is challenged to establish an effective approach to modernize its information technology infrastructure and systems.

There is not an adequate understanding of existing information technology resources and needs throughout the agency. Specifically, FEMA's Office of the Chief Information Officer does not have a complete, documented inventory of systems to support disasters. Further, program and field offices continue to develop information technology systems independently of the office and have been slow to adopt the agency's standard information technology development approach. Finally, the office has completed improvements to its infrastructure foundation, but efforts to modernize some of the agency's critical systems have been put on hold due to departmental consolidation plans. As a result, systems are not integrated, do not meet user requirements, and do not provide the information technology capabilities agency personnel and its external partners need to carry out disaster response and recovery operations in a timely or effective manner.

Emergency Management

Although FEMA has made great strides in improving its disaster preparedness and recovery, challenges remain. We recently conducted audits in several critical areas that impact disaster

¹⁰ *Internal Controls in the FEMA Disaster Acquisition Process*, (OIG-09-32, February 2009).

¹¹ *FEMA's Sourcing for Disaster Response Goods and Services*, (OIG-09-96, August 2009).

¹² *Federal Emergency Management Agency Faces Challenges in Modernizing Information Technology*, (OIG-11-69, April 2011).

response: FEMA's leadership in emergency support functions, mass care and emergency assistance, debris removal operations, and housing.

Emergency Support Functions

The National Response Framework guides the Nation's response to all hazards. FEMA is the coordinator or primary agency for eight of fifteen Emergency Support Functions (ESF) and is responsible for ensuring that activities for these functions are accomplished as outlined in the Framework. In November 2010, we evaluated FEMA's readiness to fulfill three major areas of responsibility for each ESF: Coordination with Emergency Support Function stakeholders, operational readiness, and financial management.¹³

FEMA generally fulfilled its roles and responsibilities under the ESFs. Specifically, the agency manages mission assignments, executes contracts, and procures goods and services for its ESF activities. However, the agency can improve its coordination with stakeholders and its operational readiness. For example, FEMA should be coordinating with stakeholders for all ESFs. There was little evidence that support agencies are regularly included in planning meetings for one ESF, even though agency officials said that such coordination would be beneficial. The agency must coordinate these activities with all relevant federal departments and agencies, state and local officials, and private sector entities to effectively execute the ESF mission.

Mass Care and Emergency Assistance

We evaluated FEMA's capabilities in providing mass care and emergency assistance.¹⁴ Mass care includes sheltering, feeding, emergency first aid, distribution of emergency items, and collecting and providing information on victims to family members. Emergency assistance is that necessary to address immediate needs beyond the scope of the traditional mass care services. These services include evacuation support, aid and services to special needs populations, reunification of families, as well as a host of other emergency services and coordination of voluntary agency assistance.

FEMA continues to improve its mass care and emergency assistance program. It has coordinated more effectively with state and local governments and voluntary organizations; developed planning tools to build the mass care and emergency assistance capacities of these governments and organizations; and created an internal infrastructure to plan, coordinate, and provide direct mass care and emergency assistance, as needed.

While FEMA has taken steps to improve, additional actions can ensure the program is implemented effectively in future disasters. Mass care and emergency assistance standard operating procedures are still in draft, years after being developed. The effectiveness of developed planning tools and initiatives has not been evaluated. Mass care and emergency assistance activities have not always been included in national and regional exercises. In

¹³ *Assessment of Federal Emergency Management Agency's Emergency Support Function Roles and Responsibilities*, (OIG-11-08, November 2010).

¹⁴ *Opportunities to Improve FEMA's Mass Care and Emergency Assistance Activities*, (OIG-11-77, April 2011).

addition, an opportunity exists for improved efficiency by creating automated computer interfaces between FEMA and American Red Cross databases with sheltering information (each of these databases track sheltering information needed during a disaster).

Debris Removal Operations

FEMA's Public Assistance program has expended more than \$8 billion over the past 11 years reimbursing applicants, primarily cities and counties, for removing debris resulting from natural disasters. In general this has been a successful effort; vast amounts of debris have been removed and disposed of, allowing communities to proceed with recovery efforts. Better planning, contracting, and oversight of debris removal operations, however, would enable these operations to be conducted in a more cost-effective manner.¹⁵

Debris planning allows communities to be better prepared for a disaster by identifying debris collection and disposal sites, preparing debris removal contracts, and identifying potential debris contractors in advance of a disaster. Only a minority of states and local governments currently have such plans in place. A pilot program that operated in 2007–2008 was successful in encouraging the development of debris plans, but this momentum has been lost since the pilot program ended.

Decisions made in the first few days after a disaster strikes are critical in determining the success of a debris removal operation. Despite improved federal and state efforts to ensure that local governments are prepared for debris removal operations, they are often unprepared. FEMA debris advisers can help local governments determine what needs to be done, but qualified advisers are not always available when needed. Federal disaster response teams need to address debris expertise. Debris removal guidance is often unclear and ambiguous. An integrated performance measurement system would provide federal and state officials and stakeholders with the data and tools to measure, analyze, and improve debris operations in a fact-based manner.

Since 2005, FEMA has worked to develop automated digital systems that will enhance FEMA's debris estimating and data collection capabilities in the field. FEMA is also developing a debris cost database to assist Public Assistance staff and applicants in determining whether a cost is reasonable. The debris cost database will also allow FEMA to analyze costs for debris operations across FEMA regions, disasters, states, and contractors. FEMA plans to implement these systems in FY 2012.

Housing

In a presidentially declared disaster, FEMA provides temporary housing assistance to individuals and households. In the past, FEMA has sometimes been criticized for its inability to provide immediate, short-term housing assistance to disaster survivors and to transition people to more permanent forms of housing.

¹⁵ *FEMA's Oversight and Management of Debris Removal Operations*, (OIG-11-40, February 2011).

As a result of legislation, FEMA released the National Disaster Housing Strategy to guide future disaster housing assistance efforts. This strategy is a positive, but interim step forward. It outlines a number of potential programs and federal agencies that can assist disaster survivors, but does not include an action plan designed to achieve specific goals. FEMA should develop the tools and operational procedures necessary to respond to the next catastrophic disaster and define achievable housing goals for such disasters.¹⁶

Two recent reports indicate continuing housing issues. FEMA did not adequately plan for use of its authority under the *Robert T. Stafford Disaster Relief and Emergency Assistance Act* (Public Law 100-707) to construct permanent housing when temporary housing was not feasible. As a result, homes were built in American Samoa at a cost to the taxpayer far in excess of the average value of homes on the island, the original contractor withdrew from the project, and completion of the homes was delayed.¹⁷ After publication of our report, FEMA awarded a contract for the next phase of home construction to a New Zealand company, at a considerable savings per home.

In another case, FEMA did not evaluate a \$550 million agreement with the Department of Housing and Urban Development (HUD) to assist survivors of hurricanes Katrina and Rita before entering into a second agreement with HUD to provide the same services to survivors of hurricanes Gustav and Ike. In neither agreement did FEMA require HUD to maintain program data to determine whether the program was successful.¹⁸

Flood Mapping

Major objectives of FEMA's Flood Hazard Mapping and Risk Analysis Program (Risk MAP), which started in FY 2009, are to ensure that 80% of the Nation's flood hazards data is current; local officials are aware of risks from natural hazards; and communities take action to reduce risk. This is important because flooding is the most frequent and costly natural hazard in the U.S. On average, each dollar spent on mitigation saves society four dollars.

Risk MAP is supported by both appropriated funds and fees received from policy holders under the National Flood Insurance Program (NFIP). For FY 2012, DHS/FEMA requested \$102.71 million and anticipates \$117.71 million in NFIP policy holder fees. Digital Flood Insurance Rate Map updates, for the most part, are completed by Risk MAP contractors.

In early February 2011, Senators Cochran, Wicker, Durbin, and Pryor led an effort to draft and forward a letter to Administrator Fugate that was signed by 27 Senators—14 Republicans and 13 Democrats—asking that FEMA reconsider its method of mapping areas with levees.

FEMA's flood remapping efforts sometimes result in areas being declared a floodplain, which may lead to a requirement for home and business owners in the affected areas to buy National Flood Insurance Program insurance policies.

¹⁶ *Management Advisory Report: FEMA's Housing Strategy for Future Disasters*, (OIG-09-111, September 2009).

¹⁷ *American Samoa 2009 Earthquake and Tsunami: After-Action Report*, (OIG-11-03, October 2010).

¹⁸ *Effectiveness and Costs of FEMA's Disaster Housing Assistance Program*, (OIG-11-102, August 2011).

By early March 2011, the FEMA Administrator announced that he had directed FEMA staff to address the concerns raised by the Senators and develop a more effective approach to the mapping of areas with levees. Mr. Fugate also indicated that FEMA would temporarily withhold issuing final determinations for affected communities. FEMA plans to publish the alternative approach in the Federal Register by late October, 2011.

Since March 2011, FEMA has placed approximately 250 projects “on hold” pending implementation of a new method to map levees. The estimated additional cost of these projects is about \$50 million.

My office is currently reviewing whether FEMA is ensuring the effective and wise use of taxpayer funds while administering the map modernization program. A draft report should be received by FEMA in February or March 2012.

Remedial Action Management Program

FEMA’s Remedial Action Management Program (RAMP) is intended to identify lessons learned and best practices, manage the subsequent remediation of issues, and share lessons learned and best practices. FEMA Regions are responsible for after-action reviews, and for collecting and transmitting to FEMA Headquarters lessons learned and best practices identified during those reviews.

FEMA officials did not always conduct after-action reviews to identify lessons learned and best practices. When reviews were held, lessons learned and best practices were often converted into policy. However, in some cases, informal discussions were held in lieu of the RAMP reviews and in other cases, due to the magnitude of the disaster and other circumstances, no reviews occurred.

In May 2010, the server which housed the program’s database failed, and FEMA lost access to the lessons learned and best practices data. In November 2010, program officials said the data was recovered, but the software necessary to read the data had not been restored, so historical data on lessons learned and best practices was not accessible to all FEMA personnel. FEMA needs to conduct after-action reviews for all disasters and disseminate the data collected more widely.¹⁹

Grants Management

FEMA oversees billions of dollars in grant funds per year. FEMA is taking steps to improve its grant policies, procedures, systems, and processes, but needs to ensure that these steps are fully developed and implemented, and needs to strengthen monitoring of grantees.²⁰

¹⁹ *FEMA’s Progress in Implementing the Remedial Action Management Program*, (OIG-11-32, January 2011).

²⁰ *The Post Katrina Emergency Management Reform Act of 2006* centralized most of DHS’ grant programs under FEMA’s Grant Programs Directorate.

While FEMA does not directly manage subgrants, it is incumbent on FEMA to make certain that States, as grantees, understand the rules and regulations that govern disaster grants and that the states ensure subgrantees adhere to these. We issued a report in August 2011 that summarized the 44 grant audit reports we issued in FY 2010. Collectively, these reports noted nearly \$165 million in questioned costs and funds put to better use. The capping report presented the common findings that lead to questioned costs, including improper contracting practices, inadequate subgrantee contract monitoring, costs not adequately supported, and ineligible work and project charges. We also reported five ways in which grantee management could be improved. Grantees should have: (1) procedures in place to ensure that cash advances to subgrantees are expended timely and excess funds are recovered promptly, (2) documented or standard payment processing policy to strengthen controls to prevent overpayments, (3) follow up procedures on material deficiencies reported in Single Audits, (4) an awareness of significant budget and scope increases, and (5) adequately monitored and reported subgrantee program performance. Further, we will soon issue a report summarizing the 61 grant audit reports we issued in FY 2011 that included more than \$200 million in questioned costs and funds put to better use.

Conclusion

FEMA is increasingly called upon to provide more assistance to state, local, and tribal governments, whose diminished resources in tough economic times can be quickly overwhelmed by large disasters.

FEMA has made progress in the areas we reviewed, and in some areas FEMA identified corrective actions, but implementation has not been complete. FEMA would benefit from increased oversight of key preparedness issues to ensure that implementation of initiatives is sustained.

The following concerns are common to our review:

- The need for more effective coordination with state, local, and tribal governments;
- The need for information technology systems that are updated and integrated agency-wide;
- Too few experienced staff to handle the increasing workload; and
- Funding that is not adequate to maintain initiatives, meet the costs of disasters, and recruit, train, and retain staff.

FEMA is an agency that is in a constant state of flux. Priorities, plans, initiatives, draft guidance, and working groups often, understandably, take a back seat to disaster response and recovery, and momentum toward finalization and implementation of key initiatives is slowed or lost. So far this year, there have been 87 presidentially-declared disasters, more than in any previous year on record.²¹ FEMA has faced budget uncertainties this year and the ongoing economic downturn has resulted in some state and local governments reducing their own emergency management

²¹ http://www.fema.gov/news/disaster_totals_annual.fema, accessed 10/6/2011.

funding. With its involvement in more and more disasters, FEMA must continue to make progress in addressing its major management challenges if it is to be an effective partner in emergency management.