

**FEMA Needs to Improve
Oversight and
Management of Hazard
Mitigation Grant Program
Property Acquisitions**





OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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

June 22, 2022

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

FROM: Joseph V. Cuffari, Ph.D. **JOSEPH V** Digitally signed by
Inspector General **CUFFARI** JOSEPH V CUFFARI
Date: 2022.06.21
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SUBJECT: *FEMA Needs to Improve Oversight and Management
of Hazard Mitigation Grant Program Property
Acquisitions*

Attached for your action is our final report, *FEMA Needs to Improve Oversight and Management of Hazard Mitigation Grant Program Property Acquisitions*. We incorporated the formal comments provided by your office.

The report contains four recommendations aimed at improving FEMA's Hazard Mitigation Grant Program property acquisitions. 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 and of the disposition of any monetary amounts. Please send your response or closure request to OIGAuditsFollowup@oig.dhs.gov.

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

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



DHS OIG HIGHLIGHTS

FEMA Needs to Improve Oversight and Management of Hazard Mitigation Grant Program Property Acquisitions

June 22, 2022

Why We Did This Audit

Through grants to states, FEMA uses the HMGP to purchase properties that are flood damaged or in flood-prone areas, demolish any structures on them, and ensure they are maintained forever as open space. FEMA has acquired more than 32,000 properties for open space since 1989. We conducted this audit to determine whether FEMA is properly using the HMGP for property acquisitions.

What We Recommend

We made four recommendations to help FEMA strengthen its property acquisition activities.

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 oversee and manage Hazard Mitigation Grant Program (HMGP) property acquisition projects efficiently or effectively, nor can FEMA provide assurance that projects are awarded equitably. HMGP officials regularly granted states more funds than needed to complete projects, did not always deobligate unused funds promptly, and did not use Strategic Funds Management, an incremental funding process, as required. We attribute these deficiencies to FEMA's inadequate oversight of its regions. We estimate that FEMA could put about \$134.9 million to better use if it strengthens its HMGP project management.

In addition, FEMA's property records since 1989 were incomplete. HMGP officials also did not make sure states and communities monitored open space properties, as required; the officials told us FEMA allowed states to prioritize disaster response activities over collecting monitoring reports. Therefore, FEMA has no assurance that states are maintaining properties as open space.

Lastly, HMGP officials could not ensure that states considered demographic and economic data when selecting projects because FEMA has not yet developed a method for states to gather this data or guidance on using it when awarding funds. Thus, FEMA cannot be assured states are equitably selecting HMGP projects. To FEMA's credit, it is reviewing its programs to find ways to implement them equitably.

FEMA Response

FEMA concurred with all four recommendations.



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Abbreviations

C.F.R.	Code of Federal Regulations
FEMA	Federal Emergency Management Agency
FEMA GO	FEMA Grants Outcomes
FIMA	Federal Insurance and Mitigation Administration
HMA	Hazard Mitigation Assistance
HMAD	Hazard Mitigation Assistance Division
HMGP	Hazard Mitigation Grant Program
NEMIS	National Emergency Management Information System
SFM	Strategic Funds Management



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Background

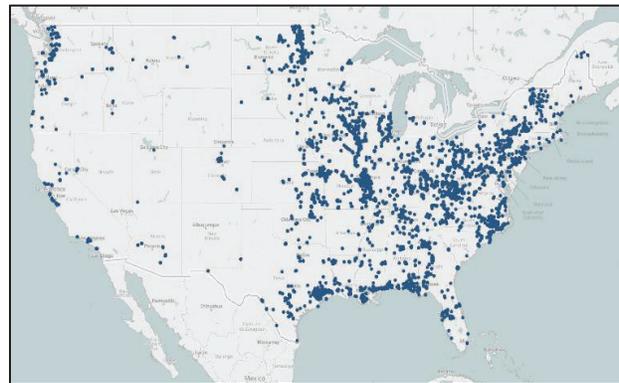
Hazard mitigation is any sustained action taken to reduce or eliminate long-term risk to people and property from the effects of natural hazards. According to the Federal Emergency Management Agency (FEMA), it is the only phase of emergency management dedicated to breaking the cycle of damage, reconstruction, and repeated damage.

FEMA offers Hazard Mitigation Assistance (HMA) through various grant programs to fund eligible mitigation activities by individual homeowners. For this audit, we reviewed one HMA activity — the Hazard Mitigation Grant Program (HMGP) Property Acquisition and Structure Demolition for Open Space projects (which we will refer to as property acquisition projects) — to determine whether FEMA is properly using the HMGP for property acquisitions.

Financed through the Disaster Relief Fund, HMGP property acquisitions aim to help states reduce flood risk to their residents' lives and properties. FEMA provides HMGP funds to states to purchase properties in communities that have been flooded in the past or are in high-risk flood areas, and to demolish any structures on the properties. The states must then maintain the properties as open space; however, FEMA's *HMA Guidance* does allow for some uses of open space.

Since HMGP property acquisitions began in 1989, FEMA has completed about 3,100 projects across the United States (see Figure 1) and spent about \$1.73 billion for states to acquire and demolish about 32,000 individual properties. (A single project may involve many individual properties.) As of January 2022, FEMA had 637 active HMGP property acquisition projects underway, with over \$1.01 billion in Federal funds obligated to 42 states and territories.

Figure 1. HMGP Property Acquisitions in Continental United States since 1989



Source: DHS Office of Inspector General analysis of FEMA's HMGP data



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HMGP Responsibilities of FEMA, States, and Communities

The roles and responsibilities of FEMA and the states and communities that receive HMGP funds are detailed in FEMA's *Hazard Mitigation Assistance Guidance - Hazard Mitigation Grant Program, Pre-Disaster Mitigation Program, and Flood Mitigation Assistance Program* (HMA Guidance) and *Hazard Mitigation Assistance Guidance Addendum* (HMA Guidance Addendum), both updated in February 2015. In accordance with the *Robert T. Stafford Disaster Relief and Emergency Assistance Act* (Stafford Act) and Federal regulations, FEMA's Financial Insurance and Mitigation Assistance branch provides direction to states, communities, and FEMA regions on applying for HMGP funds and implementing HMGP property acquisition projects.

To initiate an HMGP property acquisition project, a community or local government affected by a presidentially declared disaster applies to its state for HMGP assistance. If the state selects the application, it submits a grant application for the project to its FEMA region. After approving the project, the FEMA region obligates the grant funds to the state to distribute to the community or local government, which uses the funds to purchase flood-prone or flood-damaged properties from willing owners and demolish any structures on them. The acquired properties must be deed-restricted in perpetuity as open space to restore or conserve the natural floodplain.

Both the state and the community are required to monitor and evaluate the project's progress in accordance with the FEMA-approved statement of work and budget. After the project is complete, the community must monitor, inspect, and report to the state and FEMA every 3 years that the acquired properties are still being maintained as open space.

Use of Strategic Funds Management in Property Acquisitions

As part of its financial oversight of HMGP, FEMA applied the Strategic Funds Management (SFM) process to HMGP in June 2012. According to FEMA guidance,¹ SFM is designed to prevent depletion of the Disaster Relief Fund by obligating project funds incrementally, as they are needed, instead of obligating the entire amount when the project is approved — a practice that can lead to funds sitting unused, and unavailable for other needs, until they can be deobligated (returned to the Government).

FEMA regions, along with states and communities, must evaluate all pending and future HMGP projects for which the Government provides at least

¹ *HMA Guidance and the Strategic Funds Management Implementation Guide for the Hazard Mitigation Grant Program* (February 2015).



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\$1 million (that is, the Federal share of the grant) to determine whether the project should implement SFM (unless the state can justify why SFM should not be applied). FEMA's Office of Chief Financial Officer must also review these projects and follow up with the office that manages the HMGP to ensure that SFM has been considered and, if SFM is implemented, that monthly spending plans have been developed and obligations scheduled.

Results of Audit

FEMA did not oversee and manage HMGP property acquisition projects efficiently or effectively, nor can FEMA provide assurance that projects are awarded equitably. HMGP officials regularly granted states more funds than needed to complete projects, did not always deobligate unused funds promptly, and did not use SFM when needed. We attribute these deficiencies to FEMA's inadequate oversight of its regions. As a result, FEMA does not have prompt access to about \$12.2 million it could use on other mitigation activities. In addition to that amount, we estimate that FEMA could put as much as \$122.7 million to better use if it strengthens its HMGP project management.

In addition, FEMA's property records were incomplete because HMGP officials did not ensure data accuracy before closing the projects. Consequently, FEMA spent about \$2 million for a contractor to correct the data. HMGP officials also did not make sure the states and communities monitored open space properties, as required; the officials told us FEMA allowed states to prioritize disaster response activities over collecting monitoring reports. Therefore, FEMA has no assurance that states are maintaining properties as open space.

HMGP officials could also not ensure that states considered demographic and economic data when selecting projects because FEMA has not yet developed a method for states to gather this data or guidance on how to use it when awarding property acquisition funds. Thus, FEMA cannot be assured states are equitably selecting HMGP projects. To FEMA's credit, it is reviewing its programs to find ways to implement them equitably.

FEMA Did Not Manage Property Acquisitions Economically

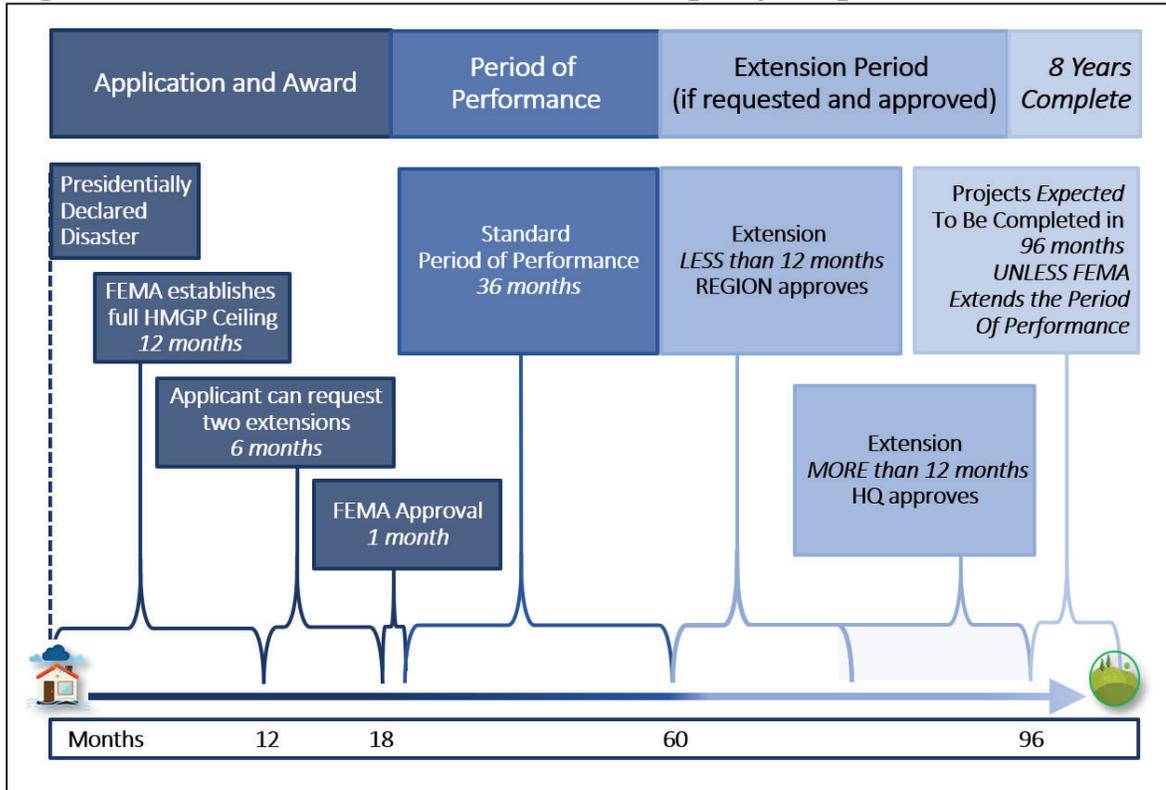
According to FEMA's *HMA Guidance*, the available period for the state to incur management costs is generally 8 years from the date a disaster is declared unless FEMA approves an extension of the HMGP project's period of performance. All extension requests must be in writing and submitted with justification. A project timeline typically allows approximately 18 months for the grant application and any extensions, 1 month for the award, and a standard period of performance of up to 36 months to complete the project. Additionally, according to the Code of Federal Regulations (2 C.F.R. § 200.344), the Federal agency awarding the funds must make every effort to close out a



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project no later than 1 year after the end of the period of performance unless otherwise directed by regulation. See Figure 2 for a timeline of HMGP property acquisitions.

Figure 2. FEMA’s Timeline for HMGP Property Acquisitions



Source: DHS OIG analysis of FEMA's HMA Guidance, Addendum, and 2 C.F.R. §200.344

Despite these requirements, HMGP officials did not close projects in a timely manner, did not deobligate unused funds, and regularly obligated more funds than states needed to complete property acquisition projects. We reviewed FEMA’s National Emergency Management Information System (NEMIS) data since 1989 for 3,070 HMGP property acquisition projects, each with a Federal share of less than \$1 million. In total, FEMA obligated more than \$976.3 million on these projects, but we determined that it ultimately deobligated more than \$225.7 million. We also determined that 36 open projects, with approximately \$12.2 million in obligations, have been open longer than the expected 8 years. We did not observe approved extension requests in 4 of the 12 project files. (See Appendix C for a list of documentation missing from the files we reviewed.) Without timely review of the projects, FEMA does not know if none, some, or all of these funds need to be returned and put to better use on other mitigation activities.



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In addition, FEMA has not consistently implemented SFM in its HMGP property acquisition projects since the SFM process began in 2012. We reviewed NEMIS data and identified 367 projects (230 closed and 137 open), each with more than \$1 million Federal grant share, which required them to undergo an SFM review. We analyzed the 367 projects and determined that FEMA reviewed 80 projects for SFM but implemented SFM only 17 times. FEMA also did not document SFM reviews for 287 of the 367 projects. See details in Table 1.

Table 1. HMGP Property Acquisition Projects That Required SFM Review, as Documented in NEMIS (Dollars in millions)

SFM Activity on ALL projects	# of Projects	Total Obligations	Final Costs	Over-Obligated
YES - REVIEWED <i>and</i> YES - IMPLEMENTED	17	\$216.2	\$189.7	\$26.5
YES - REVIEWED <i>but</i> NOT - IMPLEMENTED	63	\$347.2	\$342.0	\$5.2
NOT - REVIEWED <i>and</i> NOT - IMPLEMENTED	287	\$923.1	\$679.9	\$243.2
TOTALS	367	\$1,486.4	\$1,211.5	\$274.9

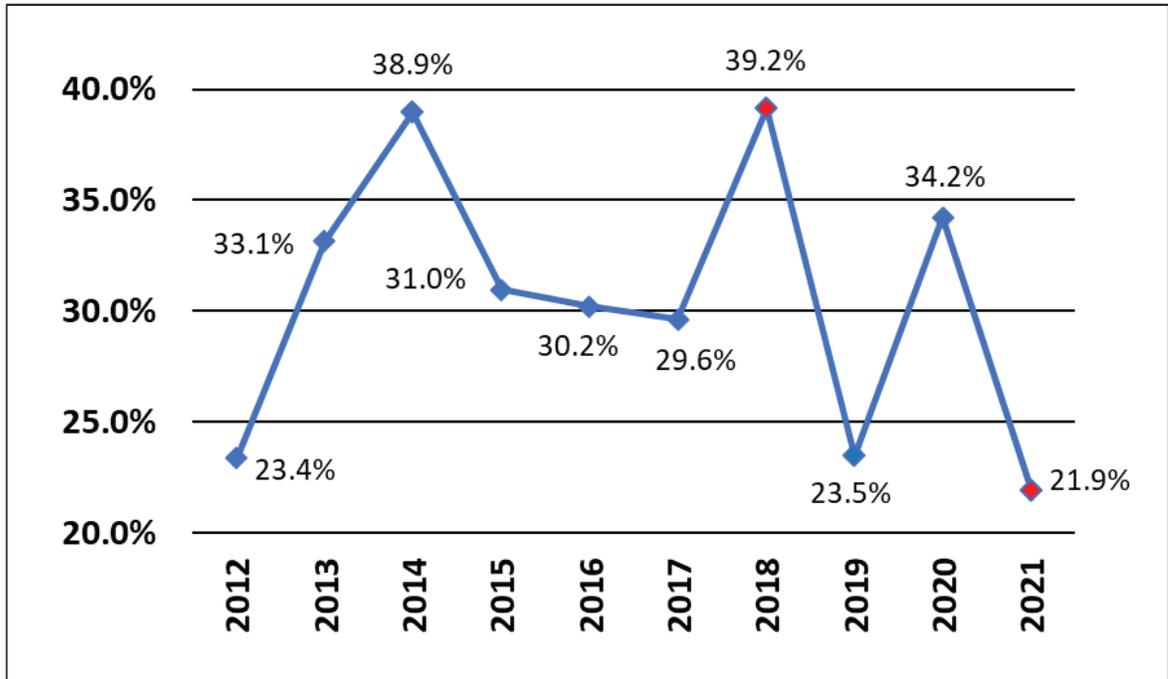
Source: DHS OIG analysis of NEMIS data

We reviewed the 230 closed HMGP property acquisition projects and determined that FEMA deobligated about \$240.6 million. The percent of funds deobligated varied by year, ranging from a high of 39.2 percent in 2018 to a low of 21.9 percent in 2021. (Figure 3 and Appendix D show the detailed percentages and amounts deobligated.)



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Figure 3. Percent of Funds Deobligated from Closed HMGP Property Acquisition Projects per Fiscal Year, 2012–2021



Source: DHS OIG analysis of NEMIS data

Based on FEMA’s deobligation trends from 2012 to 2021, we conservatively estimate that FEMA may need to deobligate at least \$157 million in remaining Federal shares (21.9 percent) from the 137 open and ongoing projects exceeding \$1 million. To its credit, FEMA has already deobligated about \$34.3 million from these projects, leaving an estimated \$122.7 million that it could put to better use.

These financial deficiencies occurred because FEMA did not adequately oversee its regions. FEMA headquarters relied on FEMA regional officials to close projects and deobligate unused funds promptly, and to coordinate with states to determine whether to implement SFM funding. Further, FEMA headquarters staff did not ensure the regions included enough supporting information in NEMIS to validate SFM determinations or to confirm that SFM reviews ever occurred. If FEMA strengthens its HMGP project management, we estimate that, of the approximately \$1.02 billion in open and ongoing HMGP property acquisition projects, FEMA could put about \$134.9 million to better use. (See Appendix E.) This includes about \$12.2 million from projects open longer than 8 years and the estimated \$122.7 million from projects that FEMA did not review for SFM. Although FEMA may deobligate these funds in the future, they are currently sitting idle and unavailable when they could be used for other HMGP property acquisition projects.



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HMGP Property Acquisition Records Were Missing Information

FEMA's HMA Guidance requires communities applying for grant assistance to meet the requirements and timeframes in 44 C.F.R. § 80.13. Communities must also provide enough detailed information for the states and FEMA to determine projects' eligibility before approval and funding. Examples of required information include documentation of statements of assurances, deed restrictions, property ownership, and voluntary interest forms. Applications that do not include the basic requirements may be denied as ineligible.

For HMGP property acquisitions, the NEMIS *HMGP User Manual* (Version 3 MR 16.01; February 2014) outlines the project data FEMA employees must record in NEMIS. Required information includes detailed property data, project closeout dates, and project financial information. FEMA's system of records for the HMGP property acquisition projects consists of both paper files and the digital data in NEMIS. A project, which may include many properties, can involve hundreds or thousands of pages of paper files as well as large amounts of digital information.

We sampled and analyzed the paper files for 12 closed HMGP projects (comprising more than 430 properties altogether) across the 10 FEMA regions, and we determined that the files contained erroneous and incomplete information. For example, some projects' paper files did not contain complete, accurate project information, did not properly document required reviews or approvals, and were missing required information such as accurate latitudes and longitudes, approval letters, and statements of assurances. (See Appendix C.)

Using NEMIS, we also reviewed all projects in the HMA program since its inception in 1989 and identified several data fields with required information that was missing or inaccurate in all of them, including approval and closeout dates, property latitudes and longitudes, and properties incorrectly listed as acquired.

Further, we used historical and current satellite imagery to create a geomap of the properties in our sample of 12 closed projects, which listed 314 acquired properties. We used this map to determine whether all structures had been demolished on the properties listed in NEMIS as acquired. This analysis uncovered 57 properties listed as acquired that still had original structures on them, representing 18 percent of the 314 properties acquired. We discussed these inconsistencies with HMGP officials, who told us the owners of the 57 properties had likely withdrawn from the projects before the properties were acquired. However, because accurate, detailed data was missing from both the paper files and NEMIS, we could not verify whether these properties had been

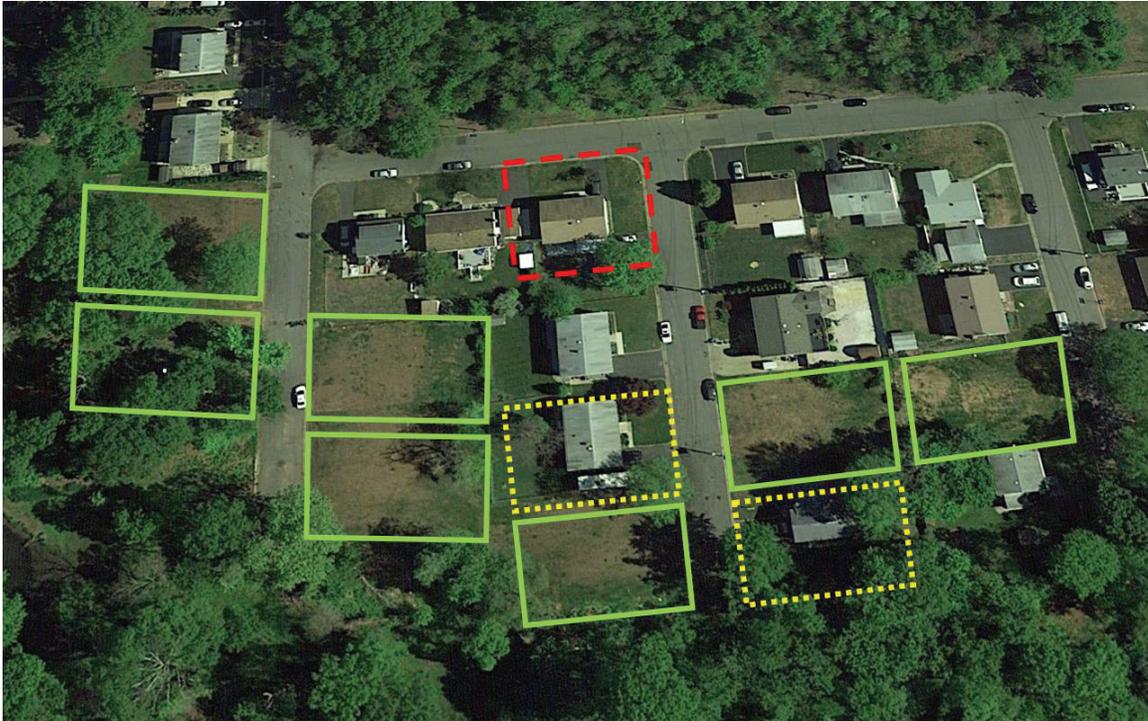


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withdrawn, nor could we verify that the project funds for these 57 properties were ever deobligated. As an example, Figure 4 shows a project with a property listed as acquired that still had structures on it, in contrast to other acquired properties with no structures on them.

Figure 4. Detailed Example of a Project with a Property Listed as Acquired but with Structures Still Present



Source: DHS OIG analysis of FEMA's NEMIS data and HMGP project paper files

Key: Solid green = property listed as acquired in HMGP and showing no structure present
Dotted yellow = property listed as withdrawn from HMGP and showing structure present
Dashed red = property listed as acquired in HMGP but still showing structure present

These project management discrepancies occurred because FEMA regional officials did not consistently document their review and approval of applications to show compliance with HMGP's requirements. FEMA regional officials also did not confirm the completeness and accuracy of projects' paper files or NEMIS data, as required, before closing the projects.

FEMA officials recognized that projects in NEMIS were missing required latitudes and longitudes for properties, so FEMA spent about \$2 million for a contractor, AECOM, to review and correct the property data in NEMIS. AECOM completed Phase 1 of its review during our audit. AECOM determined that about 23 percent of the acquired properties (about 8,000 of the approximately 35,000 properties listed as acquired) had incorrect addresses or no parcel data, including latitudes and longitudes, when the projects were closed. Further,



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about 2,800 of the properties listed as acquired still had structures on them. HMGP officials said these properties had also likely withdrawn from the projects and were ultimately not acquired. (See Appendix F for maps showing the distribution of properties across the country with data issues AECOM found.)

FEMA Did Not Ensure States Monitored, Inspected, and Reported on Properties as Required

Per *HMA Guidance* and 44 C.F.R. § 80.19(a), acquired properties must be maintained as open space in perpetuity to conserve the natural floodplain. Every 3 years, the communities must submit a report to the states and FEMA regional administrator certifying that the community inspected HMGP-acquired properties the previous month and found they still comply with open space requirements. FEMA and the state are both responsible for bringing the properties back into compliance if they are not being maintained as open space. If a property is not brought back into compliance, FEMA may withhold further mitigation awards or assistance, require transfer of the land title, or take legal action against the community or the state.

States did not always ensure communities monitor, inspect, and report on open spaces. For our sample of 12 closed projects, we interviewed officials from the 10 FEMA regions and requested documentation to support the states' monitoring activities. However:

- seven regions could not provide open space monitoring reports for their projects; and
- three regions had received their states' reports as required, but two states in two separate regions submitted the reports well after their due dates.

From this, we determined that FEMA regions did not always ensure communities and states conducted the required monitoring, inspection, and reporting to determine whether acquired properties were maintained as open space after the projects were closed.

Although the HMA Guidance directs FEMA to coordinate with states to receive the necessary documentation, HMGP officials stated that FEMA allowed states and communities to prioritize other work due to increased disaster activity and did not always seek reports from states that did not submit them on time or as required.

When states do not ensure communities conduct monitoring activities, such as visually inspecting properties, there is a risk that properties will not be



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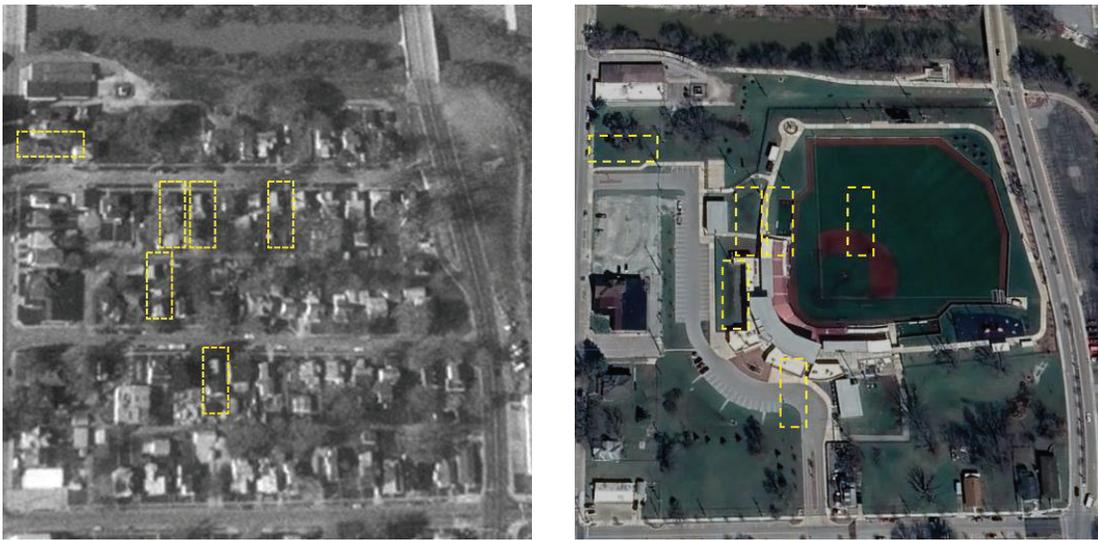
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properly maintained as open space. In addition, if states do not report to FEMA on open space properties, FEMA cannot learn about possible violations and bring properties back into compliance.

In one example of this issue, the city of Kokomo, Indiana, redeveloped a group of open space properties into a baseball stadium without FEMA's prior review or approval of the construction. The photos in Figure 5 show this unauthorized use.

Figure 5. Unauthorized Use of HMGP-Acquired Properties

The aerial photo on the left, dated 1998, shows the locations of structures before HMGP acquisition and mitigation. The photo on the right, dated 2021, shows the same locations, now with the baseball field and other structures present.



Source: DHS OIG analysis and geomapping with FEMA's HMGP property acquisition data

Key: Dotted yellow = HMGP properties acquired for open space

Although the 13 properties in this project were acquired between 2003 and 2011, FEMA had not obtained monitoring reports for any of these open spaces. FEMA learned about the baseball stadium after a local official told FEMA employees about the project when it was almost finished. Once notified, FEMA quickly intervened, temporarily withheld assistance from the state, and negotiated a compromise with Indiana that allowed the stadium to be completed, with a modified design, on the previously designated open space. (See Appendix G for more images of the stadium project.)

The HMA Guidance allows for some uses of open space. However, we identified potential minor violations of open space requirements in our geomapping of more than 430 properties across all 10 FEMA regions. We identified vehicles



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parked on open space properties and properties used for storage that appeared to be unauthorized and unallowed.

Some states and communities did monitor and report on open space acquisitions as required. For example, FEMA regional officials said Ohio has developed its own database, the State Hazard Analysis, Resource, and Planning Portal, which tracks data on HMGP properties and allows Ohio to communicate electronically with its communities. A FEMA headquarters official said this system has proven to be effective.

FEMA Did Not Ensure States Considered Equity in Project Selections

Section 308 of the Stafford Act, *Nondiscrimination in Disaster Assistance*, requires that FEMA's disaster assistance programs be administered equitably and impartially, without discrimination on the grounds of race, color, religion, nationality, sex, age, disability, English proficiency, or economic status. FEMA's HMA Guidance also identifies nondiscrimination requirements in accordance with Title VI of the *Civil Rights Act of 1964*, and it directs states and communities to ensure that no discrimination is practiced and to consider fairness, equity, and equal access when prioritizing and selecting HMGP property acquisition projects to submit with their grant applications. Additionally, 44 C.F.R. § 80.5, *Property Acquisition and Relocation for Open Space*, requires FEMA to review applications for eligibility and compliance with FEMA mitigation grant programs.

Despite these requirements, HMGP officials could not ensure that states considered demographic and economic information when selecting projects. This was because FEMA has not yet developed a method for states to gather this data, nor has it issued guidance on how states should use this information when awarding property acquisition funds. None of the 12 HMGP property acquisition project files we reviewed included the demographic and economic information necessary for states to consider equity when selecting projects or applying to FEMA for the grants. In addition, none of the 12 projects explained how states factored equity considerations into award decisions.

FEMA officials told us FEMA relied on the states' Statement of Assurance in the grant application, which include a provision for compliance with the *Civil Rights Act of 1964*, but 3 of the 12 projects we reviewed did not include a Statement of Assurance to support the states' equity compliance. (See Appendix C.)

FEMA officials also indicated that FEMA conducts an environmental and historic preservation review to ensure compliance with Executive Order 12898,



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Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations (Feb. 11, 1994). Although these reviews address whether the outcomes of specific projects may adversely affect lower-income and minority populations, they do not consider or ensure equitable distribution of HMGP property acquisition funds.

In accordance with Executive Order 13985, *Advancing Racial Equity and Support for Underserved Communities Through the Federal Government* (effective January 20, 2021), officials told us FEMA is beginning to seek ways to implement greater equity considerations in program delivery. FEMA headquarters officials recognized the absence of demographic information in the current process and have begun to include equitability and impartiality factors in FEMA's grant processes. In July 2021, FEMA announced two initiatives to reduce barriers and increase grant opportunities for lower-income and minority applicants: forming the Equity Enterprise Steering Group and establishing a stakeholder engagement process to address equity considerations when developing the *2022–2026 FEMA Strategic Plan*. According to FEMA officials, both the steering group and the engagement process include internal and external stakeholders to reflect the agency's commitment to advancing equity, and officials said these are only the first two of many initiatives FEMA has planned.

Recommendations

Recommendation 1: We recommend the Acting Deputy Assistant Administrator for Resilience implement financial management procedures to ensure FEMA regional officials monitor and close HMGP property acquisition projects in a timely manner, and that they conduct Strategic Funds Management reviews, document review decisions, and implement such decisions where appropriate. These actions will help minimize as much as \$134,911,248 in funds that FEMA could put to better use.

Recommendation 2: We recommend the Acting Deputy Assistant Administrator for Resilience implement management procedures to ensure HMGP property acquisition project applications and project information are complete and accurate when submitted, reviewed, closed, and maintained by FEMA.

Recommendation 3: We recommend the Acting Deputy Assistant Administrator for Resilience direct FEMA regions to ensure states monitor, inspect, and report to FEMA on acquired HMGP properties in accordance with grant requirements to confirm the properties are maintained as open space.



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Recommendation 4: We recommend the Acting Deputy Assistant Administrator for Resilience and FEMA's Office of Equal Rights continue initiatives to reduce barriers and increase opportunities pursuant to Title VI of the *Civil Rights Act of 1964* for applying for and receiving FEMA HMGP property acquisition grants. Additionally, we recommend that FEMA develop guidance and implement equity considerations in program delivery, including the states' use of demographic, economic, and other required data when selecting projects for HMGP property acquisition.

FEMA Management Comments and OIG Analysis

FEMA concurred with all four recommendations. We included FEMA's management comments as Appendix B. We also received technical comments to the draft report and revised the report as appropriate. A summary of FEMA's responses and our analysis follows.

FEMA Response to Recommendation 1: Concur. FEMA officials stated that HMGP is in the process of standing up a Monitoring and Closeout Team. In addition, FEMA has created closeout job aids to help states and communities complete closeout packages and expedite the closeout process. The new HMGP Monitoring and Closeout Team will assist regional offices through the remainder of calendar year 2022 and will update the SFM Frequently Asked Questions and *SFM Implementation Guide* by the end of calendar year 2023. The team will also conduct quarterly SFM reviews and annual trainings on the importance of SFM determinations and documentation. Estimated Completion Date: December 31, 2023.

OIG's Analysis 1: FEMA's planned actions to stand up the HMGP Monitoring and Closeout Team meet the intent of the recommendation, which will remain resolved and open until FEMA provides documentation that the team is operating as well as documentation of the quarterly SFM reviews and annual trainings.

FEMA's Response to Recommendation 2: Concur. FEMA officials stated the Hazard Mitigation Assistance Division (HMAD), under the Federal Insurance and Mitigation Administration (FIMA), is developing the Application Review Tool, which FEMA regional offices can modify to fit their needs when reviewing HMGP projects. Throughout FYs 2021 and 2022, HMAD has developed acquisitions-specific job aids and documents for applicants to use when developing acquisition projects. HMAD anticipates completing the migration from NEMIS to the FEMA Grants Outcomes (FEMA GO) system by the end of FY 2023, with full import of legacy disaster data by the end of FY 2025. FEMA GO will better assist applicants and sub-applicants with submitting complete



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and accurate application, project, and closeout information. Estimated Completion Date: December 31, 2023.

OIG's Analysis 2: Recommendation 2 is resolved and open until FEMA completes these actions and provides documentation showing the NEMIS HMGP migration to FEMA GO.

FEMA's Response to Recommendation 3: Concur. FEMA officials stated FIMA is finalizing efforts to validate and categorize the spatial location of all open space records. The data will be hosted on an internal geoportal mapping application, allowing FEMA regional offices and grantees to visualize and verify properties' spatial locations. Further, grant recipients may use spatial imagery to monitor records and verify they are being maintained as open space. This tool will help regional offices and grantees better comply with the monitoring requirement and continue efforts to validate records. FIMA will complete the data validation effort, working with FEMA regional offices and state, local, tribal, and territorial governments to continuously verify and monitor records. Estimated Completion Date: January 31, 2023.

OIG's Analysis 3: Recommendation 3 is resolved and open until FEMA submits evidence showing it has finished updating the open space data and it initiates the internal geoportal mapping application.

FEMA's Response to Recommendation 4: Concur. FEMA officials stated FIMA is identifying barriers to equitable program delivery and developing action plans to address them. This process is formalized through the HMA equity assessment as part of implementing Executive Order 13985. Prior to Executive Order 13985, no regulations or policies required FEMA or its grant applicants to use demographic information for equity. FIMA is now seeking ways to ensure greater consideration for equity in HMGP program delivery. FEMA will develop baseline analysis recommendations for prioritizing equity across the program by the end of December 2022, and guidance by late 2023. Estimated Completion Date: December 31, 2023.

OIG's Analysis 4: Recommendation 4 is resolved and open until FEMA submits evidence showing it has finished the baseline analysis for prioritizing equity across the program and provides copies of the equity guidance it implements.



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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*.

We audited FEMA’s HMGP, specifically its Property Acquisitions and Demolitions for Open Space activities. The objective of our audit was to determine whether FEMA is properly using this program, which is designed to allow states to mitigate damages to properties in flood-prone areas or to properties damaged by flooding or other natural disasters.

To accomplish our objective, we reviewed Federal laws and regulations as well as applicable FEMA policies and guidance. We interviewed officials from FEMA headquarters, all 10 FEMA regions, and the contractor AECOM to better understand HMGP property acquisition activities.

We also analyzed various HMGP data sets, extracted from NEMIS for projects since the program’s inception in October 1989 to September 2021, to determine whether funds for HMGP property acquisition projects were managed efficiently, effectively, and economically. The data sets contained records for properties nationwide that applied for HMGP property acquisition projects from October 1989 to September 2021, as well as the corresponding financial transactions for those projects that listed the obligation and deobligation amounts. We assessed the reliability of the NEMIS data by gaining an understanding of NEMIS; interviewing agency officials knowledgeable about the system; testing for missing data, duplicate records, and values outside designated ranges; and comparing publicly available HMGP data to OIG-requested NEMIS-generated reports. We determined that the data was sufficiently reliable to use in support of this report.

Initially, to evaluate FEMA’s review process for HMGP property acquisition projects, we judgmentally selected 25 HMGP property acquisition projects closed during FYs 2010 through 2018. However, because of FEMA’s delays in providing paper project files and the volume of information in some of the project files we received, we reduced our judgmental sample to 12 projects, which included at least 1 project from each of the 10 FEMA regions.

We analyzed the 12 projects’ paper files against requirements in FEMA’s *Hazard Mitigation Assistance Guidance – Hazard Mitigation Grant Program, Pre-Disaster Mitigation Program, and Flood Mitigation Assistance Program*, and *Hazard Mitigation Assistance Guidance – Addendum* to determine whether they contained evidence that supported HMGP property acquisition requirements.



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In addition, we created a detailed geomap, using historical satellite imagery and the most current satellite imagery available, of the properties listed in each of the 12 judgmentally selected HMGP projects (more than 430 properties altogether) to determine whether structures had been demolished or were still present on properties listed as acquired.

We also obtained and summarized AECOM's review of FEMA's HMGP property data, interviewed knowledgeable FEMA officials and AECOM personnel, created geomaps to illustrate the information, and used the AECOM data to corroborate the issues identified in FEMA's NEMIS data. The AECOM data set contained more than 91,000 listings of properties based on both FEMA headquarters' NEMIS data and numerous similar, regionally maintained data sets merged in from the FEMA regions.

To determine whether HMGP property acquisition project funds were managed efficiently, effectively, and economically, we reviewed the financial transactions from the NEMIS data set for the HMGP property acquisition projects from October 1989 through June 23, 2021. We also interviewed officials from FEMA's headquarters and regions about SFM implementation and the financial transactions listed in NEMIS.

We conducted this performance audit between February 2021 and January 2022 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 objective.



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Appendix B
FEMA Comments on the Draft Report

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



FEMA

June 2, 2022

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

FROM: Cynthia Spishak
Associate Administrator
Office of Policy and Program Analysis

CYNTHIA SPISHAK
Digitally signed by CYNTHIA SPISHAK
Date: 2022.06.02 16:23:02 -04'00'

SUBJECT: Management Response to Draft Report: “FEMA Needs to Improve Oversight and Management of Hazard Mitigation Grant Program Property Acquisitions”
(Project No. 20-061-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.

FEMA is pleased to note OIG’s recognition that FEMA provides the Hazard Mitigation Grant Program (HMGP) with funds to help states reduce flood risk to their residents through property acquisition and demolition projects. In addition, OIG noted HMGP’s efforts to implement projects more equitably and serve the most vulnerable populations, such as forming the Equity Enterprise Steering Group, and establishing a stakeholder engagement process to address equity considerations when developing the 2022-2026 FEMA Strategic Plan.

FEMA remains committed to breaking the cycle of damage, reconstruction, and repeated damage through sustained action to reduce or eliminate long-term risk to people and property from the effects of natural hazards. State, local, tribal, and territorial (SLTT) partners play an important role in the administration of HMGP projects, and FEMA will continue to assist them in executing their management and oversight responsibilities of HMGP projects, including financial monitoring and closeout.

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



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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.

Enclosure



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**Enclosure: Management Response to Recommendations
Contained in 20-061-AUD-FEMA**

OIG recommended that FEMA’s Acting Associate Administrator for Resilience:

Recommendation 1: Implement financial management procedures to ensure FEMA regional officials monitor and close HMGP property acquisition projects in a timely manner, and that they conduct Strategic Funds Management reviews, document review decisions, and implement such decisions where appropriate. These actions will help minimize as much as \$134,911,248 in funds that FEMA could put to better use.

Response: Concur. FEMA’s Federal Insurance and Mitigation Administration (FIMA) is dedicated to assisting SLTTs in recognizing their monitoring and closeout responsibilities, and agrees with the importance of Strategic Funds Management (SFM) documentation. However, it is important to note that SFM implementation is often based on SLTT contractual requirements and is—at times—inappropriate for HMGP acquisition projects. For example, SLTT partners previously cited the need for an exception because the project requires fully approved funding (i.e., full obligation) before the procurement process can be executed. It is also worth highlighting that, even though the OIG notes that there are funds associated with open acquisition projects that are “sitting idle and unavailable,” in most instances, FEMA cannot deobligate funds until projects are completed due to the potential for cost increases and allowable changes to the scope of work.

Currently, HMGP is in the process of standing up a Monitoring and Closeout Team at FEMA. The Team will assist regional offices with grant monitoring activities and timely closeout of projects, including updating the SFM Frequently Asked Questions (FAQ) and the SFM Implementation Guide, both dated February 24, 2015. In addition, FEMA has created closeout Job Aids to assist stakeholders in developing more complete closeout packages to expedite the closeout process. The HMGP Monitoring and Closeout Team will provide assistance to regional offices through the remainder of calendar year (CY) 2022 and will update the SFM FAQ and SFM Implementation Guide by end of CY 2023. Once in place, the Monitoring and Closeout Team will also conduct quarterly SFM reviews and annual trainings on the importance of SFM determinations and documentation. Estimated completion date (ECD): December 31, 2023.

Recommendation 2: Implement management procedures to ensure HMGP property acquisition project applications and project information are complete and accurate when submitted, reviewed, closed, and maintained by FEMA.

Response: Concur. FIMA seeks to continually improve processes that support applicants in developing timely and complete applications. Accordingly, the Hazard



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Mitigation Assistance Division (HMAD) under FIMA is currently developing the Application Review Tool, which is a spreadsheet that can be modified by FEMA regional offices to fit their needs when reviewing HMGP projects for completeness. HMAD is also developing template applications for a variety of project types, which will allow applicants to know precisely what information is required to develop complete applications. The Application Review Tool and templates are currently undergoing Paperwork Reduction Act review prior to approval for applicant use.

In addition to templated applications, throughout FY 2021 and 2022 HMAD has developed several acquisitions-specific Job Aids and FAQ documents currently available for applicants to use when developing their acquisition projects. Further, HMAD anticipates completing migration from the National Emergency Management Information System (NEMIS)—HMGP’s current system of record—to the FEMA Grants Outcomes (FEMA GO) system by the end of FY 2023, with full import of legacy disaster data by the end of FY 2025. The inclusion of legacy disaster data, while not necessary for the utilization of the FEMA GO system, will provide useful context when used in conjunction with FEMA GO’s built-in business analytics tools. As Hazard Mitigation and HMGP migrates to an automated grants management system, this will better assist applicants and sub-applicants in submitting complete and accurate application, project, and closeout information. ECD: December 31, 2023.

Recommendation 3: Direct FEMA regions to ensure states monitor, inspect, and report to FEMA on acquired HMGP properties in accordance with grant requirements to confirm the properties are maintained as open space.

Response: Concur. FIMA is finalizing its efforts to validate and categorize the spatial location of all open space records. Once complete, the updated open space data will be hosted on an internal geoportals mapping application, allowing FEMA regional offices and SLTTs to visualize the locations of their open space records and continue the effort of correctly identifying their spatial location, verifying both street address and latitude/longitude. Additionally, grant recipients may use spatial imagery (updated at least every 3 years) to monitor open space records and verify if they are being maintained as open space. This tool will assist regional offices and SLTTs to better comply with the monitoring requirement and continue efforts to validate past records.

From the initial promulgation of 44 CFR §80, “Property Acquisition and Relocation for Open Space,” various SLTT officials expressed reservations about their ability to meet the monitoring requirement. With increasing disaster activity, many SLTT jurisdictions may not have the capability or capacity to develop quality applications in a timely manner, let alone perform the required monitoring on grant projects that have been closed out. For many jurisdictions, the same staff resources devoted to response and recovery activities are also tasked with developing mitigation projects.



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The primary impetus behind the open space mapping effort is to update and quality control FEMA's data, and plot the new data on geographic information system (GIS) maps so that going forward, FEMA's regional offices and grant recipients can track records using GIS and ortho/aerial imagery. This use of automation will serve to build some efficiencies into the monitoring process overall and reduce burden on state and local partners.

FIMA will complete the data validation effort working with FEMA regional offices and SLTTs to verify and monitor open space records on a continuous basis. ECD: January 31, 2023.

OIG recommended that FEMA's Acting Associate Administrator for Resilience and FEMA's Director of the Office of Equal Rights:

Recommendation 4: Continue initiatives to reduce barriers and increase opportunities pursuant to Title VI of the Civil Rights Act of 1964 for applying for and receiving FEMA HMGP property acquisition grants. Additionally, that FEMA develop guidance and implement equity considerations in program delivery, including the states' use of demographic, economic, and other required data when selecting projects for HMGP property acquisition.

Response: Concur. FIMA is currently working to address equity in its HMGP activities and projects, although it is important to recognize that states have a significant amount of autonomy as to how to administer the HMGP, including what type of applications to submit and what considerations they deem important in application development and funding priorities. In accordance with FEMA's regulations, for instance, it is the state's responsibility to establish procedures and priorities for the selection of mitigation projects to submit to FEMA. This contrasts with the annual hazard mitigation assistance (HMA) grants, in which FEMA can establish priorities for ranking applications through the Notice of Funding Opportunity (NOFO) process. These annual programs include the Building Resilient Infrastructure and Communities, Flood Mitigation Assistance, and the Pre-Disaster Mitigation programs.

Through the NOFO and ranking priorities for competitive grant applications, FEMA has a greater ability to influence the type of applications submitted and funded to be consistent with priorities such as equity, future conditions/climate change, or other strategic objectives. In accordance with FEMA's commitment to achieve a more equitable HMA program delivery, as documented in the "Hazard Mitigation Assistance Strategic Framework FY 22-23," FIMA is in the process of identifying barriers to equitable program delivery and action plans to address those barriers. This is formalized through the HMA equity assessment, which is being worked as part of implementation of Executive Order 13985, "Advancing Racial Equity and Support for Underserved Communities Through the Federal Government," dated January 20, 2021.



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Prior to Executive Order 13985, there were no implementing regulations or policies that specifically required FEMA or applicants to use demographic information to improve or enhance equity. FIMA is now seeking ways to ensure greater consideration for equity in HMGP program delivery, including making use of demographic and economic data to better understand which communities have participated in HMGP in the past and those that have never received funding and may need better outreach.

Since January 2021, HMGP has held multiple engagement sessions with regional and SLTT stakeholders, who identified program strengths, barriers, and priorities, and identified equity as a priority. Consequently, equity is being incorporated as a key concept in the new HMGP Strategic Plan. The Plan's first goal is to "Improve Program Access and Enable Equitable Outcomes" and it outlines strategies for incorporating equity throughout HMGP.

The implementation of these strategies is an ongoing effort within all HMA grant programs. One example of an ongoing effort within HMGP to establish partnerships with non-governmental organizations to support disadvantaged communities. Partnerships such as these will help SLTT communities develop mitigation projects and meet non-federal cost-share requirements by utilizing both profit and non-profit associations, as well as other community organization support groups. Another example is the creation of a team within FEMA that is focused on prioritizing equity considerations in its implementation of various programs. As part of this multi-tiered effort, the team is conducting an equity analysis of HMGP funding and is working to improve future data collection. This analysis will help determine whether HMGP is being equitably distributed. In addition, the team is developing an equity baseline and dashboard to track projects and working to develop incentives for applicants and sub-applicants to incorporate equity in their decision-making. Furthermore, the team will develop guidance materials to assist stakeholders in equity considerations as they implement HMGP. FEMA will develop the equity baseline analysis recommendations for prioritizing equity across the program by the end of December 2022, and guidance materials by late 2023. ECD: December 31, 2023.



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Appendix C
Summary of Documents Missing from Projects Reviewed

REQUIRED DOCUMENTS*	PROJECTS REVIEWED											
	1	2	3	4	5	6	7	8	9	10	11	12
Detailed Budget				X	X						X	X
Cost Share and Match Sources		X			X			X				X
Site Location, Maps, and GPS Coordinates		X					X					
Statement of Voluntary Participation (Post-Award)		X	X				X	X				
Statements of Assurances		X		X	X							
Certification of National Citizenship		X	X	X			X	X		X		
Proof of Proper Appraisal		X			X		X	X		X		
Proof of Duplication of Benefits Reviews		X	X		X		X			X	X	
Proof Deed-Restriction Language Applied		X	X		X			X				
Proof Any Latitude and Longitude Provided							X					
FEMA Approval Letters					X							X
FEMA Closeout Letters	X				X							
FEMA Extension Letters (if required)			X		X					X		X
TOTAL DOCUMENTS MISSING	1	8	5	3	9	0	6	5	0	4	2	4

Source: DHS OIG analysis of FEMA's sample project information

*X denotes missing documentation



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Appendix D
Closed HMGP Projects' Annual Percent of Deobligated Funds
(2012–2021)

Fiscal Year	Closed Projects	Amount Obligated	Amount Spent	Amount Deobligated	Percent Deobligated
2012	4	\$6,865,083	\$5,262,014	\$(1,603,069)	23.4%
2013	20	\$48,971,554	\$32,740,087	\$(16,231,467)	33.1%
2014	30	\$76,083,992	\$46,457,650	\$(29,626,342)	38.9%
2015	45	\$180,294,754	\$124,473,166	\$(55,821,588)	31.0%
2016	38	\$111,322,408	\$77,687,158	\$(33,635,250)	30.2%
2017	26	\$78,333,753	\$55,137,496	\$(23,196,257)	29.6%
2018	26	\$76,419,890	\$46,497,442	\$(29,922,448)	39.2%
2019	16	\$57,858,157	\$44,280,889	\$(13,577,268)	23.5%
2020	13	\$64,107,912	\$42,173,223	\$(21,934,689)	34.2%
2021	12	\$68,597,340	\$53,583,968	\$(15,013,372)	21.9%
TOTAL	230	\$768,854,843	\$528,293,094	\$(240,561,749)	

Source: DHS OIG analysis of NEMIS Data



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Appendix E
Potential Monetary Benefits

Finding	Type of Potential Monetary Benefits	Amount
1	Funds Put to Better Use	\$134,911,248



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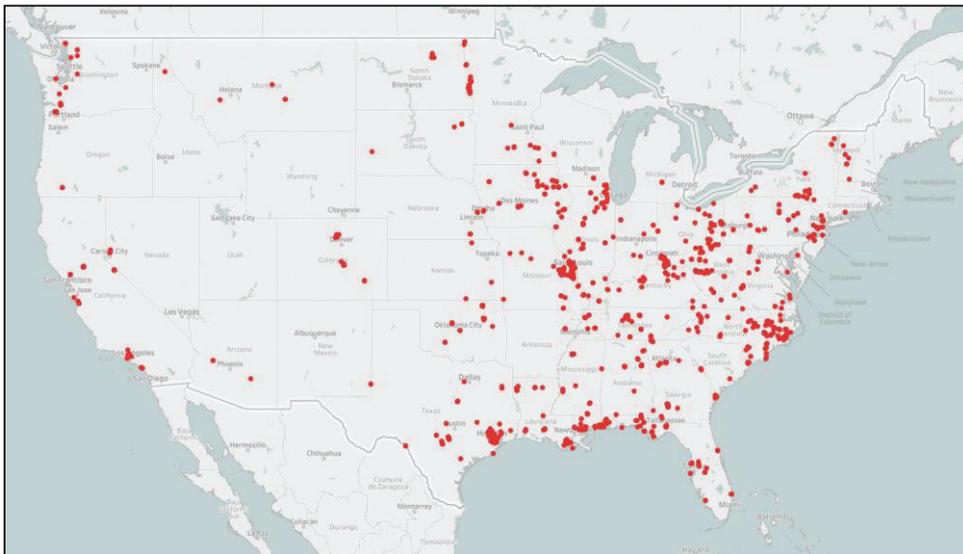
Appendix F
Properties with Inaccurate HMGP Property Data in NEMIS

Distribution of about 8,000 Properties Listed as Acquired but with Incorrect Addresses or No Parcel Data



Source: DHS OIG geomapping of FEMA and AECOM's HMGP data
Red dot = a property listed as acquired with an incorrect address or missing parcel data

Distribution of about 2,800 Properties Listed as Acquired That Still Had Structures Present



Source: DHS OIG geomapping of FEMA and AECOM's HMGP data
Red dot = a property listed as open space that still had a structure present



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Appendix G
Images of Baseball Stadium Built without FEMA Authorization

1. 2/26/2012



2. 5/30/2012



3. 9/28/2014



4. 4/11/2017



Source: DHS OIG analysis of Google Earth satellite imagery



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Appendix H
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Appendix I
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