

**FEMA Should Apply
Lessons Learned from the
STEP Pilot Program
Implementation in
Puerto Rico to
Future Programs**





OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

February 4, 2022

MEMORANDUM FOR: The Honorable Deanne Criswell
Administrator
Federal Emergency Management Agency

FROM: Joseph V. Cuffari, Ph.D. **JOSEPH V**
Inspector General **CUFFARI**

SUBJECT: *FEMA Should Apply Lessons Learned from the
STEP Pilot Program Implementation in Puerto Rico to
Future Programs*

Digitally signed by
JOSEPH V CUFFARI
Date: 2022.02.04
12:57:58 -05'00'

Attached for your information is our final report, *FEMA Should Apply Lessons Learned from the STEP Pilot Program Implementation in Puerto Rico to Future Programs*. We incorporated the formal comments provided by your office.

The report contains two recommendations on actions the Federal Emergency Management Agency can take to enhance the program's overall effectiveness. Your office concurred with the two recommendations. Based on the information provided in your response to the draft report, we consider both 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 letter should be accompanied by evidence of completion of agreed-upon corrective actions to 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 post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Bruce Miller, Deputy Inspector General, Office of Audits, at (202) 981-6000.

Attachment



DHS OIG HIGHLIGHTS

FEMA Should Apply Lessons Learned From the STEP Pilot Program Implementation in Puerto Rico to Future Programs

February 4, 2022

Why We Did This Audit

FEMA's STEP Pilot Program funded emergency repairs to allow residents to shelter in their homes in Puerto Rico following two hurricanes in September 2017. We conducted this audit to evaluate FEMA's effectiveness in meeting its goals and objectives relating to timeliness, procurement, and oversight of the STEP Pilot Program in Puerto Rico.

What We Recommend

We made two recommendations to improve FEMA's oversight of future emergency state-administered sheltering programs.

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

The Federal Emergency Management Agency (FEMA) did not ensure Puerto Rico effectively implemented the Sheltering and Temporary Essential Power (STEP) Pilot Program following Hurricanes Irma and Maria in September 2017. Specifically, FEMA did not ensure Puerto Rico implemented the STEP Pilot Program on time or met initial or extended deadlines to access homes and start repairs. In addition, FEMA did not ensure home repairs were completed within 6 months, as established by Federal regulations for emergency work. FEMA officials attributed timeliness issues to specific challenges in Puerto Rico, such as hardware stores' limited inventories. Home repairs under the STEP Pilot Program were finally completed in January 2019 — 15 months after the October 2017 implementation. In a March 2019 report, FEMA put the total cost for the STEP Pilot Program in Puerto Rico at approximately \$1.4 billion.

In terms of cost and the number of homes repaired, the STEP Pilot Program in Puerto Rico was the largest of its kind ever undertaken by FEMA. FEMA also faced challenges due to the impact of the hurricanes, the geography of Puerto Rico, and local construction and supply limitations. In addition to these factors, we attribute the delays implementing the STEP Pilot Program in Puerto Rico to FEMA's inadequate oversight. In particular, FEMA did not establish program- or award-specific performance goals, coordinate oversight efforts, document oversight activities, or validate the accuracy of progress-related data. Although FEMA canceled the STEP Pilot Program for all future disasters, by applying lessons learned to its future oversight activities, FEMA would help ensure survivors do not shelter in unsafe and unsanitary conditions for lengthy periods. Adequate oversight would also enhance FEMA's stewardship of taxpayer dollars and mitigate the risk of waste, fraud, and abuse.

FEMA Response

FEMA concurred with the two recommendations. Appendix B contains FEMA's management response in its entirety.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Table of Contents

Background 1

Results of Audit 4

 FEMA Did Not Ensure Puerto Rico Effectively Implemented the STEP
 Pilot Program 5

Conclusion 12

Recommendations 13

Appendices

Appendix A: Objective, Scope, and Methodology 16

Appendix B: FEMA Comments to the Draft Report 17

Appendix C: Office of Audits Major Contributors to this Report 20

Appendix D: Report Distribution 21

Abbreviations

C.F.R.	Code of Federal Regulations
FEMA	Federal Emergency Management Agency
JRO	Joint Recovery Office
OCFO	Office of the Chief Financial Officer
PA	Public Assistance
PRDOH	Puerto Rico Department of Housing
RAD	Recovery Reporting and Analytics Division
ROE	Right of Entry
STEP	Sheltering and Temporary Essential Power
U.S.C.	United States Code



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Background

Hurricanes Irma and Maria made landfall in Puerto Rico on September 5 and September 20, 2017, respectively. According to the Federal Emergency Management Agency (FEMA), Hurricane Maria left Puerto Rico's 3.7 million residents without electricity and both hurricanes caused an unprecedented demand for sheltering. Figure 1 shows a house with major damage to the wood-framed roof.



Figure 1. House with major damage to the wood-framed roof

Source: FEMA

The *Robert T. Stafford Disaster Relief and Emergency Assistance Act* (Stafford Act), as amended, authorizes the Federal Government to provide a wide range of assistance.¹ The President approved a major disaster declaration for Hurricanes Irma and Maria on September 10, 2017, and September 20, 2017, respectively, which provided for a wide range of Federal assistance for both emergency and permanent work in Puerto Rico.

STEP Pilot Program Implementation in Puerto Rico

To address the need for sheltering in Puerto Rico, on October 25, 2017, FEMA authorized the Sheltering and Temporary Essential Power (STEP) Pilot Program, under Section 403 of the Stafford Act, to enable Puerto Rico to perform minor emergency repairs in single-family owner-occupied residences.² According to FEMA, the STEP Pilot Program would enable residents to return to or remain in their homes as a form of shelter while permanent repairs were completed.

¹ 42 United States Code (U.S.C.) § 5121 et seq.

² *FEMA Recovery Program Guidance, Sheltering and Temporary Essential Power (STEP) Pilot Program for FEMA-4336-DR-PR and FEMA-4339-DR-PR*, p. 1, Oct. 25, 2017.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Local authorities in Puerto Rico named the STEP Pilot Program “Tu Hogar Renace” (Your Home Reborn).

According to FEMA, work under the STEP Pilot Program was meant to provide the most basic, life sustaining needs for emergency sheltering. According to *FEMA Recovery Program Guidance, Sheltering and Temporary Essential Power (STEP) Pilot Program for FEMA-4336-DR-PR and FEMA-4339-DR-PR* (Recovery Program Guidance), repairs included providing essential electrical supply, hot water, and air conditioning; repairing or replacing damaged windows; ensuring one useable bathroom, sink, toilet, and a functional kitchen; and safe sleeping accommodations for all household members.

In authorizing Puerto Rico’s STEP Pilot Program one of FEMA’s objectives was to have Puerto Rico administer it. FEMA also required Puerto Rico to hire STEP Pilot Program contractors to perform emergency work.³ Accordingly, the Puerto Rico Department of Housing (PRDOH) administered the STEP Pilot Program and hired the contractors to oversee, manage, and perform repairs.

The Code of Federal Regulations (C.F.R.) establishes a deadline of 6 months from the date of disaster declaration for the completion of emergency work, including STEP Pilot Program home repairs.⁴ Subject to applicable cost sharing for Public Assistance (PA), FEMA agreed to reimburse eligible costs for the repairs.⁵ PRDOH initially estimated repairing 75,000 properties on the island. FEMA capped eligible work under the program at \$20,000 per residence. Figure 2 shows a flyer for Tu Hogar Renace, which reads “[i]f you are the owner of your home and suffered damages as a consequence of hurricanes Irma and Maria, Tu Hogar Renace provides temporary repairs for it to be safe, habitable, and functional.”

³ *FEMA Recovery Program Guidance, Sheltering and Temporary Essential Power (STEP) Pilot Program for FEMA-4336-DR-PR and FEMA-4339-DR-PR*, p. 2, Oct. 25, 2017.

⁴ 44 C.F.R § 206.204(c)(1).

⁵ According to FEMA project worksheets, the 100 percent Federal cost share deadline under emergency work for the STEP Pilot Program was September 15, 2018. This was an extension granted via amendment to the FEMA-State Agreement. Any work performed beyond September 15, 2018, would be captured under a 90 percent Federal and 10 percent non-Federal cost share.



OFFICE OF INSPECTOR GENERAL Department of Homeland Security



Figure 2. Tu Hogar Renace Flyer
Source: Government of Puerto Rico

Public Scrutiny of Tu Hogar Renace

The implementation of Tu Hogar Renace drew extensive media coverage and public scrutiny. Local and national media reported thousands of complaints had been received about the program, steep markups, and that the PRDOH Bids Review Board determined that one contract was awarded to a company that should have been disqualified. Among the markups, a national media outlet highlighted \$3,700 generators and \$666 sinks.⁶ This raised concerns with several U.S. Senators, who wrote to the then-Acting Inspector General of the Department of Homeland Security Office of Inspector General (OIG).⁷ Our complete responses to the Senators' questions were provided in a separate congressional response memorandum. We discuss the topics raised by the Senators' letter related to our audit objective in the body of this report.

Origins of the STEP Pilot Program and Cancellation

FEMA first implemented the STEP Pilot Program in the immediate aftermath of Hurricane Sandy in 2012. The program remained in pilot status during its 7-year duration. In terms of total cost and the number of units repaired, Tu Hogar Renace in Puerto Rico was the largest STEP Pilot Program undertaken.⁸ In October 2019, FEMA issued a memorandum announcing it was ending its

⁶ Frances Robles, *\$3,700 Generators and \$666 Sinks: FEMA Contractors Charged Steep Markups on Puerto Rico Repairs*, New York Times, Nov. 26, 2018, <https://www.nytimes.com/2018/11/26/us/fema-puerto-rico-housing-repairs-maria.html>.

⁷ [Letter to John Kelly, Acting Inspector General, Department of Homeland Security](#), Dec. 6, 2018.

⁸ In a March 2019 report, FEMA put the total cost for the STEP Pilot Program in Puerto Rico at approximately \$1.4 billion. In March 2019, FEMA reported 108,484 repairs were completed. We could not determine the exact number of repairs due to missing data and other errors in PRDOH progress reports.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

STEP Pilot Program for all future disasters, due to the program's failure to effectively address immediate threats to life, public health and safety, and property; length of time required to complete repairs; and limited impact on reducing the need for other emergency sheltering options.⁹

Although the STEP Pilot Program was canceled, FEMA may undertake similar programs in the future. Therefore, to be responsive to congressional stakeholders and to help FEMA improve future state-administered sheltering assistance programs, we conducted this audit to evaluate FEMA's effectiveness in meeting its goals and objectives relating to timeliness, procurement, and oversight of the STEP Pilot Program in Puerto Rico.

Results of Audit

FEMA did not ensure Puerto Rico effectively implemented the STEP Pilot Program following Hurricanes Irma and Maria in September 2017. Specifically, FEMA did not ensure Puerto Rico began implementing the STEP Pilot Program on time or met initial or extended deadlines to access homes and start repairs. In addition, FEMA did not ensure home repairs were completed within 6 months, as established by Federal regulations for emergency work. FEMA officials attributed timeliness issues to specific challenges in Puerto Rico, such as hardware stores' limited inventories. Home repairs under the STEP Pilot Program were finally completed in January 2019 — 15 months after the October 2017 implementation. In a March 2019 report, FEMA put the total cost for the STEP Pilot Program in Puerto Rico at approximately \$1.4 billion.

In terms of cost and the number of homes repaired, the STEP Pilot Program in Puerto Rico was the largest of its kind ever undertaken by FEMA. FEMA also faced challenges due to the impact of the hurricanes, the geography of Puerto Rico, and local construction and supply limitations. In addition to these factors, we attribute the delays implementing the STEP Pilot Program in Puerto Rico to FEMA's inadequate oversight. In particular, FEMA did not establish program- or award-specific performance goals, coordinate oversight efforts, document oversight activities, or validate the accuracy of progress-related data. Although FEMA canceled the STEP Pilot Program for all future disasters, by applying lessons learned to its future oversight activities, FEMA would help ensure survivors do not shelter in unsafe and unsanitary conditions for lengthy periods. Adequate oversight would also enhance FEMA's stewardship of taxpayer dollars and mitigate the risk of waste, fraud, and abuse.

⁹ FEMA Assistant Administrator Memorandum to Regional Administrators, Oct. 16, 2019.
www.oig.dhs.gov



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

FEMA Did Not Ensure Puerto Rico Effectively Implemented the STEP Pilot Program

FEMA did not ensure Puerto Rico began implementing the STEP Pilot Program on time to meet deadlines to access homes and begin repairs. Specifically, although FEMA issued its Recovery Program Guidance in October 2017, requiring action by Puerto Rico within 30 days,¹⁰ Puerto Rico did not authorize PRDOH to implement the STEP Pilot Program until 39 days after the FEMA-imposed deadline. FEMA's Recovery Program Guidance also established key milestones and requirements for Puerto Rico to meet. However, PRDOH did not obtain Right of Entry (ROE) documents to access homes to begin repairs by FEMA's original or extended deadlines for obtaining this access. Finally, the C.F.R. establishes a 6-month timeline for completion of emergency repairs, such as those undertaken in Puerto Rico under the STEP Pilot Program. FEMA did not ensure home repairs were completed within the established 6-month time limit and, instead, continued to grant extensions for repairs requested by PRDOH. As a result, homes were still being repaired 15 months after the STEP Pilot Program implementation. We attribute delays implementing the STEP Pilot Program in Puerto Rico to FEMA's inadequate oversight. In particular, FEMA did not establish program- or award-specific performance goals, coordinate program- or award-specific oversight efforts, properly document oversight activities, or validate the accuracy of progress-related data provided by PRDOH.

FEMA Did Not Ensure Puerto Rico Began Implementing the STEP Pilot Program on Time and Met Deadlines to Access Homes and Start Repairs

On October 11, 2017 — 21 days after Hurricane Maria's major disaster declaration — the Governor of Puerto Rico requested implementation of the STEP Pilot Program. On October 25, 2017, FEMA issued its Recovery Program Guidance, which authorized the implementation of the program and established key milestones and requirements Puerto Rico was expected to meet. According to FEMA's Recovery Program Guidance, Puerto Rico was required to provide evidence of its legal responsibility to undertake the STEP Pilot Program within 30 days (i.e., by November 24, 2017).

Puerto Rico notified FEMA that it had designated PRDOH as having the authority to implement the STEP Pilot Program on January 2, 2018 — 39 days after the November 24, 2017 deadline. This delay, in conjunction with PRDOH executing contracts for program management and repair services in January 2018, led to repairs not starting until the end of January 2018 —

¹⁰ *FEMA Recovery Program Guidance, Sheltering and Temporary Essential Power (STEP) Pilot Program for FEMA-4336-DR-PR and FEMA-4339-DR-PR*, p. 2, Oct. 25, 2017.
www.oig.dhs.gov



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

4 months after Hurricanes Irma and Maria struck the island and 3 months after FEMA authorized the program.

In addition, according to FEMA's Recovery Program Guidance, Puerto Rico was to obtain a ROE document authorizing contractors to access homes and begin repairs within 90 days of FEMA issuing its guidance. Therefore, PRDOH was responsible for obtaining ROEs for repair of all homes under the program by January 23, 2018.

Prior to missing the initial ROE deadline of January 23, 2018, PRDOH requested a 30-day extension on January 2, 2018. PRDOH subsequently requested two additional ROE deadline extensions, which FEMA granted:

- January 29, 2018: PRDOH requested a 65-day extension. FEMA approved this time extension on February 22, 2018, which revised the ROE deadline to April 29, 2018.
- April 19, 2018: PRDOH requested a 60-day extension. FEMA only approved a 30-day extension on May 4, 2018, which revised the ROE deadline to June 4, 2018.

Although PRDOH's third ROE extension request pushed the ROE deadline to June 2018, a PRDOH-generated progress report revealed it was still obtaining ROEs in January 2019.

According to a communication from the Governor's Authorized Representative for Puerto Rico, due to higher-than-expected interest in the STEP Pilot Program, PRDOH was not able to keep up with the volume of applicant registrations and struggled to determine which applicants were eligible, as well as to secure all of the ROEs required.

In its findings on the STEP Pilot Program's implementation, FEMA concluded that extending ROE deadlines because homeowners were still applying or had not provided the ROE could theoretically continue indefinitely.¹¹

FEMA Did Not Ensure Home Repairs Were Completed within Established Time Limits

The C.F.R. establishes the timeline for completion of emergency work as 6 months from the date a major disaster or emergency is declared.¹² Because the STEP Pilot Program was implemented in October 2017 and launched as an

¹¹ *Sheltering and Temporary Essential Power (STEP) Pilot Program Evaluation: Findings and Conclusions*, p. 15, Mar. 2019.

¹² 44 C.F.R. § 206.204(c)(1).

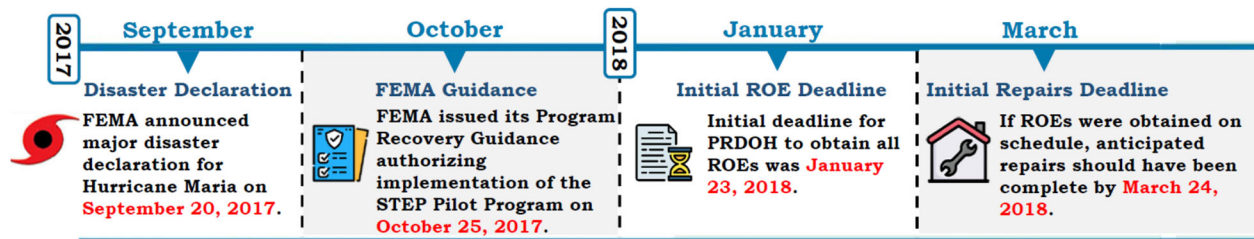


OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

emergency protective effort, home repairs were to be completed within the C.F.R.’s 6-month time limit, which would have been March 2018. Also, according to the C.F.R., based on extenuating circumstances or unusual project requirements beyond the subrecipient’s control, the recipient may extend the deadline an additional 6 months for emergency work.^{13,14}

FEMA’s Recovery Program Guidance required all damaged homes in Puerto Rico be repaired within 60 days of receipt of the ROE for each home. In Puerto Rico, had PRDOH obtained all ROEs by January 23, 2018, as envisioned, repairs on individual homes could have been completed by March 24, 2018.¹⁵ Figure 3 presents the expected timeline established by FEMA’s Recovery Program Guidance for implementation of the STEP Pilot Program in Puerto Rico.

Figure 3. Expected Timeline for Implementation of the STEP Pilot Program in Puerto Rico



Source: DHS OIG analysis of FEMA’s Recovery Program Guidance for the STEP Pilot Program implementation in Puerto Rico

PRDOH exceeded FEMA’s initial and all revised deadlines for completing repairs. As it had done when attempting to obtain ROEs, PRDOH requested multiple extensions of the repair completion deadline, all of which FEMA granted. This resulted in the target date for completing repair work moving from March 2018 to April 2018, June 2018, October 2018, and finally to December 2018.

A PRDOH weekly repair progress report from April 2019 showed repairs were still being completed in January 2019, past even the revised final target date.¹⁶ Therefore, PRDOH was completing repairs 16 months after the September 2017

¹³ 44 C.F.R. § 206.204(c)(2)(ii).

¹⁴ According to FEMA, under its PA Program, FEMA provides financial assistance through Federal awards to a state, territorial, or Indian Tribal Government (recipients), which in turn carry out work directly and/or process subawards to eligible PA applicants (subrecipients).

¹⁵ FEMA’s Recovery Program Guidance provided “[u]pon written justification from the Commonwealth, the FCO [Federal Coordinating Officer] may extend the ROE deadline by up to 30 days,” which, if employed, would allow repairs to be completed by April 23, 2018.

¹⁶ Due to data inconsistency and reliability issues with PRDOH’s weekly repair progress reports, we could not definitively determine the pace of repairs for every home in the program.

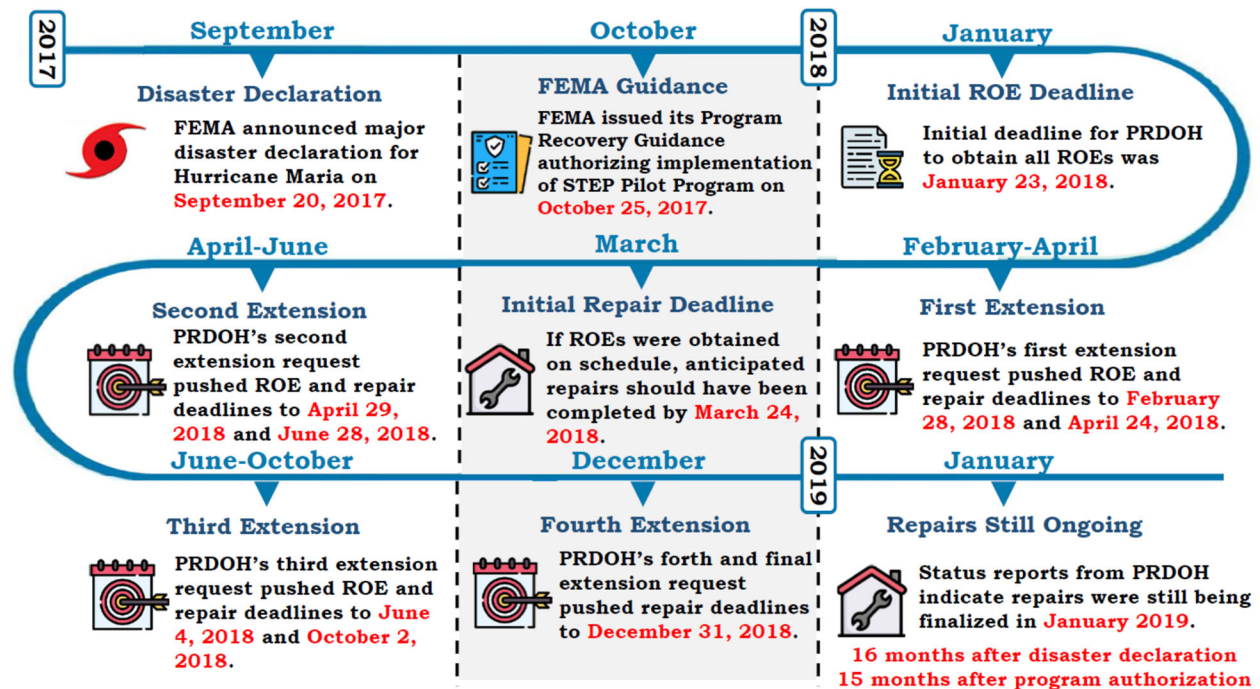


OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

major disaster declarations, and 15 months after FEMA authorized the program in October 2017.

Figure 4 shows the actual timeline for implementation of the STEP Pilot Program in Puerto Rico.

Figure 4. Actual Timeline for Implementation of the STEP Pilot Program in Puerto Rico



Source: DHS OIG analysis of FEMA's Recovery Program Guidance for the STEP Pilot Program implementation in Puerto Rico and program implementation documentation such as requests for extensions, FEMA's responses, and progress reports

PRDOH officials we interviewed told us that, given the number of homes repaired in Puerto Rico (about 108,000),¹⁷ they did not believe the implementation was delayed. According to FEMA personnel in Puerto Rico, timeliness-related issues were attributable to specific challenges on the island. For example, FEMA officials said hardware stores had limited inventories and most of the materials arrived in Puerto Rico via vessels.

¹⁷ This is the total number of repairs PRDOH officials shared with us during an interview. Differences in the total number of homes repaired are discussed later in this report.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Delays Implementing the STEP Pilot Program Due to FEMA’s Inadequate Oversight

In terms of total cost and the number of units repaired, Tu Hogar Renace in Puerto Rico was the largest STEP Pilot Program undertaken by FEMA. The unprecedented demand for sheltering, as well as the extensive damage, the geography of Puerto Rico, and local construction and supply limitations, further challenged effective implementation of Tu Hogar Renace. In addition to these factors, we attribute the delays implementing the STEP Pilot Program in Puerto Rico to FEMA’s inadequate oversight. In particular, FEMA did not:

- establish program- or award-specific performance goals;
- coordinate program- or award-specific oversight efforts;
- properly document oversight activities; or
- validate the accuracy of progress-related data provided by PRDOH.

FEMA Did Not Establish Program- or Award-Specific Performance Goals

According to the C.F.R.,¹⁸ the awarding agency should provide recipients with clear performance goals, indicators, and milestones that establish standards against which FEMA, as the awarding agency, can measure a recipient’s performance. Performance goals related to the specific grant award inform FEMA recipients of expectations and serve as a tool to guide and assess progress. However, FEMA did not establish performance goals to measure Puerto Rico’s progress in repairing homes. FEMA established milestones for various program phases, which did not provide an adequate basis for effective project monitoring.

According to FEMA officials, FEMA did not establish such goals for the STEP Pilot Program in Puerto Rico because the program was still a relatively new pilot program when FEMA implemented it for the 2017 hurricanes.¹⁹ FEMA officials also said the disasters and locations in which the STEP Pilot Program was implemented previously differed from Puerto Rico in impact, geography, and local construction and supply limitations. Finally, they said, given the extent of damage and supply limitations following Hurricanes Irma and Maria, it was not possible to establish specific goals against which to measure Puerto Rico’s progress.

¹⁸ 2 C.F.R. §§ 200.301 and 200.210(d) (2017). These regulations were revised in 2020. However, the regulations in effect at the time the disasters occurred are the regulations relevant to OIG’s audit.

¹⁹ FEMA originally implemented the STEP Pilot Program in the immediate aftermath of Hurricane Sandy in 2012.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

FEMA Did Not Coordinate Program- or Award-Specific Oversight Efforts

FEMA's oversight for the STEP Pilot Program, including efforts to determine whether Federal funds were effectively managed, was not tailored to the program. Instead, personnel from various FEMA offices, such as Headquarters, Region II, Office of the Chief Financial Officer (OCFO), and Joint Recovery Office (JRO) in Puerto Rico, used uncoordinated oversight procedures. Some offices followed the *FEMA Public Assistance Program and Policy Guide* while others sometimes used ad-hoc measures with inconsistent methodologies and documentation.²⁰ For example, FEMA OCFO said it used a sampling process to test 20 percent of invoices to validate supporting documentation against the *FEMA Public Assistance Program and Policy Guide*. According to FEMA officials, OCFO assessed completeness and compliance with the scope of work. In contrast, JRO staff told us they also reviewed invoices to validate the number of housing units against invoice documentation, using a spreadsheet and comparing information such as ROEs, work orders, and contractor claim amounts. FEMA JRO staff said discrepancies were communicated to the Puerto Rico project manager, but the JRO did not establish a deadline to address them.

Similarly, a PRDOH contractor handled constituents' complaints by maintaining a log and categorizing them for referral to the respective departments. FEMA JRO staff told us the JRO handled complaints as well but did not maintain a log. By not coordinating their oversight procedures and methodologies, FEMA offices duplicated efforts and may have missed opportunities to address program deficiencies.

In addition, although FEMA Region II oversees Federal emergency management in Puerto Rico, Region II officials told us they did not participate directly in STEP Pilot Program oversight. FEMA Region II officials' only involvement in oversight was deploying regional staff to the FEMA JRO. FEMA JRO was responsible for STEP oversight functions during program implementation.

FEMA Did Not Properly Document Oversight Activities

JRO personnel assigned to oversee the STEP Pilot Program told us they performed oversight activities at the local level, such as by holding weekly meetings with PRDOH, monitoring progress reports, and attending home inspections. These oversight activities were not always documented. For example, according to JRO staff, program participants called FEMA's line for Individual Assistance complaining about the quality of repairs and other matters, but they did not document the complaints or how they addressed

²⁰ *FEMA Public Assistance Program and Policy Guide*, FP-104-009-2, Version 3.1.
www.oig.dhs.gov



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

them. Further, for home inspections JRO staff attended, JRO said personnel were limited to observing PRDOH and contractor staff because they did not have appropriate technical proficiencies to assess repair work. In addition, JRO did not always record the observations from these inspections. Other oversight-related documentation was fragmented, consisting of emails and miscellaneous documents unrelated to any formal program or award-specific policy.

FEMA Did Not Validate Accuracy of Progress-Related Data Provided by PRDOH

According to FEMA's Recovery Program Guidance, Puerto Rico had to provide weekly electronic reports (FEMA Report 2) to FEMA with the following progress-related dates for homes that received STEP Pilot Program assistance: date the ROE was obtained, date repair work was initiated and completed, and dates of initial and final inspections. These dates were key for monitoring progress effectively as FEMA Report 2 was used to report on the performance and progression of the STEP Pilot Program repairs. The FEMA Recovery Reporting and Analytics Division (RAD) helped design FEMA Report 2.

PRDOH did not always provide FEMA accurate data in these reports because PRDOH's interpretation of some data field descriptions was inconsistent with FEMA's established definitions.²¹ For example, RAD defined the column "Date ROE Obtained" as when the ROE was actually obtained, but PRDOH told us that column represented when the ROE form was uploaded into the system, not when it was actually obtained. The accuracy of this date was essential to correctly calculate repair time for each home.

Another key metric to address progress was "Date Work Completed." According to RAD, this field represented the date physical repairs were completed. However, during a meeting with PRDOH, its contractor said PRDOH interpreted this field as the date the repair contractor, after finalizing repairs, asked for a final inspection, which is not necessarily when work was actually completed. Further, RAD told us it did not retain any evidence to corroborate when physical repairs were started or completed. If FEMA attempted to verify the date of repairs in the FEMA Report 2, which it did not, there was no corroborative evidence to support the "Date Work Completed" entries.²²

We observed other discrepancies in FEMA Report 2 data, including empty fields for repair dates, missing dates for ROEs, dates of work initiation that came

²¹ RAD developed a legend defining what each column meant by linking fields in the FEMA Report 2 to corresponding requirements in FEMA's Recovery Program Guidance.

²² The PRDOH oversight management services contractor maintained evidence for dates of final inspection. However, this date does not represent when physical repairs were completed.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

after dates of completion, and duplicate addresses and registration numbers.²³ Because various FEMA and PRDOH reports and calculations showed different totals for the number of homes repaired, we could not determine the exact number of repairs under the STEP Pilot Program. We concluded the data was not sufficiently reliable to assess PRDOH's compliance with FEMA requirements for obtaining ROEs for all homes and completing repairs on all homes. In addition, although JRO performed direct oversight of local activities, including a review of PRDOH updates to FEMA Report 2, RAD did not coordinate with JRO to verify the accuracy of PRDOH progress data for which we identified significant inaccuracies.

Conclusion

Without adequate oversight, including establishing program- or award-specific performance goals, coordinating and properly documenting oversight activities, and validating the accuracy of data on repair progress, FEMA did not achieve the STEP Pilot Program's goal of allowing survivors to safely shelter in homes that were promptly repaired. Specifically, in Puerto Rico, temporary home repairs continued through January 2019 — 16 months after the September 2017 hurricanes. As a result, some survivors may have been living for lengthy periods of time in unsafe and unsanitary conditions in houses without electricity and gas or propane, useable bathrooms, functional kitchens, potable water, and windows. FEMA's inadequate oversight also decreased its ability to be a good steward of taxpayer dollars and mitigate the risk of waste, fraud, and abuse.

Although FEMA canceled the STEP Pilot Program, it may undertake similar programs in the future. The *Disaster Recovery Reform Act of 2018* authorizes FEMA to provide grants to state or tribal governments to directly administer temporary and permanent housing construction. In November 2019, the FEMA National Advisory Council concluded that mass sheltering and housing in urban areas remained a challenge, described the STEP Pilot Program as an effective solution, and recommended selective deployment of a STEP Pilot Program Version 2.²⁴ According to FEMA officials, they will now focus on developing state-administered housing assistance program grants authorized by the *Disaster Recovery Reform Act of 2018*.

Because FEMA intends to focus on developing state-administered sheltering assistance programs, the challenges we identified with the STEP program's implementation in Puerto Rico remain valid. To improve the effectiveness of

²³ Because of missing data, we could not determine how long it took for some homes to be repaired or the exact average amount of time it took all homes to be repaired.

²⁴ [National Advisory Council Report to the FEMA Administrator, pp. 47-49, Nov. 2019.](#)



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

future programs, FEMA should apply the lessons learned from its experience in Puerto Rico. In particular, FEMA will need to consider specific circumstances that officials asserted caused challenges in Puerto Rico, such as the extent of damage, the number of people affected who may apply for assistance, geography, and potential limitations on supplies. FEMA should also take into account states' and territories' abilities and experience managing contractors. Considering these factors and applying lessons learned should help FEMA establish realistic program milestones and grant award performance goals, as well as improve coordination of program- and award-specific oversight activities, all of which are critical to the success of future FEMA state-administered sheltering assistance programs.

Recommendations

We recommend the Assistant Administrator for FEMA's Recovery Directorate:

Recommendation 1: Establish program- or award-specific performance goals to measure the progress of recipients in implementing activities under state-administered sheltering assistance grant awards.

Recommendation 2: Establish coordinated program- or award-specific oversight activities to monitor, assess, and provide guidance to sheltering assistance grant recipients on performance and corrective actions to address shortfalls. In addition:

- ensure proper documentation of oversight activities; and
- validate accuracy of progress-related data provided by the award recipient.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Management Comments and OIG Analysis

FEMA concurred with the two recommendations made in this report. Appendix B contains FEMA’s management response in its entirety. We also received technical comments and made changes to the report where appropriate.

We understand FEMA’s frustration with the time required to issue this report and the associated congressional response memorandum. COVID-related activities resulted in competing priorities and the need for DHS OIG to support DHS components, such as FEMA, in their requests to delay some of our audit work.

In this report, we noted that FEMA granted PRDOH time extensions throughout the STEP implementation. We did not focus or base our observations about the delays in implementation on the legality of the elapsed time, but rather on FEMA’s overall effectiveness in promptly providing safe sheltering to survivors. We acknowledge the grant recipient’s role and responsibilities in monitoring program performance, as cited by FEMA (2 C.F.R. §§ 200.329, 200.332). However, we continue to focus our observations on 2 C.F.R. § 200.301(a), which states, “The Federal awarding agency must measure the recipient’s performance to show achievement of program goals and objectives.”

A summary of FEMA’s responses to our recommendations and our analysis follows.

FEMA’s Comments to Recommendation 1: Concur. FEMA’s Recovery Directorate will identify performance goals to measure the progress of recipients in implementing state-administered non-congregate sheltering activities and include these goals in guidance on state-administered non-congregate sheltering assistance. Estimated Completion Date: December 30, 2022.

OIG Analysis of FEMA’s Comments: FEMA’s planned corrective action is responsive to the recommendation. The recommendation will remain open and resolved until we have reviewed the noted performance goals in guidance on state-administered non-congregate sheltering assistance.

FEMA’s Comments to Recommendation 2: Concur. FEMA’s Recovery Directorate will develop and distribute guidance on specific oversight activities to monitor and assess performance of state-administered non-congregate sheltering assistance, including proper documentation of recipient oversight activities and validation of progress-related data. Estimated Completion Date: December 30, 2022.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

OIG Analysis of FEMA's Comments: FEMA's planned corrective action is responsive to the recommendation. The recommendation will remain open and resolved until we have reviewed the noted guidance on specific oversight activities for state-administered non-congregate sheltering assistance.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Appendix A

Objective, Scope, and Methodology

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

Our audit objective was to evaluate FEMA's effectiveness meeting its goals and objectives relating to timeliness, procurement, and oversight of the STEP Pilot Program in Puerto Rico. To answer the objective, we interviewed FEMA, Puerto Rico, and contracting officials, reviewed applicable Federal laws and FEMA policies and program implementation records, and analyzed program data.

We evaluated internal controls to the extent necessary to accomplish our objective. Specifically, we developed an understanding of internal controls and assessed the internal controls in place at the time of the program implementation.

To assess the reliability of computer-based data elements needed to answer the audit objectives, we (1) performed electronic testing, (2) reviewed related documentation, and (3) interviewed component officials knowledgeable about the data. The results of our testing showed that data elements key to our audit contained missing data and other errors. We determined the data was not sufficiently reliable for assessing PRDOH's compliance with FEMA requirements for obtaining ROEs for all homes and completing repairs on all homes. Thus, the data is presented solely to indicate overall progress, as well as FEMA's shortcomings overseeing PRDOH, and not to corroborate the data it received.

We conducted this performance audit between October 2019 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective.



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

January 3, 2022

MEMORANDUM FOR: Joseph V. Cuffari, Ph.D.
Inspector General

FROM: Cynthia Spishak CYNTHIA
Associate Administrator SPISHAK Digitally signed by CYNTHIA
Office of Policy and Program Analysis SPISHAK Date: 2022.01.03 12:58:53
-05'00'

SUBJECT: Management Response to Draft Report: "FEMA Should Apply
Lessons Learned from STEP Pilot Program Implementation in
Puerto Rico to Future Programs"
(Project No. 19-023-AUD-FEMA)

Thank you for the opportunity to 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 this report.

As noted in the OIG's draft report, the Sheltering and Temporary Essential Power (STEP) Pilot Program (named Tu Hogar Renace (Your Home Reborn) in Puerto Rico) was the largest STEP Pilot Program undertaken by FEMA, in terms of total cost and the number of units repaired. The significant, island-wide impact of Hurricanes Irma and Maria created an unprecedented demand for shelter, and the extensive damage, wide-spread lack of electrical power, the geography of Puerto Rico, and local construction and supply limitations challenged the Commonwealth's recovery and adversely affected the implementation of Tu Hogar Renace.

FEMA leadership is particularly disappointed, however, that: (1) it took the OIG more than two years to complete this audit; and (2) the OIG's draft report inaccurately states FEMA did not ensure that Puerto Rico effectively implemented the STEP Pilot Program on time in terms of starting home repairs or ensuring that repairs were completed within six months. The latter is especially disconcerting given that time extensions for delays encountered were granted in accordance with applicable federal regulations, including 44 Code of Federal Regulations (C.F.R.) § 206.204, "Project Performance." Consequently, the work was, in fact, completed within the regulatory timeframes.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Furthermore, it is important to recognize that in accordance with 2 C.F.R. §§ 200.329, “Monitoring and reporting program performance,” and 200.332, “Requirements for pass-through entities,” the grant recipient, not FEMA, is responsible for overseeing and monitoring federal-award supported activities to ensure that they comply with applicable federal requirements and achieve performance expectations. These responsibilities are further identified in 44 C.F.R. Part 206, Subpart G, “Public Assistance Project Administration,” and included in the September 23, 2017, “Agreement Between the Federal Emergency management Agency and the Commonwealth of Puerto Rico for Emergency,” FEMA-4339-DR-PR (FEMA-Commonwealth Agreement), which identify that the recipient is responsible for completing all grant award activities, including all projects and/or activities approved under each federal grant award, within the time period prescribed in the FEMA-Commonwealth Agreement.

On October 16, 2019, FEMA discontinued the STEP Pilot Program for all future disasters because, among other issues, the significant time to initiate and complete STEP repairs made it difficult to determine its effectiveness as an emergency protective measure addressing immediate threats to life and property. FEMA remains committed to working with its state, local, tribal, and territorial (SLTT) partners and communities across the nation, to provide equitable access to FEMA’s recovery programs and equitable outcomes for disaster survivors. Furthermore, FEMA continues to work with SLTT partners and communities to identify and implement innovative solutions to disaster-caused needs, including through other forms of state-administered sheltering assistance, under the model of locally executed, state managed, and federally supported recovery.

The draft report contained two recommendations with which FEMA concurs. Attached find our detailed response to each recommendation. FEMA previously submitted technical comments addressing accuracy and other issues under a separate cover for OIG’s consideration.

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.

Attachment: Management Response to Recommendations



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Attachment: Management Response to Recommendations Contained in 19-023-AUD-FEMA

OIG recommended that the Assistant Administrator for FEMA's Recovery Directorate:

Recommendation 1: Establish program or award specific performance goals to measure the progress of recipients in implementing activities under state-administered sheltering assistance grant awards.

Response: Concur. FEMA's Recovery Directorate will identify performance goals to measure the progress of recipients in implementing state-administered non-congregate sheltering activities and include these goals in guidance on state-administered non-congregate sheltering assistance. Estimated Completion Date (ECD): December 30, 2022.

Recommendation 2: Establish coordinated program or award specific oversight activities to monitor, assess, and provide guidance to sheltering assistance grant recipients on performance and corrective actions to address shortfalls. In addition:

- ensure proper documentation of oversight activities; and
- validate accuracy of progress-related data provided by the award recipient.

Response: Concur. FEMA's Recovery Directorate will develop and distribute guidance on specific oversight activities to monitor and assess performance of state-administered non-congregate sheltering assistance, including proper documentation of recipient oversight activities and validation of progress-related data. ECD: December 30, 2022.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix C
Office of Audits Major Contributors to this Report

Vonda Batts, Director
John Polledo, Audit Manager
Alejandro Jaca-Mendez, Auditor-in-Charge
Oscar Andino, Auditor
Carolyn Berry, Auditor
Sonja Capitani, Program Analyst
Raeshonda Keys, Auditor-in-Charge
Joseph O’Gorman, Program Analyst
Vilmarie Serrano, Auditor
Mai Huynh, Program Analyst
Jane DeMarines, Communications Analyst
Kristen Connor, Assistant Counsel to the Inspector General, Office of Counsel
Kirsten Teal, Independent Reference Reviewer



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix D
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

FEMA

Chief of Staff
Chief Counsel
Office of Policy and Program Analysis
Office of Response and Recovery
Audit Liaison, FEMA (Job Code G-19-023-AUD-FEMA)
Audit Liaison, FEMA Region II

Congress

Congressional Oversight and Appropriations Committees

External

Puerto Rico Central Office for Recovery, Reconstruction, and Resilience
Puerto Rico Department of Housing

Additional Information and Copies

To view this and any of our other reports, please visit our website at:
www.oig.dhs.gov.

For further information or questions, please contact Office of Inspector General
Public Affairs at: 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 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