

**FEMA Needs to Reduce the  
\$579 Million Backlog of  
Projects in Its New York  
Public Assistance  
Grant Program**





## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

March 5, 2021

MEMORANDUM FOR: Robert J. Fenton, Jr.  
Senior Official Performing the Duties of  
the Administrator  
Federal Emergency Management Agency

FROM: Joseph V. Cuffari, Ph.D.  
Inspector General

SUBJECT: *FEMA Needs to Reduce the \$579 Million Backlog of  
Projects in Its New York Public Assistance Grant  
Program*

JOSEPH V  
CUFFARI

Digitally signed by  
JOSEPH V CUFFARI  
Date: 2021.03.04  
13:21:36 -05'00'

Attached for your action is our final report, *FEMA Needs to Reduce the \$579 Million Backlog of Projects in Its New York Public Assistance Grant Program*. We incorporated the formal comments provided by your office.

The report contains four recommendations aimed at improving the program's overall effectiveness. Your office concurred with all four recommendations. Based on information provided in your response to the draft report, we consider all four recommendations 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. Please send your response or closure request to [OIGAuditsFollowup@oig.dhs.gov](mailto:OIGAuditsFollowup@oig.dhs.gov).

Consistent with our responsibility under the *Inspector General Act of 1978, as amended*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will also post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Thomas Kait, Acting Assistant Inspector General for Audits, at (202) 981-6000.

Attachment

cc: David Maurstad, Acting Region II Administrator, FEMA



# DHS OIG HIGHLIGHTS

## *FEMA Needs to Reduce the \$579 Million Backlog of Projects in Its New York Public Assistance Grant Program*

March 5, 2021

### Why We Did This Audit

Our objective was to determine the extent to which FEMA and the State of New York complied with policies, procedures, and regulations for effective oversight of the FEMA Public Assistance (PA) grant program in response to seven presidentially declared disasters that occurred during fiscal years 2013 through 2018.

### What We Recommend

We made four recommendations to FEMA to ensure it and DHSES strengthen internal controls to improve oversight of the PA grant program.

#### **For Further Information:**

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

### What We Found

The Federal Emergency Management Agency (FEMA) Region II (Region II) and New York State's Division of Homeland Security and Emergency Services (DHSES) generally complied with PA policies, procedures, and regulations, but have not adequately monitored or promptly closed hundreds of completed projects. This has created a backlog of 605 completed projects totaling \$578.8 million. This large backlog is a result of DHSES not adequately training grant subrecipients, FEMA changing its guidance to DHSES and subrecipients, and FEMA and DHSES not effectively using quarterly progress reports to monitor project status and manage project closeouts.

Five hundred additional projects with an awarded amount of nearly \$5 billion are expected to be completed and ready for closeout in the coming years. If Region II and DHSES do not address the procedural deficiencies in the closeout process, they will not be adequately prepared for the next wave of projects ready for closeout. In addition, the large project closeout backlog has led to delays in reimbursing subrecipients, which could negatively affect some entities' local operating budgets.

### FEMA Response

FEMA concurred with all four of our recommendations, all of which remain open pending our receipt of evidence to support completion of the corrective actions.



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

**Table of Contents**

Background ..... 1  
Results of Audit ..... 4  
    Delays in Closeout Led to Backlog of Completed Projects.....4  
Conclusion..... 11  
Recommendations..... 11

**Appendixes**

Appendix A: Objective, Scope, and Methodology ..... 14  
Appendix B: FEMA Comments to the Draft Report..... 16  
Appendix C: New York’s Total Backlog of Completed Projects  
    for All 17 Open Disasters ..... 21  
Appendix D: Office of Audits Major Contributors to This Report ..... 22  
Appendix E: Report Distribution..... 23

**Abbreviations**

C.F.R.	Code of Federal Regulations
DHSES	New York State Division of Homeland Security and Emergency Services
FEMA	Federal Emergency Management Agency
PA	Public Assistance
PAPPG	Public Assistance and Program Policy Guide
PW	Project Worksheet
QPR	quarterly progress report
U.S.C.	United States Code



## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

---

### Background

Under the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, 42 United States Code (U.S.C.) § 5121, *et seq.*, as amended (Stafford Act), the Federal Emergency Management Agency (FEMA) provides Federal assistance following presidentially declared major disasters or emergencies when the magnitude of an incident exceeds the affected state, territorial, tribal, or local government capabilities to respond or recover.

FEMA's Public Assistance (PA) grant program provides assistance to these government and certain non-profit entities so communities can quickly respond to and recover from disasters. In carrying out this work, FEMA and PA grant recipients must comply with applicable Federal regulations,<sup>1</sup> established by the Office of Management and Budget. The following FEMA definitions describe the responsible entities:<sup>2</sup>

- Recipient: A non-Federal entity that receives Federal awards directly from a Federal awarding agency to carry out a Federal program activity.
- Applicant: A non-Federal entity applying for assistance under the recipient's Federal award.
- Pass-through entity: A non-Federal entity providing a subaward to an applicant.
- Subrecipient: An applicant that receives a subaward from a pass-through entity.

FEMA determines eligibility based on factors related to the applicant, facility, work, and cost.<sup>3</sup> In addition, FEMA categorizes all work as either emergency, (e.g., debris removal) or permanent (e.g., roadway and bridge repairs). FEMA works in partnership with the grant recipient to assess damages, educate potential subrecipients, and formulate projects (subawards) for emergency or permanent work. FEMA uses a Project Worksheet (PW) 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 PW serves as the basis for Federal funding, and FEMA obligates the Federal share of the awarded amount once it approves a project.<sup>4</sup>

---

<sup>1</sup> Applicable Federal regulations include Title 44 of the Code of Federal Regulations (C.F.R.) and 2 C.F.R. Pt. 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<sup>2</sup> See FEMA, *Public Assistance and Program Policy Guide*, FP104-009-2, v. 2, (PAPPG), at p. 5 (Apr. 2017).

<sup>3</sup> See PAPPG, Ch. 2 at p. 10.

<sup>4</sup> See *e.g.*, PAPPG Ch. 3 at pp. 143 & 144.

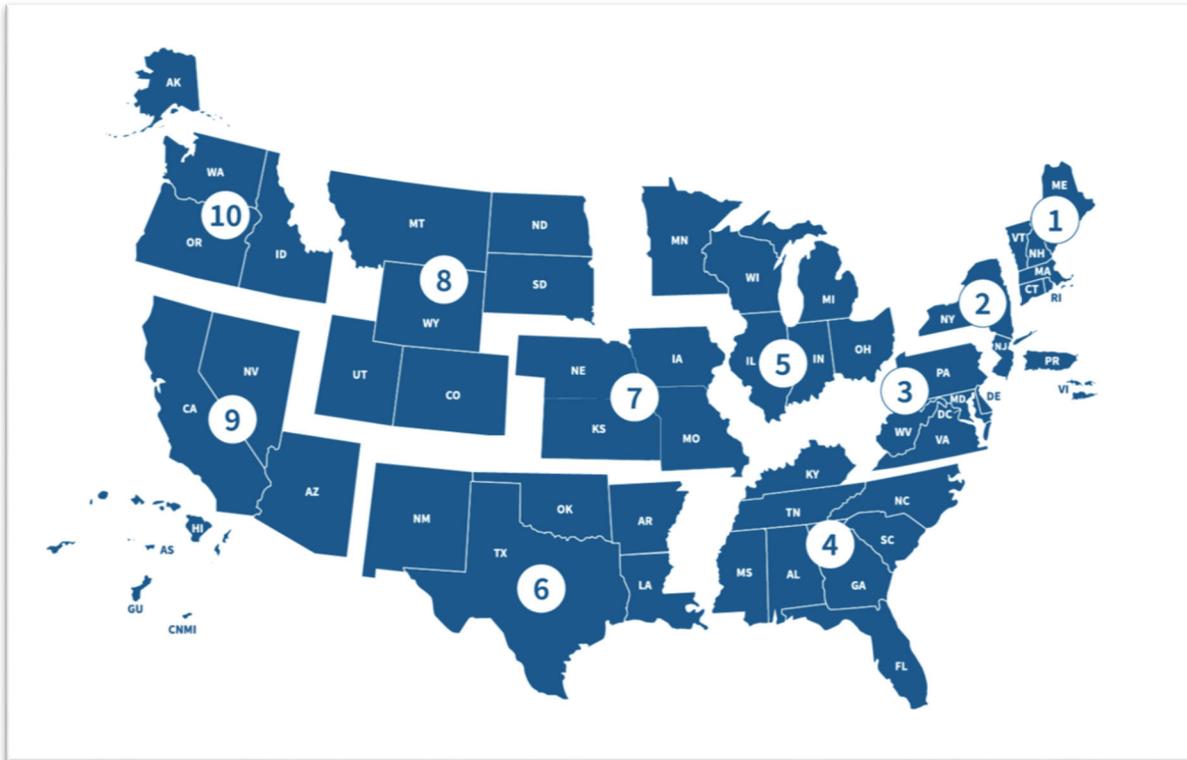


## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

FEMA's organizational structure starts with the Office of the Administrator at the component's headquarters level. The Administrator delegated authority to 10 regional offices to implement necessary duties and functions, such as administering the PA grant program over a specific group of states and U.S. territories. As shown in Figure 1, FEMA Region II oversees the State of New York, the State of New Jersey, Puerto Rico, and the U.S. Virgin Islands.

**Figure 1. FEMA's Regional Offices**



Source: FEMA's website

The State of New York is a FEMA PA grant recipient and the Division of Homeland Security and Emergency Services (DHSES) is the accountable state agency (non-Federal entity) to which the Federal grants are awarded. DHSES administers FEMA PA grant funds for the State of New York under its own procedures, in accordance with 2 C.F.R. §§ 200, 3002.<sup>5</sup> As the recipient, the State of New York must have a State Administrative Plan (State Plan) that, among other things, contains procedures for the administration of its PA funds.

<sup>5</sup> See e.g., 44 C.F.R. § 206.200(b)(2) (incorporating by reference 2 C.F.R. §§ 200, 3002).



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

The State Plan outlines the internal staffing functions supporting the state’s PA program, as well as the responsibilities of each position.<sup>6</sup>

Further, the recipient is required to submit quarterly progress reports (QPR) to FEMA that provide the status of each open (i.e., ongoing) large project.<sup>7</sup> Other recipient responsibilities include financial reporting, subrecipient progress monitoring, project time-extension approvals, project closure, subrecipient closure, and award closure.

As shown in Table 1, the State of New York experienced seven presidentially declared disasters in fiscal years 2013 through 2018, for which FEMA obligated more than \$16.2 billion in PA grants.

**Table 1. State of New York Disaster Declarations, FYs 2013–2018**

Declaration Number	Declaration Date	Number of Applicants	Amount Obligated* (\$ millions)
<b>DR-4085</b>	10/30/2012	1,051	\$15,983.9
<b>DR-4111</b>	04/23/2013	74	\$32.3
<b>DR-4129</b>	07/12/2013	184	\$83.6
<b>DR-4180</b>	07/08/2014	147	\$39.2
<b>DR-4204</b>	12/22/2014	170	\$43.0
<b>DR-4322</b>	07/12/2017	671	\$35.9
<b>DR-4348</b>	11/14/2017	59	\$24.9
<b>Total</b>			<b>\$16,242.8</b>

\*As of March 6, 2019

Source: Office of Inspector General (OIG) analysis of Emergency Management Mission Integrated Enterprise reports

We conducted this audit to determine the extent to which FEMA and the State of New York complied with policies, procedures, and regulations for effective oversight of the FEMA PA grant program from FYs 2013 through 2018 in four functional areas derived from the PA grant program implementation process:<sup>8</sup>

- training of subrecipients;
- collaboration with FEMA and subrecipients;
- project execution, monitoring, and oversight; and
- project and grant closeouts.

<sup>6</sup> 44 C.F.R. § 206.207(b).

<sup>7</sup> A large project is one in which the obligated amount, including all versions, is equal to or greater than the annually adjusted cost threshold for small project grants determined at the beginning of each fiscal year. Versions are changes to an approved PW. See PAPPG, Ch. 3 at p. 145.

<sup>8</sup> OIG created and defined these functional areas based on the chronological and functional steps in administering the PA grant process.



## OFFICE OF INSPECTOR GENERAL

### Department of Homeland Security

---

### **Results of Audit**

Region II and DHSES generally complied with PA policies, procedures, and regulations, but have not adequately monitored or promptly closed hundreds of completed projects. This has created a backlog of 605 completed projects totaling \$578.8 million. This large backlog is a result of DHSES not adequately training grant subrecipients, FEMA changing its guidance to DHSES and subrecipients, and FEMA and DHSES not effectively using quarterly progress reports to monitor project status and manage project closeouts.

Five hundred additional projects with an awarded amount of nearly \$5 billion are expected to be completed and ready for closeout in the coming years. If Region II and DHSES do not address the procedural deficiencies in the closeout process, they will not be adequately prepared for the next wave of projects ready for closeout. In addition, the project closeout backlog has led to delays in reimbursing subrecipients, which could negatively affect some entities' local operating budgets.

### **Delays in Closeout Led to Backlog of Completed Projects**

FEMA Region II and DHSES have not proactively monitored or promptly closed out 605 completed projects, totaling \$578.8 million, for the 7 disasters within the scope of our audit. Three areas of deficiency in closeout procedures contributed to the delays: training and guidance on the closeout process, changes in guidance, and use of QPRs to track project completion status. As a result, Region II and DHSES will not be adequately prepared for the next wave of projects ready for closeout. Until Region II and DHSES finalize a plan to address the backlog of completed projects awaiting closeout, there is a risk the backlog will increase to an unmanageable level.

### **Large Backlog of Projects Not Promptly Closed Out**

FEMA Region II and DHSES have a backlog of 605 completed projects totaling \$578.8 million that have not been promptly closed out. Table 2 shows the number of projects first reported as 100 percent completed in their respective QPRs, but that remained open as of FY 2018. For example, in FY 2014, DHSES reported 224 projects as 100 percent completed to FEMA, but these projects had not yet been closed out as of the fourth quarter of FY 2018.



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

**Table 2. Aging Summary of Projects Reported at 100 Percent Completed Included in the FY 2018 QPR**

<b>FY Projects First Reported as Completed</b>	<b>Number of Projects Reported as 100 Percent Completed</b>
Since FY 2014 4 <sup>th</sup> Quarter	224
Since FY 2015 4 <sup>th</sup> Quarter	59
Since FY 2016 4 <sup>th</sup> Quarter	123
Since FY 2017 4 <sup>th</sup> Quarter	55
Reported at 100 percent during FY 2018	144
<b>Total Projects</b>	<b>605</b>

Source: FEMA’s QPRs FY 2014 to 2018 4<sup>th</sup> Quarter

Federal regulations in 2 C.F.R. § 200.343<sup>9</sup> required that a non-Federal entity (subrecipient) submit all closeout reports no later than 90 days after the period of performance’s end date, unless a time extension was granted from the pass-through entity or Federal agency.<sup>10</sup> Once a large project reached 100 percent completion, the subrecipient must have requested that the recipient formally close the project,<sup>11</sup> identifying any differences between actual costs and the FEMA-approved amount.<sup>12</sup> In addition,

1. Subrecipients were required to submit their project-level documentation to the recipient within 90 days. The recipient had another 90 days to review and submit project closeout and final accounting documentation to FEMA.<sup>13</sup>
2. The recipient was required to certify to FEMA that all costs and work were completed according to grant terms and conditions, the FEMA-State Agreement, and Federal regulations.<sup>14</sup>
3. The recipient was to ensure its subrecipients met all program and administrative requirements.<sup>15</sup>

<sup>9</sup> During the timeframe of this audit, 2 C.F.R. Pt. 200 applied to disasters declared on or after December 26, 2014. In addition, according to FEMA’s *Public Assistance Program Management and Grant Closeout Standard Operating Procedure* (SOP 9570.14), the recipient “should reconcile costs and close within 90 days of the date the subgrantee completes each large project in accordance with 44 C.F.R. 206.205(b),” which is applicable to disasters declared since December 2013.

<sup>10</sup> 2 C.F.R. § 200.343(a-b) (2018).

<sup>11</sup> *FEMA Manual 205-0-1, Grants Management, Ch. 6: Closeout Responsibilities and Procedures*, at p. 268 (Jan. 2018).

<sup>12</sup> *FEMA Public Assistance Program Management and Grant Closeout Standard Operating Procedure* (SOP 9570.14), 9.0 *Progress Reporting*, at p. 13 (Dec. 2013).

<sup>13</sup> *FEMA Manual 205-0-1, Grants Management, Ch.6: Closeout Responsibilities and Procedures*, at p. 266 (Jan. 2018).

<sup>14</sup> 44 C.F.R. § 206.205(b).

<sup>15</sup> 44 C.F.R. § 207.8(a); *see also* 2 C.F.R. §§ 200.328(a); 200.331(d).

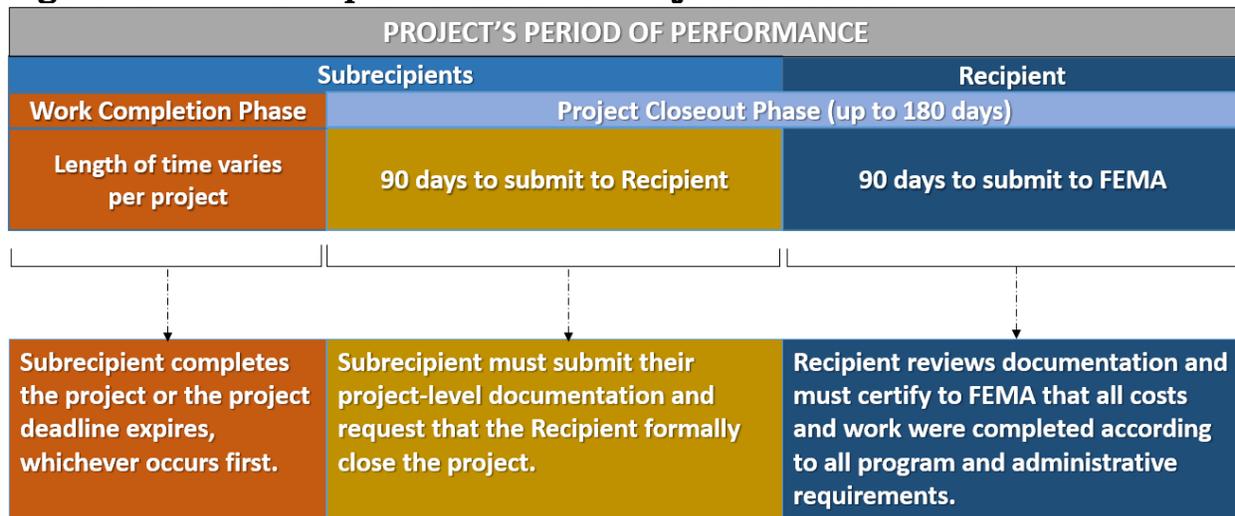


**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

4. The recipient was required to submit to FEMA all financial, performance, and other reports for each subaward until PA grant award closeout.<sup>16</sup>

Figure 2 depicts FEMA’s implementation of the project closeout process.

**Figure 2. FEMA’s Implementation of Project Closeout**



Source: OIG analysis of FEMA/DHSES closeout process

**DHSES Did Not Provide Adequate Training and Guidance to Subrecipients on Project Closeouts**

Title 2 C.F.R. § 200.331(d)-(e) requires recipients administer grants properly, have adequate training and guidance on program-related matters, achieve performance goals, and ensure subrecipients comply with program requirements. In addition, under the State Plan, DHSES is responsible for training subrecipients on the administration of PA subgrants.<sup>17</sup> As initial training at the beginning of the PA process, DHSES and Region II provided subrecipients with applicant briefings and kickoff meetings. DHSES conducts an applicant briefing, which is a general overview of the PA process, immediately following a disaster declaration. Following the applicant briefing, FEMA personnel and State Disaster Assistance Managers conduct one-on-one kickoff meetings for subrecipients to provide more detailed information on the PA program.

<sup>16</sup> We identified financial reporting requirements at 44 C.F.R. § 206.205(b), performance reporting requirements at 44 C.F.R. § 206.204(f), and other reporting requirements at 2 C.F.R. § 200.343(a) (2018).

<sup>17</sup> See e.g., DHSES, *Administrative Plan for Public Assistance* at pp. 14, 51 (Jan. 1, 2018).



## OFFICE OF INSPECTOR GENERAL

### Department of Homeland Security

---

To obtain subrecipient input and feedback on the PA grant program in the State of New York, we issued a survey to 17 selected subrecipients and received responses from all of them.<sup>18</sup> The results of the survey showed that 13 of 17 (76 percent) subrecipients thought FEMA and DHSES provided useful information at the applicant briefings and kickoff meetings. Nevertheless, 5 of the 17 (29 percent) subrecipients said they needed more guidance on closeout requirements, which contributed to delays and a backlog of projects. For example, one subrecipient expressed a need for more detailed information on how to present the final documentation for project closeout and review. Another subrecipient stated it had challenges providing documentation that adequately met FEMA's and DHSES' requests and needed more guidance on how to submit supporting documentation and the types of documents needed. In general, these subrecipients wanted a clearly defined process, written procedures, and more training on the closeout process.

DHSES officials told us they provided guidance on project closeout via handbooks, presentations, and other written supplements. However, based on our review, we determined the guidance DHSES provided was not effective in educating subrecipients on the closeout process. The closeout guidance we reviewed was high-level, disconnected, and did not give step-by-step detailed instructions. Consequently, a subrecipient without prior disaster experience might not be able to understand the entire closeout process with the information provided. In addition, subrecipients received initial closeout guidance early in the disaster process, but it could be years before projects are completed and subrecipients are required to implement the guidance. Although DHSES provides one-on-one guidance to subrecipients, DHSES officials said the guidance is provided on an as-needed basis when requested.

### **FEMA Changed Guidance for DHSES and Subrecipients without Prompt Communication on Applying It**

Title 2 C.F.R. § 200.300-301 requires FEMA to manage and administer the PA grant award and communicate all relevant public policy to non-Federal entities, along with clear performance goals, to ensure compliance. In addition, according to *Standards for Internal Control in the Federal Government*, management should externally communicate the quality information needed to achieve the entity's objectives, as follows:

---

<sup>18</sup> There were 2,435 State of New York subrecipients, but the 17 subrecipients we included in our judgmentally selected sample were responsible for about 52 percent of total disaster funds awarded during the scope of our audit.



## OFFICE OF INSPECTOR GENERAL

### Department of Homeland Security

---

**15.03** Management communicates quality information externally through reporting lines so that external parties can help the entity achieve its objectives and address related risks.

**15.04** Management receives information through reporting lines from external parties. The information communicated includes significant matters related to risks, changes, or issues that impact the entity's internal control system.<sup>19</sup>

One of DHSES' tasks after the initial briefing and kickoff meetings is collaborating with subrecipients to assist with project development. Our subrecipient questionnaire showed 11 of 17 (65 percent) subrecipients received help from FEMA or DHSES with identifying damages, writing PWs, and developing cost estimates. However, 5 of 17 (29 percent) subrecipients reported challenges with FEMA changing its interpretation of policy during the course of a project. For example, in one case, FEMA changed its guidance on how direct administrative costs should be structured in the PW. Specifically, FEMA prepared a PW that would allow the subrecipient to include direct administrative costs for 28 projects on a single PW. However, after the initial guidance, FEMA told DHSES and the subrecipient to separate the subrecipient's administrative costs on a per-project basis. As a result, 4 years after the subrecipient completed its work, nearly all 28 projects remained open as DHSES and the subrecipient waited for instruction on how to apply the new guidance. In addition, for 1 of the 28 projects, FEMA originally obligated \$1 million, but the subrecipient only spent 32 percent of those funds on the project. If delays had not occurred due to FEMA changing its policy interpretation without promptly communicating how to apply the new guidance, the project's unused funds could have been deobligated 7 years earlier and put to better use.

### **FEMA and DHSES Did Not Use QPRs Effectively to Monitor Project Status or Manage Closeouts**

According to *Standards for Internal Control in the Federal Government*, management should communicate necessary quality information to achieve its objectives. This includes obtaining quality information from external parties, evaluating information against the characteristics of quality information, and taking necessary actions to ensure the information is reliable. Further, according to FEMA's *Public Assistance Program Management and Grant Closeout Standard Operating Procedure* (SOP 9570.14), QPRs submitted by the

---

<sup>19</sup> U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014 at p. 62).



## OFFICE OF INSPECTOR GENERAL

### Department of Homeland Security

---

grantee to FEMA “are essential to the success of the PA Program Management and Grant Closeout phase.”

QPRs are supposed to be used as a monitoring tool to track the status of large open projects. Subrecipients are required to submit QPRs to DHSES, including the percent of work completed, financial status, projected date for completion of work, and anticipated delays or problems. In turn, DHSES is required to submit the QPRs to FEMA Region II. Region II uses the QPR data to help identify projects nearing and ready for closeout and, in part, to develop yearly closeout goals.

Neither Region II nor DHSES used QPRs effectively to determine which projects were ready for closeout or to monitor project status. Specifically, according to Region II officials, projects listed in QPRs as 100 percent complete should be ready for closeout. However, FEMA officials said such projects may not actually be ready for closeout because DHSES lists a project as 100 percent complete when all funds have been disbursed to the subrecipient, even though work may be ongoing. Further, although QPRs are supposed to be used to monitor the status of ongoing projects, according to DHSES officials they do not use subrecipients’ QPRs to monitor or determine project status because the QPRs may contain errors, omissions, and outdated information. Instead, DHSES officials said they use other reports to monitor project status, and they wait for subrecipients to notify them of project completion. Finally, according to Region II officials, it is DHSES’ responsibility to ensure the information in the QPRs is accurate. However, DHSES officials said they copy and paste information from subrecipients into QPRs and simply review it for reasonableness prior to submission to FEMA.

Even if Region II and DHSES frequently communicate about oversight and monitoring of PA projects, without a more collaborative and shared approach, as well as complete and accurate project data, FEMA and DHSES do not have a clear picture of which projects are nearing or ready for closeout.

### **Upcoming Wave of Completed Projects Ready for Closeout Will Likely Increase Number of Backlogged Projects**

As shown in Table 3, in the coming years, nearly 500 additional projects related to the 7 disasters in our scope, totaling nearly \$5 billion in awards, are expected to be completed and ready for closeout (i.e., reported as 80–99 percent complete).<sup>20</sup> Most of the upcoming wave of completed projects are related to Hurricane Sandy (DR-4085).

---

<sup>20</sup> Table 3 does not include 460 projects, totaling \$9.8 billion, reported at less than 80 percent complete as of FY 2018 4<sup>th</sup> Quarter.



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

**Table 3. Completion Status of Projects for 7 Disasters**

Event No.	Total Projects	Total Obligation (in millions)	Projects Reported at 100% Completed, But Not Closed	Total Eligible Amount (in millions)	Projects Reported at 80-99% Complete	Total Eligible Amount (in millions)
<b>DR-4085</b>	4,804	\$15,983.9	442	\$528.8	483	\$4,950.4
<b>DR-4111*</b>	128	32.3	2	.6	0	0
<b>DR-4129</b>	673	83.6	99	30.6	8	9.5
<b>DR-4180</b>	586	39.2	19	4.6	3	1.3
<b>DR-4204</b>	377	43.0	10	2.9	3	1.3
<b>DR-4322</b>	739	35.9	33	11.3	0	0
<b>DR-4348</b>	161	24.9	0	0	0	0
<b>Total</b>	<b>7,468</b>	<b>\$16,242.8</b>	<b>605</b>	<b>\$578.8</b>	<b>497</b>	<b>\$4,962.5</b>

Source: Emergency Management Mission Integrated Enterprise (as of March 6, 2019) and FEMA’s QPR for FY 2018 4<sup>th</sup> Quarter

\*Disaster was closed after the audit scope in FY 2018 4<sup>th</sup> Quarter

The 605 projects shown as 100 percent complete in Table 3 represent the 7 audited disasters included in the scope of our audit and do not include 10 additional open disasters declared prior to FY 2013. As a result, and to show the magnitude of the backlog, we looked at all of the State of New York’s 17 open disaster declarations to determine the total number of completed large projects. We found that New York has a total backlog of 929 completed large projects totaling \$893.1 million. See Table 4 in Appendix C for all open New York disasters.

Given its current backlog of closeouts and without a coordinated plan to address it, Region II and DHSES are not adequately prepared to address the wave of completed projects coming due for closeout. In addition, delays in the closeout process have led to delays in reimbursement to subrecipients, which can negatively affect subrecipients’ local operating budgets. Until projects are closed out, Region II and DHSES also remain unaware of potential cost underruns, which could lead to funds available to put to better use.

Region II officials said that since FY 2016, they have been focusing on the closeout process, more specifically, closing older disasters, as well as Hurricane Sandy-related projects. They continue to meet with DHSES officials biweekly and monthly to address ongoing closeout issues. DHSES officials said they have a team specifically dedicated to advancing Hurricane Sandy projects to closeout. In addition, since August 2019, DHSES has taken several actions to improve its project monitoring and enhance its QPRs to develop a better overall picture of subrecipients’ projects. DHSES has expanded the amount of data subrecipients report for QPRs and relies on subrecipients to report project status accurately. In addition, DHSES stated it has implemented an active



## OFFICE OF INSPECTOR GENERAL

### Department of Homeland Security

---

project management process to engage with subrecipients to better understand and see work progress, as well as gain insight regarding upcoming work.

### Conclusion

In the next several years, nearly 500 additional projects totaling \$5 billion will be ready for closeout. Based on the current backlog, if FEMA and DHSES do not address the procedural deficiencies in the closeout process and improve internal controls, they may not be prepared for the next wave of projects ready for closeout. FEMA must adhere to its Federal regulatory responsibilities and take a greater oversight role to ensure State stakeholders improve the timeliness of closing out completed projects, as well as the tracking and monitoring of disaster recovery project status. A coordinated plan among FEMA, DHSES, and New York subrecipients is critical to closing hundreds of completed projects within a reasonable time to prepare for the coming wave of projects nearing completion.

### Recommendations

We recommend the Regional Administrator, FEMA Region II:

**Recommendation 1:** Ensure FEMA and New York State's Division of Homeland Security and Emergency Services document its plan to address the current backlog of completed projects, as well as the upcoming wave of projects pending closeout.

**Recommendation 2:** Request New York State's Division of Homeland Security and Emergency Services document its procedures related to providing timely training to subrecipients on required closeout procedures that includes clear and comprehensive guidance on the supporting documents, forms, and timelines required to meet closeout regulations.

**Recommendation 3:** In coordination with New York State's Division of Homeland Security and Emergency Services, document an effective procedure for communicating any and all changes to the Region's interpretation or implementation of FEMA policy in a timely manner to subrecipients impacted by the change.

**Recommendation 4:** In coordination with New York State's Division of Homeland Security and Emergency Services, set the same expectations for how quarterly progress reports should be completed to ensure a timely project closeout process. In addition, FEMA should develop and document procedures



## OFFICE OF INSPECTOR GENERAL

### Department of Homeland Security

---

that explain how quarterly progress reports will be used and should request New York State's Division of Homeland Security and Emergency Services develop the same.

### **Management Comments and OIG Analysis**

FEMA Region II's Regional Administrator provided written comments in response to a draft of this report. We have included a copy of FEMA management's response in its entirety in Appendix B. In addition, FEMA provided technical comments to our report in a separate document. We reviewed the technical comments and incorporated changes to the report where appropriate.

In its management response, FEMA concurred with all four of our recommendations. We consider all four recommendations resolved and open. The following is our analysis and response to FEMA's comments on each individual recommendation.

**FEMA Response to Recommendation 1:** FEMA concurred with this recommendation. In its response, FEMA stated Region II, in coordination with DHSES, will document its plan to address the closeout of the remaining 605 backlogged projects, as well as a plan to close all future projects as quickly as possible, according to regulatory requirements. Estimated Completion Date: December 31, 2021.

**OIG Analysis of FEMA's Comments:** FEMA's proposed actions are responsive to the recommendation. The recommendation will remain open and resolved pending the completion of the proposed corrective action and submission of adequate supporting documentation.

**FEMA Response to Recommendation 2:** FEMA concurred with this recommendation. In its response, FEMA stated Region II will request that DHSES document its procedures for timely training of subrecipients on required closeout procedures. Estimated Completion Date: December 31, 2021.

**OIG Analysis of FEMA's Comments:** FEMA's proposed actions are partially responsive to the recommendation. The recommendation will remain open and resolved until we receive and evaluate DHSES' documented procedures that should include actions taken to provide clear and comprehensive closeout guidance in addition to the timeliness of closeout training.



## OFFICE OF INSPECTOR GENERAL

### Department of Homeland Security

---

**FEMA Response to Recommendation 3:** FEMA concurred with this recommendation. In its response, FEMA stated Region II recently formed the Policy Implementation Branch to help ensure Region II staff, recipients, and subrecipients are provided timely information regarding new policies and procedures and any changes to Region II's approach for implementing FEMA policy. Region II, in coordination with DHSES, will document its procedures for communicating changes to the Region's interpretation or implementation of FEMA policy in a timely manner to subrecipients impacted by the change. Estimated Completion Date: December 31, 2021.

**OIG Analysis of FEMA's Comments:** FEMA's proposed actions are responsive to the recommendation. The recommendation will remain open and resolved pending the completion of the proposed corrective action and submission of adequate supporting documentation.

**FEMA Response to Recommendation 4:** FEMA concurred with this recommendation. In its response, Region II will provide a description of agreed upon expectations and procedures for using QPRs to ensure timely closeout in its plan to address the reported backlog of completed projects and future completed projects. In addition, Region II will request that DHSES document its agreed upon expectations and procedures as well. Estimated Completion Date: December 31, 2021.

**OIG Analysis of FEMA's Comments:** FEMA's proposed actions are responsive to the recommendation. The recommendation will remain open and resolved pending the completion of the proposed corrective action and submission of adequate supporting documentation.



## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

---

### **Appendix A**

#### **Objective, Scope, and Methodology**

The Department of Homeland Security OIG was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*.

We audited FEMA's PA grant funds awarded to the State of New York, administered through DHSES during FYs 2013 through 2018. Our objective was to determine the extent to which FEMA and the State of New York complied with policies, procedures, and regulations for the effective oversight of the FEMA PA grant program during this period.

We conducted our assessment of FEMA's and DHSES' administration of the PA grant program according to the following functional areas we defined to reflect relevant policies, procedures, and regulations: (1) education and training of subrecipients; (2) collaboration with FEMA and subrecipients; (3) project execution, monitoring, and oversight; and (4) project and grant closeouts.

To perform our audit, we reviewed relevant prior OIG, U.S. Government Accountability Office, and State of New York audit reports; documented applicable State and Federal laws, regulations, policies and procedures, and other criteria; evaluated DHSES' internal control environment; identified related engagements performed by internal and external oversight agencies; and assessed the risks that our audit procedures or findings may be improper or incomplete.

We interviewed relevant FEMA Region II and DHSES officials and obtained and reviewed key FEMA and State documentation, including grant applications, disaster relief funding agreements, administrative plans, and financial and status reports. In addition, we identified DHSES' roles and responsibilities relative to PA program administration and oversight, and assessed DHSES' internal guidance for executing these responsibilities.

We selected a judgmental sample of 17 subrecipients from the total universe of 2,388 State of New York subrecipients that were approved for PA funds for disaster declarations during FYs 2013 through 2018. These 17 subrecipients were responsible for approximately 52 percent of total disaster funds awarded during the scope of our audit. We administered a written questionnaire to, and conducted follow-up interviews with, appropriate subrecipient personnel to gain their perspectives on FEMA's and DHSES' performance in each of our four functional areas and analyzed the results. We conducted in-person site visits to 3 of the 17 sampled subrecipients for more in-depth interviews. We also



## OFFICE OF INSPECTOR GENERAL

### Department of Homeland Security

---

reviewed documentation supporting DHSES' administration of 17 PA projects for which each sampled subrecipient was approved for disaster-related funds during our audit scope.

To analyze the number of completed projects, we performed an analytical review of QPRs to determine the number and dollar amount of the backlog. We focused our initial review of the QPRs on the seven disasters declared between FYs 2013 and 2018. For the purposes of our audit, we limited our review to the projects' percent of completion and disaster awarded amount. We interviewed FEMA officials and evaluated the QPR data against FEMA's official system of record (EMMIE). We compared our analysis of QPR data against EMMIE's disaster closeout report. Because of timing differences of when QPRs and EMMIE are updated and information system limitations, we could not match the number of open large projects for each fiscal year. However, we compared the number of open large projects, in conjunction with average number of projects closed each fiscal year, and determined the data between EMMIE and the QPRs were reasonably close. Overall, we concluded that, in conjunction with corroborating evidence, the data was sufficiently reliable to support the finding, conclusion, and recommendations in this report.

We conducted this performance audit between November 2018 and July 2020 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

**Appendix B**  
**FEMA Comments to the Draft Report**

U.S. Department of Homeland Security  
Washington, DC 20472



**FEMA**

December 16, 2020

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

FROM: Thomas Von Essen  
Regional Administrator, Region II

**THOMAS J  
VON ESSEN** Digitally signed by  
THOMAS J VON ESSEN  
Date: 2020.12.16  
17:16:16 -05'00'

SUBJECT: Management Response to Draft Report: “*FEMA Needs to Reduce the \$579 Million Backlog of Projects in its New York Public Assistance Grant Program*”  
(Project No. 18-126)

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

The OIG conducted a routine audit of Public Assistance (PA) grants awarded to the State of New York (Recipient) and administered by the New York State Division of Homeland Security Emergency Services (NYSDHSES) for seven federally declared disasters during fiscal years 2013 through 2018, generally confirming compliance with relevant policies, procedures, and regulations. FEMA is pleased to note OIG’s recognition of FEMA Region II’s and NYSDHSES’ focus on closing older disasters since 2016 and NYSDHSES’ expanded staffing and improved project monitoring processes. FEMA Region II and NYSDHSES have made significant progress on closeout due to this renewed focus. Since July 1, 2017, FEMA and DHSES have closed 15 disasters and more than 9,300 projects, a rate of roughly 3,000 closed projects per year.

OIG’s finding of a backlog of 605 projects totaling \$578.8 million is misleading, because it is based on the total amount of funding obligated in those 605 projects, not the total amount of funding that has yet to be disbursed to the subrecipients. In identifying the funding associated with the backlog, the OIG does not account for the non-federal share for each project, which is funded either by the recipient or subrecipients, or the multitude of progress payments made by NYSDHSES to the subrecipients since FEMA obligated the projects. After accounting for the non-federal share and progress payments made for each of those projects, NYSDHSES estimated the aggregate amount pending



## OFFICE OF INSPECTOR GENERAL

### Department of Homeland Security

---

disbursement for those 605 projects to be approximately \$63 million, only slightly over 10% of the amount reported by the OIG to be at issue.

The OIG concludes that the large project closeout backlog has led to delays in reimbursing subrecipients, which could negatively affect some entities' local operating budgets, but the OIG does not acknowledge the fact that project closeout must be initiated by the subrecipient itself and as mentioned above, the subrecipients have received funding through progress payments prior to the projects being closed.

Further, in its review of FEMA Region II's closeout processes the OIG cites Title 2 C.F.R. § 200.343, which requires subrecipients to submit all closeout reports no later than 90 days after the period of performance's end date. However, the regulations set forth in Title 2 Part 200 apply only to disasters declared on or after December 26, 2014. Of the seven disasters addressed in this audit, these regulations only apply to two disasters (DR-4322, DR-4348). For disasters declared prior to December 26, 2014, no regulation or policy was in place imposing deadlines on subrecipients to submit closeout reports.

For disasters declared prior to December 26, 2014, 44 C.F.R. § 13.50(b) required grantees to submit all financial performances and other reports to FEMA within 90 days after the expiration or termination of the grant. But this did not apply to subrecipients. Thus, the imposition of the new deadlines requires a more pro-active and collaborative project monitoring and closeout effort, to which FEMA Region II and NYSDHSES continue to support.

The OIG drew conclusions about training based on a survey provided to 17 out of 2,435 subrecipients. The OIG states that these 17 subrecipients were responsible for about 52 percent of total disaster funds awarded during the scope of our audit. However, the amount of funding one subrecipient receives has no correlation to the quality or quantity of training it receives. NYSDHSES informed the OIG that not only does it provide subrecipients with significant training opportunities and training materials, it also provides one-on-one training and technical support throughout the entire life cycle of a project to include closeout.

Lastly, the OIG states that FEMA Region II and NYSDHSES do not effectively use quarterly progress reports (QPR) to manage project closeouts. However, FEMA and NYSDHSES informed the OIG that QPRs are used to simply indicate when a project may be closeout ready. Information from QPRs is used in conjunction with FEMA's system of record (EMMIE) as well as one-on-one interactions with subrecipients throughout the lifecycle of projects to gain a full understanding of the status of projects.

The draft report contained four recommendations with which FEMA concurs. Attached, find our detailed response to each recommendation. Technical comments were previously provided under separate cover.



## **OFFICE OF INSPECTOR GENERAL**

Department of Homeland Security

---

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



## OFFICE OF INSPECTOR GENERAL

### Department of Homeland Security

---

#### Attachment: Management Response to Recommendations Contained in OIG-18-126

OIG recommended that the Regional Administrator, Region II:

**Recommendation 1:** Ensure FEMA and New York State's Division of Homeland Security and Emergency Services (NYSDHSES) document its plan to address the current backlog of completed projects, as well as the upcoming wave of projects pending closeout.

**Response:** Concur. FEMA Region II and NYSDHSES have established and have been executing a process to address the closeout of all open disasters in a timely fashion, including those that are the subject of this audit. The process includes milestones to identify and closeout projects that are completed, as well as regular closeout meetings between FEMA and NYSDHSES. FEMA Region II and NYSDHSES meet no less than bi-weekly to discuss specific projects and closeout progress. FEMA Region II, in coordination with NYSDHSES, will document its plan to address the closeout of the remaining of the 605 projects reported as part of the backlog. It should be noted that the number of projects has already been reduced by more than 50%. FEMA Region II, in coordination with NYSDHSES, will also document its plan to close out all projects completed in the future as quickly as possible in accordance with regulatory requirements. Estimated Completion Date (ECD): December 31, 2021.

**Recommendation 2:** Request NYSDHSES document its procedures related to providing timely training to subrecipients on required closeout procedures that includes clear and comprehensive guidance on the supporting documents, forms, and timelines required to meet closeout regulations.

**Response:** Concur. FEMA Region II will request NYSDHSES to document its procedures related to providing timely training to subrecipients on required closeout procedures. ECD: December 31, 2021.

**Recommendation 3:** In coordination with NYSDHSES, document an effective procedure for communicating any and all changes to the Region's interpretation or implementation of FEMA policy in a timely manner to subrecipients impacted by the change.

**Response:** Concur. FEMA Region II Recovery Division has recently formed the Policy Implementation Branch, which among other things, ensures FEMA Region II staff and State, Local, Territorial, and Tribal partners are provided timely information regarding

4



## OFFICE OF INSPECTOR GENERAL

### Department of Homeland Security

---

new policies and procedures and any changes to Region II's approach to implementing FEMA policy. FEMA Region II, in coordination with NYSDHSES, will document its procedures for communicating changes to the Region's interpretation or implementation of FEMA policy in a timely manner to subrecipients impacted by the change. ECD: December 31, 2021.

**Recommendation 4:** In coordination with NYSDHSES, set the same expectations for how quarterly progress reports should be completed to ensure a timely project closeout process. In addition, FEMA should develop and document procedures that explain how quarterly progress reports will be used and should request NYSDHSES develop the same.

**Response:**

Concur. As stated above, over the past few years FEMA Region II and NYSDHSES have worked very closely together and are progressing on closing out projects and disasters. FEMA Region II and NYSDHSES have already set the same expectations for how quarterly progress reports should be completed and used. FEMA Region II will include a description of the agreed upon expectations and procedures for using quarterly progress reports to ensure a timely closeout process in its plan that it develops to address Recommendation 1 and will request NYSDHSES to also document the agreed upon expectations and procedures. ECD: December 31, 2021.



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

**Appendix C**  
**New York’s Total Backlog of Completed Projects for All 17 Open Disasters**

Event No.	Projects Reported as 100% Complete, But Not Closed	Total Eligible Amount (in millions)	Projects Reported as 80–99% Complete	Total Eligible Amount (in millions)
DR-1391*	0	\$0	0	0
DR-1650	0	0	0	0
DR-1692*	2	8.9	0	0
DR-1857	20	7.9	3	5.5
DR-1869	2	.6	2	.8
DR-1899	13	4.1	1	.2
DR-1957*	17	14.2	1	.8
DR-1993*	7	5.3	0	0
DR-4020	154	58.9	19	29.1
DR-4031	109	214.4	7	77.1
DR-4085	442	\$528.8	483	\$4,950.4
DR-4111*	2	.6	0	0
DR-4129	99	30.6	8	9.5
DR-4180	19	4.6	3	1.3
DR-4204	10	2.9	3	1.3
DR-4322	33	11.3	0	0
DR-4348	0	0	0	0
<b>Total</b>	<b>929</b>	<b>\$893.10</b>	<b>530</b>	<b>\$5,076.00</b>

Source: FEMA’s QPR for FY 2018 4<sup>th</sup> Quarter

\*Disaster was closed after the audit scope in FY 2018 4<sup>th</sup> Quarter



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

---

**Appendix D**  
**Office of Audits Major Contributors to This Report**

Brooke Bebow, Director  
Patrick Tobo, Audit Manager  
Christina Sbong, Auditor-in-Charge  
Edward Brann, Program Analyst  
Cristina Finch, Program Analyst  
Newton Hagos, Auditor  
Vilmarie Serrano, Independent Reference Reviewer  
Jane DeMarines, Communications Analyst



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

---

**Appendix E**  
**Report Distribution**

**Department of Homeland Security**

Secretary  
Deputy Secretary  
Chief of Staff  
Deputy Chiefs of Staff  
General Counsel  
Executive Secretary  
Director, GAO/OIG Liaison Office  
Under Secretary, Office of Strategy, Policy, and Plans  
Assistant Secretary for Office of Public Affairs  
Assistant Secretary for Office of Legislative Affairs

**Office of Management and Budget**

Chief, Homeland Security Branch  
DHS OIG Budget Examiner

**Congress**

Congressional Oversight and Appropriations Committees

## **Additional Information and Copies**

To view this and any of our other reports, please visit our website at:  
[www.oig.dhs.gov](http://www.oig.dhs.gov).

For further information or questions, please contact Office of Inspector General  
Public Affairs at: [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov).  
Follow us on Twitter at: @dhsoig.



### **OIG Hotline**

To report fraud, waste, or abuse, visit our website at [www.oig.dhs.gov](http://www.oig.dhs.gov) and click on the red "Hotline" tab. If you cannot access our website, call our hotline at (800) 323-8603, fax our hotline at (202) 254-4297, or write to us at:

Department of Homeland Security  
Office of Inspector General, Mail Stop 0305  
Attention: Hotline  
245 Murray Drive, SW  
Washington, DC 20528-0305