

**Management Alert -
Observations and
Concerns with FEMA's
Housing Assistance
Program Efforts for
Hurricane Harvey in Texas**





DHS OIG HIGHLIGHTS

Management Alert - Observations and Concerns with FEMA's Housing Assistance Program Efforts for Hurricane Harvey in Texas

September 29, 2017

Why We Did This Special Report

This is a Department of Homeland Security, Office of Inspector General (DHS OIG) special report regarding the Federal Emergency Management Agency (FEMA) direct housing assistance program.

FEMA provides direct housing assistance, under section 408 of the Stafford Act, to individuals and households who are displaced from their pre-disaster residences, or whose primary pre-disaster residences are rendered uninhabitable as a result of a declared disaster. FEMA estimates the program for Texas will cost approximately \$1 billion.

What We Recommend

This special report contains no recommendations.

For Further Information:

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What We Found

FEMA is currently responding to Hurricanes Harvey, Irma, and Maria, some of the most catastrophic disasters in recent United States history. FEMA's initial estimates of damages from Hurricane Harvey are estimated to exceed \$100 billion. On September 22, 2017, the State of Texas General Land Office (Texas) entered into an Intergovernmental Service Agreement (agreement) to provide assistance to FEMA in the delivery of Direct Housing Assistance (DHA) to Hurricane Harvey survivors on a temporary basis. FEMA estimates these costs will reach approximately \$1 billion.

The agreement does not clearly identify basic controls to ensure (DHA) funds are spent according to Federal regulations. For instance, the agreement does not include approval authorities and physical inspections, or separation of duties and independent certifications. We are concerned that without adequate controls in place the Federal funds may be at risk of fraud, waste, and abuse. Therefore, it is imperative that FEMA ensure Texas' proposed project management plan clearly identifies the internal controls needed to ensure that Federal funds will be properly spent. It also provides observations on the current and past issues with FEMA's use of direct housing assistance programs.




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Department of Homeland Security

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

September 29, 2017

MEMORANDUM FOR: Jeffrey Byard
Associate Administrator
Office of Response and Recovery

FROM: John E. McCoy II 
Acting Assistant Inspector General
Office of Audits

SUBJECT: *Management Alert - Observations and Concerns with
FEMA's Housing Assistance Program Efforts for
Hurricane Harvey in Texas*
Report Number OIG-17-121-MA

Attached is our final report, *Management Alert - Observations and Concerns with FEMA's Housing Assistance Program Efforts for Hurricane Harvey in Texas*. We are providing this report to emphasize the potential housing challenges and risks that FEMA needs to address during Hurricane Harvey's recovery efforts based on our observations and discussions with FEMA officials at the Austin, Texas, Joint Field Office (JFO).

We discussed this with FEMA officials at the JFO and headquarters. This report highlights the need for FEMA to develop, maintain, and implement, effective controls to ensure its recipients adhere to, and comply with, grant management and Federal procurement standards when providing eligible disaster victims with direct housing assistance.

Background

On August 23, 2017, Hurricane Harvey made landfall in Texas as a Category 4 hurricane that caused catastrophic flooding and widespread destruction along much of Texas' Gulf Coast. In some locations, storm-related rainfall exceeded 50 inches with top wind speeds in excess of 130 mph. More than 40 individuals lost their lives as a result of this disaster. FEMA estimates 119,000 residential structures suffered significant water damage—of those, approximately 79,000 were inundated with 18 inches or more of water and nearly 24,000 with more than 5 feet of water. On August 25, 2017, the President approved a Major Disaster Declaration for Texas (DR-4332-TX) and authorized FEMA to provide individual assistance (direct and financial) to eligible survivors directly impacted by the disaster and who are unable to meet the expenses associated with procuring housing by other means.



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FEMA's initial estimates for Hurricane Harvey recovery costs are as much as \$100 billion and may ultimately exceed that amount. Therefore, it is imperative that FEMA and Texas develop sufficient controls to ensure recipients receive timely, accurate, and complete Federal guidance and that only those eligible survivors are afforded the benefits under the program.

Sections 403 and 408 of the Stafford Act – Direct Housing Assistance (DHA) program and STEP pilot program

Under section 408 of the *Stafford Act*¹, displaced individuals and those whose primary residences were rendered uninhabitable as a result of the disaster may be eligible to receive direct housing assistance. In addition, eligible individuals may also receive other sheltering assistance. For instance, under section 403 of the *Stafford Act*, FEMA can implement its Sheltering and Temporary and Essential Power (STEP) pilot program to restore power and provide emergency temporary repairs to single family, owner-occupied residences. The STEP pilot program is designed to enable impacted homeowners the ability to return to or remain in their homes while permanent repairs are completed. At the time of our report, FEMA estimated its Direct Housing Program costs (section 408, only) will reach approximately \$1 billion.

When FEMA began the STEP program, we raised concerns about the need to: (1) maintain strong internal controls given the number of individuals affected by Hurricane Sandy; and (2) address vulnerabilities associated with implementing pilot programs. In a more recent report, we identified where FEMA had not instituted adequate policies, procedures and, internal controls to prevent waste, fraud and program mismanagement. Because FEMA has not yet developed policies and procedures to provide regions with a framework to follow, FEMA and regional staff at JFOs have had to develop and implement housing assistance on a disaster-by-disaster basis.

Intergovernmental Service Agreement (Agreement)

On September 22, 2017, FEMA and the State of Texas General Land Office (Texas) signed an intergovernmental service agreement (agreement) that requires Texas to develop a project management plan to assist FEMA in the delivery of direct housing and direct permanent housing construction assistance. After which, FEMA and Texas must approve jointly prior to the plan's execution. In accordance with the agreement, the project management

¹ *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, Public Law 93-288, as amended, 42 U.S.C. 5121, *et seq.*



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plan must be completed within 10 business days after the execution of the agreement.

For this disaster, Texas will be responsible for procuring contractors and ensuring the delivery of direct temporary housing and permanent housing repairs. If successful, FEMA officials said they would consider using this housing model prototype, where feasible, for Hurricanes Irma, Maria and other future disasters. Therefore, it is imperative that we re-emphasize to FEMA our concerns with the agreement and Texas' forthcoming project management plan. However, the agreement, in and of itself, does not clearly define FEMA's and Texas' responsibilities for monitoring and overseeing the DHA program. Nor does the agreement specifically outline FEMA's duty to monitor and conduct quality assurance activities to ensure Texas' implementation of the DHA program is efficient and effective. In particular, because the agreement is not specific, Texas' project management plan should define specific certifications and credentialing criteria applicable to Texas' use of contractors and building inspectors.

Although the agreement requires Texas to comply with Federal procurement regulations 2 Code of Federal Regulations (CFR) 200.317 through 2 CFR 200.326, in conjunction with Texas' emergency procurement laws, the procurement-related issues that we have identified in several prior audit reports clearly highlight our concerns with grant subrecipients complying with Federal procurement requirements. Non-compliance with Federal procurement standards often result in high-risk contracts that can, in turn, lead to excessive and ineligible costs ultimately borne by U.S. taxpayers.

In order to ensure eligible disaster survivors receive this much needed housing assistance and to reduce the potential for fraud, waste, and abuse, FEMA must ensure Texas' project management plan includes sufficient monitoring and oversight controls, especially for time and materials contracts. In addition, FEMA must ensure Texas officials fully understand their grant management responsibilities as well as their duty to adhere to Federal procurement requirements before any disaster-related contract is awarded.

Texas – Hiring and Training of Additional Staff

Although Texas officials acknowledge their need to adequately manage and oversee the DHA program, they had concerns over the hiring, training and contracting for additional staff and said it will take time and additional resources. Therefore, it is imperative that FEMA ensure Texas' proposed project management plan address Texas' concerns for hiring, training, and contracting for additional staff to ensure the DHA program delivers assistance to survivor victims timely and effectively.



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Personally Identifiable Information (PII) and Local Communities' Resources

During the implementation of the DHA program, FEMA will need to share Personally Identifiable Information (PII) with Texas and its local communities. However, this agreement does not identify the precautionary processes currently in place to ensure that PII is protected. Additionally, it is likely that Texas will subcontract with local communities to help provide DHA assistance. While some communities may have the capacity to manage and oversee this program, others will need assistance from FEMA and Texas to ensure PII is secured and properly protected. Therefore, it is imperative that Texas' project management plan assess local communities' capacities to manage Federal funds and address how FEMA and Texas will assist these communities when appropriate.

We believe the direct housing assistance is a high risk program that, without adequate controls in place, could be vulnerable to favoritism, collusion, and fraud, waste and abuse. It is critical for FEMA to ensure that Texas and its local communities are fully aware of and comply with all applicable Federal procurement requirements for all disaster-related procurements.

In prior reports, we highlighted our concerns with the use of the STEP program describing deficiencies in the manner in which the STEP program was managed. While FEMA has the authority to initiate this program, as noted in our prior STEP report, *FEMA's Sheltering and Temporary Essential Power Pilot Program*, (OIG-13-15, issued December 2012), introducing new assistance programs entails start-up risks that require robust internal controls to avoid problems involving the expenditure of public funds.

Specifically, we raised concerns about the need to: (1) maintain strong internal controls given the number of individuals affected by Hurricane Sandy; and (2) address vulnerabilities associated with implementing pilot programs. In a more recent report, *DHS' FEMA Needs to Improve Its Oversight of the Sheltering and Temporary Essential Power Pilot Program*, (OIG-17-38-D, issued in February 2017), we found that, notwithstanding our 2012 findings, FEMA had not instituted adequate policies, procedures and, internal controls to prevent waste, fraud and program mismanagement. Because FEMA has not developed policies and procedures that provide a framework for the regions to use when they intend to use this program, regional staff and FEMA officials at the Joint Field Offices have had to develop and implement housing assistance on a disaster by disaster basis. As part of our oversight efforts, we may review this area and would like to ensure that any further plans provide DHS OIG access to all invoices and access to contractor records.



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Conclusion

This program is high risk and requires increased vigilance in order to monitor the procurement of direct housing assistance services. If FEMA plans to use a similar plan in the future, it needs to put in place policies and procedures to ensure that the State has the capabilities and expertise to manage and oversee the program. If FEMA and Texas do not provide timely and adequate oversight, significant amounts of Federal funding could be at risk of fraud, waste and abuse.

The Office of Emergency Management Oversight major contributors to this report are: Paul Wood, Acting Deputy Assistant Inspector General, Paige Hamrick, Director; Judy Martinez, EMOT Coordinator; David Fox, Audit Manager; Carlos Aviles, Audit Manager; Anthony Colache, Audit Manager; Dwight McClendon, Senior Auditor; Emma Peyton, Auditor; Rickey Smith, Auditor; Patricia Epperly, Senior Program Analyst; and Tai Cheung, Senior Program Analyst.

Please call me with any questions, or your staff may contact Paul Wood, Acting Deputy Assistant Inspector General or Paige Hamrick, Director, at (214) 436-5200.



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Appendix A

Objective, Scope, and Methodology

The objective of this special review was to proactively remind FEMA of prior subrecipient procurement and grant management issues based on our observations and discussions with FEMA officials during the weeks of September 11 to September 28, 2017, at the Austin, Texas, JFO in response to Hurricane Harvey. To accomplish our objective, we reviewed the intergovernmental service agreement between FEMA and The State of Texas General Land Office, and compiled, summarized, and analyzed findings and recommendations disaster assistance reports issued in fiscal years 2012 through 2017; identified and quantified types of frequently reported procurement findings in grant reports; quantified the potential monetary benefits of report findings related to non-compliance with Federal procurement regulations; and performed other procedures we considered necessary to accomplish our objective. In addition, we reviewed:

- *FEMA's Sheltering and Temporary Essential Power Pilot Program*, OIG-13-15, issued December 7, 2012,
- *Summary and Key Findings of Fiscal Year 2015 FEMA Disaster Grant and Program Audits*, OIG-17-13-D, issued November 29, 2016, and
- *FEMA Needs to Improve Its Oversight of the Sheltering and Temporary Essential Power Pilot Program*, OIG-17-38-D, issued February 10, 2017.

We conducted this special review in September 2017, pursuant to the *Inspector General Act of 1978*, as amended, and according to the *Standards for Internal Control in the Federal Government*, issued by the U.S. Government Accountability Office. The objective of our review was not to audit FEMA or its grant recipients and subrecipients. Therefore, we did not conduct our review or prepare this report in accordance with generally accepted government auditing standards.

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