

**Capacity Audit of FEMA
Grant Funds Awarded to
the Puerto Rico
Department of Education**





DHS OIG HIGHLIGHTS

Capacity Audit of FEMA Grant Funds Awarded to the Puerto Rico Department of Education

April 9, 2020

Why We Did This Audit

The DHS Office of Inspector General contracted with Williams Adley to conduct an audit to determine whether FEMA ensured the Puerto Rico COR3 and its PRDE established and implemented policies, procedures, and practices to ensure PA grant funds awarded to disaster areas are accounted for and expended according to Federal regulations and FEMA guidance.

What We Recommend

We made two recommendations to FEMA Region II to improve PRDE's management of FEMA PA funds to ensure they are expended according to Federal regulations and FEMA guidance.

For Further Information:

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

What We Found

Williams, Adley & Company–DC, LLP (Williams Adley) found FEMA did not ensure the Puerto Rico Central Office of Recovery, Reconstruction, and Resiliency (COR3) and its Department of Education (PRDE) established and implemented policies, procedures, and practices to account for and expend Public Assistance grant funds according to Federal regulations and FEMA guidance. Specifically, PRDE was significantly late completing emergency work and submitting cost reimbursement requests to FEMA.

This occurred because FEMA did not always provide consistent and clear guidance to PRDE and PRDE personnel lacked knowledge in managing large-scale repair, construction, and disaster recovery projects.

Because of delays in obtaining FEMA reimbursements, PRDE did not have the funding and staff to promptly implement needed repairs and adequately manage the recovery project, and students and staff were attending schools in facilities that were determined unsafe. PRDE may experience cash flow issues when it expends more funds for permanent work on larger contracts. Further, there is increased risk federal funds could be used for unallowable activities.

FEMA's Response

FEMA concurred with the two recommendations and plans to take corrective action. Appendix B includes FEMA's response in its entirety.



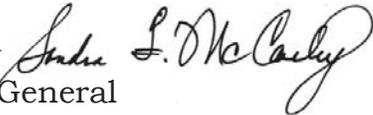
OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

April 9, 2020

MEMORANDUM FOR: Thomas Von Essen
Regional Administrator, Region II
Federal Emergency Management Agency

FROM: Sondra F. McCauley 
Assistant Inspector General

SUBJECT: *Capacity Audit of FEMA Grant Funds Awarded to the
Puerto Rico Department of Education*

Attached for your action is our final report, *Capacity Audit of FEMA Grant Funds Awarded to the Puerto Rico Department of Education*. We incorporated the formal comments provided by your office.

The report contains two recommendations aimed at improving the Puerto Rico Department of Education. Your office concurred with the two recommendations. Based on information provided in your response to the draft report, we consider recommendations 1 and 2 open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and the disposition of any monetary amounts. Please send your response or closure request to, OIGAuditsFollowup@oig.dhs.gov.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions at (202) 981-6000, or your staff may contact Maureen Duddy, Deputy Assistant Inspector General for Audits, at (617) 565-8723.

Attachment



April 9, 2020

Ms. Sondra F. McCauley
Assistant Inspector General for Audits
Office of Inspector General
U.S. Department of Homeland Security

Dear Ms. McCauley:

Williams, Adley & Company-DC, LLP performed an audit of the Puerto Rico Department of Education's (PRDE) capacity to manage Federal Emergency Management Agency (FEMA) Public Assistance (PA) grant funds. We performed the audit in accordance with our Task Order No. HSIQAQ-17-A-00008, dated September 27, 2018. Our report presents the results of the audit and includes recommendations to help improve PRDE's management of FEMA PA funds.

We conducted our audit in accordance with applicable *Government Auditing Standards*, 2011 revision. The audit was a performance audit, as defined by Chapter 6 of the *Standards*, and included a review and report on program activities with a compliance element. Although the audit report comments on costs claimed by PRDE, we did not perform a financial audit, the purpose of which would be to render an opinion on PRDE's financial statements, or the funds claimed in the Financial Status Reports submitted to the Department of Homeland Security.

We appreciate the opportunity to conduct this audit. Should you have any questions or need further assistance, please contact us at (202) 371-1397.

Sincerely,

A handwritten signature in black ink that reads 'Jocelyn Hill'.

Jocelyn A. Hill, CPA, CGFM
Partner



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Department of Homeland Security

Table of Contents

Background 2

Grant Management Requirements 3

Results of Audit 4

 Subrecipient Did Not Comply with Federal Requirements 4

 Lack of Capacity to Effectively Manage the PA Grant 4

 Untimely Requests for Reimbursement 7

Recommendations..... 9

Appendices

Appendix A: Objective, Scope, and Methodology 11

Appendix B: FEMA Comments to the Draft Report..... 13

Appendix C: Description of the FEMA Public Assistance Program 16

Appendix D: Project Worksheet Expenditure Status 18

Appendix E: Report Distribution..... 19

Abbreviations

COR3	Central Office of Recovery, Reconstruction, and Resiliency
FEMA	Federal Emergency Management Agency
FY	Fiscal Year
GAO	Government Accountability Office
OIG	Office of Inspector General
PRDE	Puerto Rico Department of Education



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Background

On September 6, 2017, Hurricane Irma's center passed 50 nautical miles north of Puerto Rico as a category 5 hurricane causing severe wind and rain saturation on the island. Two weeks later, on the morning of September 20, 2017, Hurricane Maria made a direct hit on Puerto Rico as a category 4 hurricane. Although the storm moved offshore in the early afternoon of September 20, 2017, tropical storm-force winds continued late into the night causing catastrophic damage to electrical utilities, roads, bridges, and other public infrastructure throughout Puerto Rico. According to the National Hurricane Center, Hurricane Maria was the most intense hurricane to make landfall in Puerto Rico since 1928.¹ The President declared Hurricanes Irma and Maria as major disasters on September 10, 2017 and September 20, 2017, respectively.

The Puerto Rico Department of Education (PRDE)² is one of the subrecipients in Puerto Rico that received assistance under the Federal Emergency Management Agency's (FEMA) Public Assistance (PA) grant program.



Figure 1: Classroom with molded floors and water-damaged walls at a school in San Juan, Puerto Rico

Source: GAO Report, GAO-19-662T, *EMERGENCY MANAGEMENT: FEMA's Disaster Recovery Efforts in Puerto Rico and the U.S. Virgin Islands*

¹, *Puerto Rico Hurricanes – Status of FEMA Funding, Oversight, and Recovery Challenges*, United States Government Accountability Office (GAO), GAO-19-256, March 2019.

² PRDE was established by Article IV, Section 6 of the Constitution of the Commonwealth of Puerto Rico. The operations of the Department are administered by the Secretary who is appointed by the Governor of Puerto Rico with consent and approval from the Senate. The Secretary is responsible for implementing policies and procedures related to public education; and organizing, planning, directing, supervising and evaluating the academic and administrative activities of the Department. At the time of our audit, PRDE comprised 7 regional offices and 1,100 schools, 856 of which are currently operational.



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Immediately following the disaster declaration, FEMA began working directly with PRDE to provide guidance and monitor its recovery effort related to PA grant funds. In April 2018, the Governor issued Executive Order 2017-065 to establish the Central Office of Recovery, Reconstruction, and Resiliency (COR3) of Puerto Rico to assume responsibility as the Governor's Authorized Representative and to monitor PRDE's management of disaster recovery funds.³ In June 2018, COR3 contracted with ICF Incorporated, LLC to review grant reimbursement claims and assist PA grant applicants with project formulation, and Deloitte & Touche, LLP to provide disaster recovery strategic and compliance services.

As of December 14, 2018 — the cutoff date of our audit — FEMA had obligated \$321,629,430 in PA grant funding to PRDE under 17 Project Worksheets (PW)⁴ for emergency work such as debris removal, food, and security service at emergency shelters immediately following the hurricane, and temporary school repairs.

Grant Management Requirements

According to the Code of Federal Regulations (CFR) (2 CFR 200.331(d)), recipients are responsible for the proper administration of grants. For example, recipients are responsible for managing the day-to-day operations of grant and subgrant supported activities. In addition, recipients must ensure subrecipients are aware of and comply with Federal regulations in order to ensure compliance with applicable Federal requirements and achievement of performance goals.

It is FEMA's responsibility to monitor the state to ensure the recipient is performing proper grant administration.⁵ Federal regulation requires the Governor — acting for the state — and FEMA Regional Administrator to execute an Agreement.⁶ The FEMA-State Agreement outlines the understandings, commitments, and conditions under which Federal disaster assistance is to be provided. Federal regulations also require the state to develop a State Administration Plan outlining the actions the state will take to fulfill its duties and responsibilities to FEMA.⁷ Accordingly, FEMA is responsible for holding the state

³ <http://www.p3.pr.gov/assets/cor3-memorandum-2018-001.pdf>.

⁴ A Project Worksheet is the primary form used to document the location, damage description and dimensions, scope of work, and cost estimate for each project (Public Assistance Program and Policy Guide, April 2018, p. 174). It is the basis for a subgrant and the Public Assistance grant funding (SOP9570.14, Dec. 2013, p. 4 of 32).

⁵ PA Program Management and Grant Closeout (FEMA SOP 9570.14), Section 6.3 FEMA Responsibilities: www.fema.gov/medialibrary/assets/documents/86377.

⁶ 44 CFR 206.44(a).

⁷ 44 CFR 206.207.



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Department of Homeland Security

accountable to the terms and conditions of both the FEMA-State Agreement and the State Administration Plan.

In its FEMA-State Agreements,⁸ the state (Puerto Rico) agreed to comply with, and require its subrecipients to comply with, all applicable laws and regulations, including the Stafford Act⁹ and applicable FEMA policies and guidance. Federal regulation requires recipients to monitor the subrecipients' activities to ensure subawards are in "compliance with Federal statutes, regulations, and the terms and conditions of subawards."¹⁰

Results of Audit

Subrecipient Did Not Comply with Federal Requirements

PRDE does not have the capacity to effectively manage FEMA PA grant funds according to Federal regulations and FEMA guidelines. During the period covered by our audit, PRDE did not have adequate expertise to complete its emergency work and submit timely requests for reimbursement. PRDE needs additional technical assistance and monitoring to ensure compliance with Federal procurement regulations.

Lack of Capacity to Effectively Manage the PA Grant

The PRDE has experienced significant delays in drawing down funds for debris removal services (Category A)¹¹ and completing some of its emergency protective measures (Category B).¹² Category A debris removal work must be completed within 6 months of the disaster declaration unless FEMA grants an extension. Category B emergency work must be completed within 6 months of the disaster declaration unless the recipient or FEMA grants an extension. The recipient may grant an extension for an additional 6 months, for a total of 12 months for project performance, based on extenuating circumstances or unusual project

⁸ FSA-4336-FEMA-DR-state (Hurricane Irma) and FSA-4339-FEMA-DR-state (Hurricane Maria).

⁹ *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended.

¹⁰ 2 CFR 200.331(d).

¹¹ Category A consists of Debris Removal activities including the clearance of trees and woody debris; building components or contents; sand, mud, silt, and gravel; wreckage produced during conduct of emergency protective measures; and other disaster-related wreckage.

¹² Category B consists of Emergency Protective Measures conducted before, during, and after an incident intended to (1) eliminate or lessen immediate threats to lives, public health, or safety; or (2) eliminate or lessen immediate threats of significant additional damage to improved public or private property in a cost-effective manner.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

requirements beyond the control of the subrecipient. Extensions beyond that timeframe must be approved by FEMA.

In the case of the Hurricane Maria disaster, FEMA approved an extension for all Category A work to March 31, 2019 and an extension for all Category B work to May 30, 2019 because of the catastrophic nature of the disaster, which significantly affected PRDE's ability to respond. Per discussions with PRDE management during the time of our fieldwork, PRDE did not expect to complete Category B work by the extended May 30, 2019 deadline and had plans to request another extension due to the magnitude of the disaster and internal delays in completing the work. PRDE stated it expects to be finished with Category B work around August 2020, which would be almost 3 years after the disaster declarations. Further, as of December 14, 2018 – the cutoff date of our audit – PRDE had only drawn down \$15.5 million (5 percent) of the \$304 million obligated for Category A and B work.

PRDE's attempt to implement its projects without the knowledge of and expertise in FEMA requirements and without demonstrated experience planning large disaster recovery projects, resulted in challenges and delays, including delays in approval of Project Worksheets (PWs). As of December 14, 2018, PRDE had 17 approved PWs, mostly for emergency work, which primarily consisted of food and security services at emergency shelters immediately following the hurricane, debris removal, and temporary school repairs. FEMA did not approve 11 of the 17 PWs until a year or more after the disaster declarations. The obligation date and expenditure status as of December 14, 2018 for each approved PW is shown in Appendix D, *Project Worksheet Expenditure Status*.

According to 2 CFR 200.331 (b), (d), and (e) recipients are responsible for:

- evaluating the subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring;
- the proper administration of grants, including managing the day-to-day operations of grant and subgrant supported activities. Recipients must ensure subrecipients are aware of and comply with Federal regulations in order to ensure compliance with applicable Federal requirements and achievement of performance goals; and
- employing monitoring tools to ensure proper accountability and compliance with program requirements and achievement of performance goals. Monitoring tools may include training and technical assistance on program-related matters and on-site reviews of the subrecipient's program operations.



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In its January 2019 extension request, PRDE requested an additional year to complete its Category A and B work, stating it did not have the funding needed to implement the necessary repairs or the staff needed to manage the recovery project and construction efforts associated with the repairs. PRDE had been unable to make many of the repairs to the more severely damaged schools.

Category A work consists of debris removal from PRDE schools and facilities. PRDE has completed 100 percent of its debris removal. However, it has not drawn down funds for reimbursement due to lack of proper documentation, such as loading tickets, monitoring details, and final disposition of the debris, to substantiate the work completed and the eligibility of costs.

PRDE's planned Category B work mostly consists of repairs to schools to prevent further damage to the structures. These include roof repairs, mold remediation, security systems, electrical repairs, and other infrastructure improvements (e.g., doors and windows). PRDE also has an approved PW for temporary modular classrooms (PW 625), which were supposed to serve as temporary classrooms while the repairs scheduled to occur during the 2018-2019 school year were made. However, insufficient supplies and vendor issues delayed the purchase of the modular units. Funding was obligated in November 2018 and as of December 14, 2018, the funding for the temporary classrooms was not spent. Students were still attending class in schools that had not yet been fully repaired, which could potentially be life threatening or hazardous.

PRDE completed the damage assessments of the schools and the costs were reimbursed under a Category Z, Direct Administrative Cost PW subsequent to the cut-off date of our audit. The damage assessments were conducted through a Memorandum of Understanding (MOU) between PRDE and the Autoridad del Financiamiento de la Infraestructura (AFI). AFI is a Puerto Rican government corporation dedicated to establishing contracting requirements and public-private partnerships for infrastructure construction on the island. In June and July 2018, AFI assisted with the damage assessments to support the development of Damage Assessment Site Inspections. The document developed following these assessments was completed with COR3 oversight.

To help PRDE procure the services necessary to repair the damaged schools, PRDE stated the Governor ordered the development of a MOU between PRDE and AFI for managing its temporary and permanent work. At the time of our audit, this MOU was not executed fully, and neither temporary nor permanent repair work had begun on the schools. After the MOU is finalized, AFI will be responsible for procuring the construction work, supervising and monitoring



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Department of Homeland Security

contractors, and ensuring construction work is completed in accordance with contractual requirements.

PRDE's delays in effectively executing the emergency work occurred because of the lack of personnel knowledgeable in managing large-scale repair, construction, and disaster recovery projects in compliance with FEMA requirements. Immediately after the disasters, PRDE decided to use existing personnel to implement disaster recovery work in lieu of acquiring outside expertise. However, personnel in place at PRDE during the initial recovery effort and through the cutoff date of our audit were unfamiliar with FEMA requirements and the complexities of organizing recovery projects and procuring large construction contracts. PRDE personnel also lacked a full understanding of how to document and track work related to PWs, which also contributed to the delays in obtaining FEMA approval for some PWs.

At the time of our fieldwork in early 2019, PRDE had just established a Project Management Office (PMO) to manage its disaster recovery work. The catastrophic nature of the disasters contributed to the 18-month period it took to set up an operational PMO.

Delays in implementing Category B work resulted in students and staff attending schools during the 2017-2018 and 2018-2019 school years in facilities that were determined to be unsafe to students, teachers, and other staff. During site visits performed in June 2018, FEMA discovered that many of these facilities were eligible for PA funding for emergency work. Additionally, nearly all of PRDE's schools had roof damage during the hurricanes, resulting in water infiltration and mold. Delays in school repairs could negatively affect the safety and security of the students and staff in PRDE schools, potentially causing physical harm and other significant health conditions. Also, PRDE's insufficient capacity to effectively manage its PA grant funds could increase the risk Federal funds are used for unallowable activities under the grant.

Untimely Requests for Reimbursement

PRDE did not submit requests for reimbursement to COR3 in a timely manner, which resulted in delays in recouping incurred costs. PRDE's shortage of personnel knowledgeable about FEMA requirements for accounting for costs contributed to delays in PRDE submitting requests for reimbursement. This occurred because PRDE decided to use existing personnel in lieu of acquiring outside expertise to manage its projects. PRDE personnel in place during the initial recovery effort were unfamiliar with FEMA requirements, resulting in difficulty submitting documentation necessary for COR3 and FEMA approval. According to 2 CFR 200.331, recipients are responsible for:



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

- evaluating the subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring;
- the proper administration of grants, including managing the day-to-day operations of grant and subgrant supported activities. Recipients must ensure subrecipients are aware of and comply with Federal regulations in order to ensure compliance with applicable Federal requirements and achievement of performance goals; and
- employing monitoring tools to ensure proper accountability and compliance with program requirements and achievement of performance goals. Monitoring tools may include training and technical assistance on program-related matters and on-site reviews of the subrecipient's program operations.

On November 7, 2017, FEMA's Federal Coordinating Officer implemented the manual reimbursement process in accordance with 2 CFR 200.207(a)(2). The manual reimbursement process ("270 process") in Puerto Rico ended on April 1, 2019¹³. These funds accessibility restrictions required COR3 to complete Form 270, *Request for Reimbursement*, and submit it to FEMA with all supporting documentation prior to receiving funds, thereby requiring review by both COR3 and FEMA.

PRDE officials stated communication from FEMA regarding project reimbursement requirements and changes to those requirements was inconsistent, leading to confusion about what information was required to submit with a claim for reimbursement. PRDE also stated that it had not received training on FEMA requirements for reimbursement.

FEMA obligated an expedited PW for Category A projects, which allowed the subrecipient to draw down 50 percent of the funds before submitting documentation. PRDE was unable to provide required documentation to draw down the remaining amounts, which contributed to additional delays.

If reimbursement delays continue, PRDE may encounter cash flow issues as it expends more of its Category B and permanent work funding on larger

¹³ The manual reimbursement process began with PRDE providing supporting documentation for costs incurred and COR3 completing the Office of Management and Budget's Standard Form 270 and submitting both the form and documentation to FEMA for approval. Once the reimbursement request was approved by FEMA, obligated funds could be withdrawn by COR3 and reimbursed to subrecipients.



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Department of Homeland Security

contracts. Cash flow issues would also prevent PRDE from effectively contracting for services, paying vendors, and providing needed services to public school students in Puerto Rico.

Recommendations

Recommendation 1: We recommend the Regional Administrator, FEMA Region II, work with COR3 to finalize the MOU between PRDE and AFI for the management of temporary and permanent work, and implement the MOU or report why those actions have not been taken and the funds have not been expended.

FEMA Comment

Concur. PRDE and AFI executed an MOU for management of emergency work on June 6, 2019. An MOU for management of permanent work is being developed. ECD: February 24, 2021

OIG Analysis

FEMA's corrective action is responsive to the recommendation. However, the recommendation will remain resolved and open until we receive and review the MOU for emergency and permanent work executed between PRDE and AFI.

Recommendation 2: We recommend the Regional Administrator, FEMA Region II, provide training and technical assistance to COR3 on:

- its roles and responsibilities as the PA grant recipient;
- how to provide technical assistance to the subrecipient regarding PA grant requirements; and,
- how to provide technical assistance to the subrecipient regarding its ability to use Category Z, Direct Administrative Cost, to support its recovery operation.

FEMA Comment

Concur. The FEMA Region II Regional Administrator will provide training and technical assistance to COR3 on its responsibilities, consistent with the Government of Puerto Rico's April 1, 2019 agreement with FEMA. FEMA will also provide technical assistance to COR3 regarding its responsibility to monitor PRDE to ensure it establishes policies, procedures, and internal controls that comply with Federal regulations and to reinforce PRDE's ability to



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

use Category Z funds to support its recovery operation. ECD: February 24, 2021.

OIG Analysis

FEMA's corrective action is responsive to the recommendation. However, the recommendation will remain resolved and open until we receive and review evidence that FEMA has provided technical assistance to COR3 on its responsibilities as a recipient to monitor subrecipients regarding PA grant requirements, and the policies and procedures developed by PRDE outlining its ability to use Category Z funds to support its recovery operation.



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Appendix A

Objective, Scope, and Methodology

We audited the capacity of PRDE to manage FEMA PA grant funds. Our audit objective was to determine whether FEMA ensured COR3 and PRDE established and implemented policies, procedures, and practices to ensure PA grant funds awarded to disaster areas are accounted for and expended according to Federal regulations and FEMA guidance. We conducted this audit early in the grant process to identify areas in which PRDE may need additional technical assistance or monitoring to ensure compliance with Federal procurement regulations.

To answer the objective, we:

- reviewed FEMA, COR3, and PRDE policies, procedures, and practices for ensuring PA grant funds are accounted for and expended in accordance with Federal regulations and FEMA guidance; and
- performed test work in the areas of internal controls, accounting system, insurance, procurement, and claimed costs.

We noted PRDE does not have the capacity to manage effectively the PA grant due to ineffective internal controls related to planning, organizing, directing, and controlling its program operations. PRDE's attempt to implement its projects without knowledge of and expertise in FEMA requirements, and without demonstrated experience planning large disaster recovery projects, resulted in challenges and delays in completing recovery work. See Finding 1, Lack of Capacity to Effectively Manage the PA Grant, on page 4 of this report.

We also noted a finding in the area of claimed costs due to delays in submitting requests for reimbursement. See Finding 2, Untimely Requests for Reimbursement, on page 7 of this report.

We found policies and procedures were established and working in the areas of accounting system, insurance, and procurement. We found no issues in these areas.

Our audit covered the period September 5, 2017 through December 14, 2018 and covered the Disaster Numbers below:

- EM-3384, emergency declared on September 5, 2017, due to Hurricane Irma.
- DR-4336, disaster declared on September 10, 2017, due to Hurricane Irma.
- DR-4339, disaster declared on September 20, 2017, due to Hurricane Maria.



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Below is a summary of the samples¹⁴ selected:

Amount of Contracts Selected for Testing

	Contracts Tested
Population	\$9,473,828
Sample	\$9,252,090
Percent (%) Tested	98%

Source: PRDE PA Contract Data

We assessed the reliability of contract data by (1) performing testing of required data elements, (2) reviewing existing information about the data, and (3) interviewing agency officials knowledgeable about the data. In addition, we traced a statistically random sample of data to source documents. We determined the data was sufficiently reliable for the purposes of this report.

We conducted our performance audit between October 2018 and May 2019 pursuant to the *Inspector General Act of 1978*, as amended, and according to *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 objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.

¹⁴ PRDE had not claimed any force account costs or direct administrative costs as of December 14, 2018. See the Results section, above.



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Appendix B
FEMA Comments to the Draft Report

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



March 10, 2020

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

FROM: Thomas Von Essen 
Regional Administrator, Region II
Federal Emergency Management Agency

SUBJECT: Management Response to Draft Report: "Capacity Audit of
FEMA Grant Funds Awarded to the Puerto Rico Department of
Education"
(Project No. 19-018)

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

The Department is pleased to note OIG's recognition of the catastrophic damage to the Commonwealth of Puerto Rico's utilities, schools, roads, bridges, and other public infrastructure caused by Hurricane Maria (Hurricane) in 2017. This unprecedented event occurred at a time of financial difficulties and limited workforce capacity for Puerto Rico and its agencies.

In partnership with Government of Puerto Rico and in order to further FEMA's mission of helping citizens and first responders before, during, and after disasters, DHS and FEMA committed to provide effective and timely recovery assistance to Hurricane disaster survivors. In 2018, the Governor of Puerto Rico established the Central Office of Recovery, Reconstruction, and Resiliency (COR3) to monitor, manage and administer federal funding provided for disaster recovery.

As noted in the draft report, in the first year following the Hurricane, PRDE took steps to perform emergency protective measures such as debris removal, providing food and security at emergency shelters, and starting temporary school repairs. FEMA obligated funds to PRDE to reimburse these costs and also conducted site inspections with PRDE to document damages to schools that would be eligible for Public Assistance funding;



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Department of Homeland Security

however, it is not within FEMA's authority to assess a facility for safety. PRDE also followed federal regulations requesting time extensions from FEMA for their projects. Since the time of the audit, PRDE has made progress receiving reimbursement for emergency work performed and planning for the repairs needed at its schools.

In November 2017, FEMA implemented a manual reimbursement process for eligible projects under the Public Assistance Grant Program. FEMA lifted the manual drawdown process on April 1, 2019. In an agreement signed by COR3 and FEMA, it was established that COR3 had taken the steps necessary to implement fiscal controls at the recipient and sub-recipient levels. The agreement affirmed that COR3 was able to assume the responsibility for managing Federal financial assistance in accordance with all applicable Federal laws, regulations, administrative requirements and guidance.

FEMA continues to monitor COR3 and will provide technical assistance in order to ensure COR3 maintains its ability to manage its grants and ensures PRDE establishes the grants management capabilities necessary to manage Federal grants.

The draft report contained two recommendations, with which the Department concurs. Attached find our detailed response to each recommendation. DHS previously submitted technical comments under a separate cover.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you again in the future.

Attachment



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**Attachment: Management Response to Recommendations
Contained in OIG 19-018**

OIG recommended that the Regional Administrator, FEMA Region II:

Recommendation 1: Work with COR3 to finalize the MOU between PRDE and AFI for the management of temporary and permanent work and implement the MOU or report why those actions have not been taken and the funds have not been expended.

Response: Concur. PRDE and AFI executed an MOU for management of emergency work on June 6, 2019. An MOU for management of permanent work is being developed. Estimated Completion Date (ECD): February 24, 2021.

Recommendation 2: Provide training and technical assistance to COR3 on:

- its roles and responsibilities as the recipient;
- how to provide technical assistance to the subrecipient regarding PA grant requirements; and,
- how to provide technical assistance to the subrecipient regarding its ability to use Category Z, Direct Administrative Cost, to support its recovery operation.

Response: Concur. The FEMA Region II Regional Administrator will provide training and technical assistance to COR3 on its responsibilities, consistent with the Government of Puerto Rico's (GPR) April 1, 2019 agreement with FEMA. FEMA will also provide technical assistance to COR3 regarding its responsibility to monitor PRDE to ensure it establishes policies, procedures, and internal controls that comply with Federal regulations and to reinforce PRDE's ability to use Category Z funds to support its recovery operation. Estimated Completion Date (ECD): February 24, 2021.



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Appendix C

Description of the FEMA Public Assistance Program

The Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988, as amended, 42 U.S.C. 5121-5207 (Stafford Act) authorizes the Public Assistance (PA) Grant Program. Following a major Presidential disaster declaration, the Stafford Act authorizes FEMA to provide PA funding for disaster relief to state, local, and tribal governments and to certain non-profit organizations. The PA grants can be authorized, among other things, for:

- Assistance for debris removal (Category A) (Section 407 of the Stafford Act);
- Assistance essential to meet immediate threat to life and property resulting from a major disaster (Category B) (Section 403 of the Stafford Act);
- Assistance for the repair, restoration, and replacement of damaged facilities (Categories C-G) (Section 406 of the Stafford Act), which includes certain hazard mitigation measures.

The PA Program is administered through a coordinated effort between FEMA, the recipient (usually a state), and the subrecipients (applicants). While all three entities must work together to meet the overall objective of quick and effective program delivery, each has a different role.

FEMA and the recipient share responsibility for making PA funds available to subrecipients. FEMA uses a Project Worksheet (project) for each project to record the scope of eligible work, estimated or actual costs necessary to complete the work, and special considerations associated with the work. The project serves as the basis for Federal funding. Once FEMA approves a project, it obligates the Federal share of the approved amount and makes it available to the recipient. The obligated funds are available to the recipient via electronic transfer and reside in a Federal account until the recipient approves funding to eligible subrecipients.

The recipient is responsible for notifying the subrecipients that funds are available, and for disbursing those funds to the subrecipients. The recipient is also responsible for providing technical advice and assistance to eligible subrecipients, ensuring all potential subrecipients are aware of the available assistance programs, providing support for damage assessment operations, monitoring subrecipients' activities to ensure subawards are used in compliance with Federal statutes and regulations, and submitting the necessary paperwork for grant awards. Subrecipients are responsible for identifying damage, providing data for developing scopes of work and estimates of costs on projects, managing



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Department of Homeland Security

projects funded under the PA program (day-to-day operations), and documenting claimed costs. The PA program is a cost reimbursement program.

For disasters declared after November 13, 2007, the recipient receives a fixed management cost rate of 3.34 percent (capped at \$20 million) of the expected disaster costs that can be shared with the subrecipients at the discretion of the recipient. FEMA is required to review this rate periodically to determine whether adjustments are necessary. In addition, subrecipients can claim direct administrative costs for each project (no allocated costs).

On January 29, 2013, the Sandy Recovery Improvement Act (SRIA) was signed into law. Part of the legislative intent of SRIA was to streamline administrative procedures and improve the effectiveness of several disaster assistance programs authorized by the Stafford Act, including Public Assistance. Section 1102 of SRIA revises the Stafford Act by creating a new Section 428 that authorizes the FEMA Administrator to establish and adopt alternative procedures for debris removal and permanent work projects effective for major disasters declared on or after May 20, 2013.

Section 20601 of the Bipartisan Budget Act of 2018 authorizes FEMA to provide assistance, pursuant to Section 428 of the Stafford Act, for critical services as defined in Section 406. This new authority allows FEMA to provide assistance to restore disaster-damaged facilities or systems that provide the specifically identified critical services to an industry standard without regard to pre-disaster condition. The authority is exclusive to assistance authorized by the major disaster declarations issued to Puerto Rico and the United States Virgin Islands following Hurricanes Irma and Maria. The Bipartisan Budget Act of 2018 also allows the Oversight Board¹⁵ to review any federal funds exceeding \$10 million that are designated for recovery from Hurricanes Irma and Maria.

¹⁵ The Oversight Board was created as a result of the Puerto Rico Oversight, Management, and Economic Stability Act of 2016 (Public Law 114-187).



OFFICE OF INSPECTOR GENERAL
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Appendix D

Project Worksheet Expenditure Status

Cat.	Date Obligated	PW #	Amount Obligated	Amount Expended	Remaining	% Completed Per PW
A	11/4/2017	4339-175	17,481,607	-	17,481,607	100%
A						
Total			17,481,607	-	17,481,607	
B	6/8/2018	3384-95	125,840	125,840	-	100%
B	5/5/2018	4336-40	81,505	81,505	-	100%
B	9/21/2018	4339-174	7,552,025	6,987,808	564,217	100%
B	6/29/2018	4339-530	8,140,991	8,105,542	35,449	100%
B	7/12/2018	4339-562	172,719	172,719	-	100%
B	12/11/2018	4339-617	31,395,960	-	31,395,960	0%
B	11/27/2018	4339-618	34,517,408	-	34,517,408	0%
B	12/11/2018	4339-619	39,193,289	-	39,193,289	0%
B	12/11/2018	4339-620	40,887,071	-	40,887,071	0%
B	12/11/2018	4339-621	35,260,615	-	35,260,615	0%
B	12/11/2018	4339-622	35,178,246	-	35,178,246	0%
B	12/11/2018	4339-623	41,881,201	-	41,881,201	0%
B	11/27/2018	4339-625	12,438,843	-	12,438,843	0%
B	12/5/2018	4339-999	151,169	-	151,169	0%
B						
Total			286,976,882	15,473,414	271,503,468	
E	7/25/2018	4339-526	2,014,200	1,119,000	895,200	
E						
Total			2,014,200	1,119,000	895,200	
Z	11/8/2018	4339-988	15,156,741	-	15,156,741	
Z						
Total			15,156,741	-	15,156,741	
Total			321,629,430	16,592,414	305,037,016	

Source: IFMIS and EMMIE Reports as of December 14, 2018

PRDE may have incurred costs for work completed, but those costs do not appear in the table above as “Amount Expended” unless the costs had been submitted by PRDE for reimbursement, approved by COR3, and subsequently drawn down by PRDE.



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