

# **FEMA Needs to Improve Its Oversight of the Sheltering and Temporary Essential Power Pilot Program**





# DHS OIG HIGHLIGHTS

## ***FEMA Needs to Improve Its Oversight of the Sheltering and Temporary Essential Power Pilot Program***

**February 10, 2017**

### **Why We Did This Audit**

Following Hurricane Sandy, the New York City, Department of Environmental Protection (New York City) received \$537.94 million in Federal Emergency Management Agency (FEMA) Public Assistance grant funds for temporary power, heat, and hot water so residents could shelter-in-place.

In January 2013, FEMA estimated New York City would spend \$14.33 million of this essential assistance on repairs to multifamily structures, including properties with commercial owners or operators.

Our objective was to determine the extent FEMA identified and received reimbursement due from New York City for Federal funds it spent on repairs to commercial residential properties.

### **What We Recommend**

FEMA should review and improve, as necessary, policies and procedures that protect government resources used to support disaster response and recovery activities.

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

Contact our Office of Public Affairs at (202) 254-4100, or email us at [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

### **What We Found**

Although more than 3 years have passed since the completion of the work, FEMA has not identified and recovered Federal funds New York City spent on repairs to commercial residential properties. These repairs included short-term measures such as temporary boilers and power generators.

This occurred because FEMA's records were incomplete and the New York State Division of Homeland Security and Emergency Services (New York State) has not provided FEMA with a final accounting of costs for the work. Furthermore, FEMA has no procedures to independently identify commercial residential properties New York City had assisted with Federal funds.

FEMA recognizes that commercial landlords may have received an incidental benefit from the Federal assistance provided to New York City and used for repairs to multifamily dwellings to ensure tenants could shelter in their homes. However, it is the responsibility of New York State (the grantee) to ensure that the money that FEMA provides is spent in accordance with Federal laws and regulations. Under FEMA rules, for-profit organizations are ineligible for Public Assistance grant funds.

### **FEMA Response**

FEMA concurred with all three of our recommendations.





## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

February 10, 2017

MEMORANDUM FOR: Corey Gruber  
Acting Associate Administrator, Response and Recovery  
Federal Emergency Management Agency

Michael Byrne  
Acting Regional Administrator, Region II  
Federal Emergency Management Agency

*Thomas M. Salmon*

FROM: Thomas M. Salmon  
Assistant Inspector General  
Office of Emergency Management Oversight

SUBJECT: *FEMA Needs to Improve Its Oversight of the Sheltering  
and Temporary Essential Power Pilot Program*  
Audit Report number OIG-17-38-D

We audited FEMA efforts to identify and obtain reimbursement due from the New York City, Department of Environmental Protection (New York City) for Public Assistance grant funds it spent on repairs to commercial residential properties such as multifamily buildings that were owned by commercial entities.<sup>1</sup> The New York State Division of Homeland Security and Emergency Services<sup>2</sup> (New York State), a FEMA grantee, awarded New York City \$537.94 million<sup>3</sup> for emergency protective measures such as temporary power, heat, and hot water so residents could shelter-in-place following Hurricane Sandy. FEMA made this assistance available to both single family and multifamily dwellings. As of July 7, 2016, the end of our audit, FEMA did not have a final accounting for the work or procedures in place to independently identify properties where New York City assisted with Federal funds.

### Background

When Hurricane Sandy made landfall on October 29, 2012, the high winds and storm surge caused extensive coastal flooding and power outages across New York City including the boroughs of the Bronx, Brooklyn, Manhattan, Queens, and Staten Island. A substantial number of single family and multifamily

<sup>1</sup> This includes short-term measures such as temporary boilers and power generators.

<sup>2</sup> FEMA records identify the entity as the New York Office of Emergency Management.

<sup>3</sup> Rounded down from \$537,940,357.85 (90% Federal share of project costs totaling \$597,711,508.72)



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structures sustained damage to electrical, heating, and hot water systems. This included both private and commercial residential properties. As noted in the timeline (figure 1), the President issued a major disaster declaration on October 30, 2012, and authorized Federal Emergency Management Agency (FEMA) assistance for the affected areas. FEMA provided \$537.94 million to help New York City implement two large “shelter-in-place” projects that enabled disaster survivors to stay in their own homes by providing emergency protective measures such as temporary repairs to affected electrical, heating, and hot water systems.

In the wake of Hurricane Sandy, FEMA, working with New York State and New York City, decided to make these repair services (Rapid Repairs) available to multifamily structures like apartment buildings, which house a significant number of New York City residents. Additionally, FEMA expanded the repair services to include short-term measures such as temporary boilers and power generators. FEMA made these decisions so that temporary repairs could be made and residents could safely shelter-in-place ahead of the imminent winter season. As a condition of this assistance, New York City (applicant) agreed to –

Make reasonable efforts when appropriate and allowed for under state and local laws to compel commercial building owners/operators to make permanent repairs to health and safety hazards and other housing code violations addressed by FEMA-funded emergency protective measures under this initiative, and to recover from commercial owners any Federal funds expended on emergency protective measures for facilities they own or operate...should the applicant obtain reimbursement from the building owner for costs associated with the emergency work performed, the applicant must reimburse FEMA the federal share of costs associated with the work.

In January 2013, FEMA estimated that New York City’s total spending on emergency protective measures for multifamily structures at \$14.33 million.<sup>4</sup> By April 2013, all Rapid Repairs work ended. In September 2013, at New York City’s request, FEMA and New York State agreed to consolidate the two large “shelter-in-place” projects into one project.<sup>5</sup> The stated goal of the consolidation was to maximize project administration efficiencies and minimize complicated, cross-project accounting since the same contractors had worked on both. According to FEMA records, reasons include “the fact that overhead program costs would be too difficult to separate by two PWs” (i.e., the two projects).

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<sup>4</sup> Rounded up from \$14,325,860

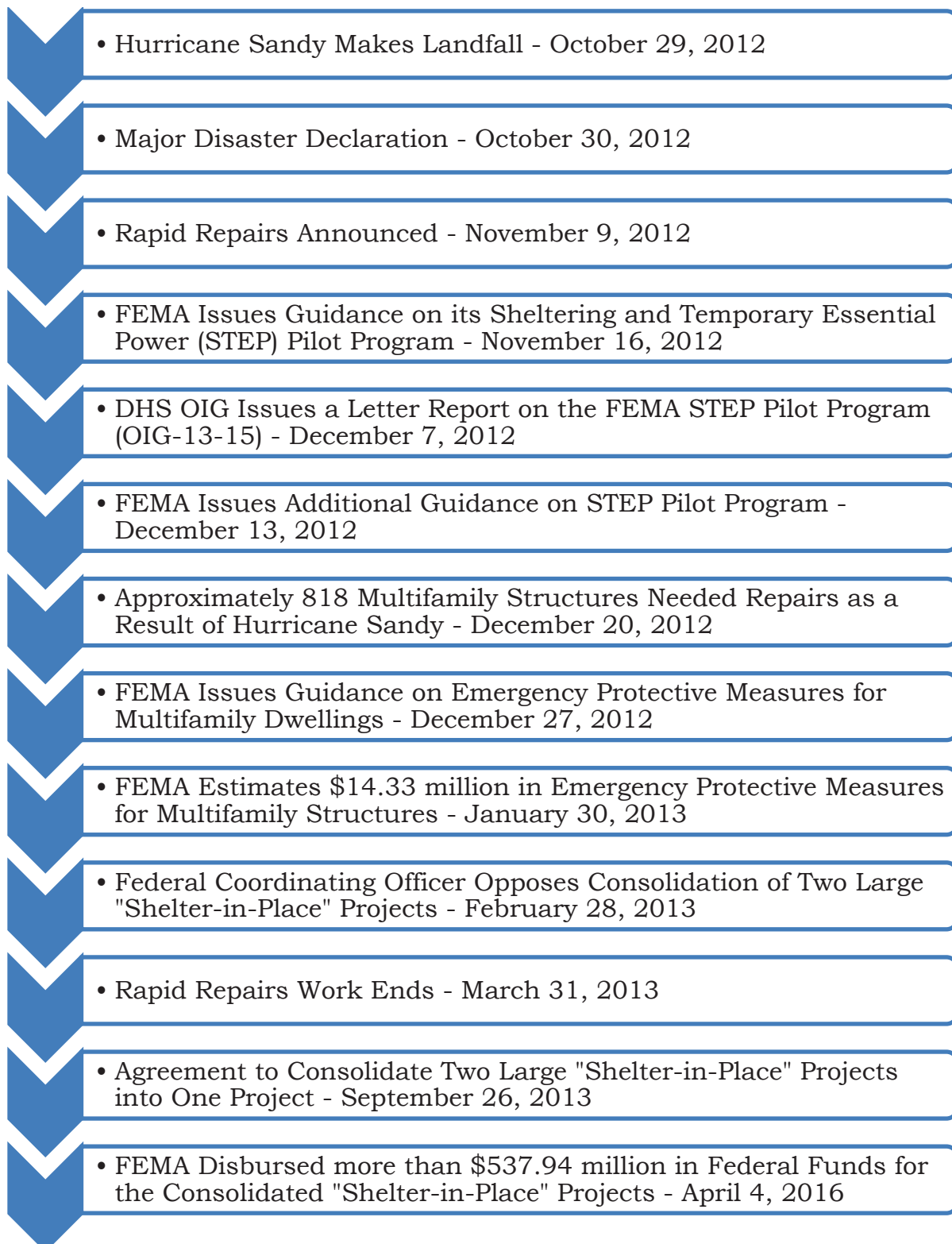
<sup>5</sup> Two large projects that were subsequently combined: PA-02-NY-4085-PW-00012 (FEMA Sheltering and Temporary Essential Power Pilot program assistance) and PA-02-NY-4085-PW-00013 (Section 403 Emergency Protective Measures for Multifamily Dwellings).



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**Figure 1: Timeline of New York City's Large "Shelter-in-Place" Projects**



Source: Office of Inspector General (OIG) analysis of FEMA records





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### Results of Audit

Less than a month after Hurricane Sandy devastated communities on the Atlantic coast, FEMA quickly implemented the STEP Pilot Program. This urgently needed program provided the emergency assistance necessary to save lives, protect public health and safety, and protect property. Nevertheless, FEMA should improve its management oversight to more effectively protect against the vulnerabilities associated with implementing pilot programs.

Specifically, FEMA has not identified and recovered Federal funds New York City spent more than 3 years ago on emergency protective measures, incidentally benefiting commercial residential properties. This occurred because FEMA's records were incomplete and the New York State Division of Homeland Security and Emergency Services (New York State) has not provided FEMA with a final accounting of costs for the work. Furthermore, FEMA has no procedures to independently identify commercial residential properties New York City had assisted with Federally-funded emergency protective measures such as temporary repairs to affected electrical, heating, and hot water systems or short-term measures such as temporary boilers and power generators.

#### **FEMA Has Not Initiated Action to Identify or Collect Money**

Although all Rapid Repairs work ended on March 31, 2013, and \$537.94 million was disbursed to New York State for the work, FEMA has not received a final accounting and certification of costs for the work. This occurred because project closeout has not started.<sup>6</sup> However, New York City has made no payments to any Rapid Repairs contractors since October 15, 2014.

FEMA officials told us that their expectations for receiving a final accounting and certification of costs vary based upon circumstances affecting the event and the specific projects. They noted that in an event the size and complexity of Hurricane Sandy, the timeframe is longer. They also cited factors such as New York City's building types and sheer number of eligible residents added to the timeline for reporting. The officials further stated that, given the high level of devastation caused by Hurricane Sandy, their focus was on recovery efforts such as the restoration of basic infrastructure.

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<sup>6</sup> During project closeout, FEMA conducts a final review for compliance with the terms and conditions of assistance provided. This includes ensuring that New York City made "reasonable efforts when appropriate and allowed for under state and local laws to compel commercial building owners/operators to make permanent repairs to health and safety hazards and other housing code violations addressed by FEMA-funded emergency protective measures under this initiative, and to recover from commercial owners any Federal funds expended on emergency protective measures for facilities they own or operate."



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Nevertheless, because more than 3 years have passed since the completion of the work, FEMA is at an increased risk of not being able to recover these funds. We are concerned FEMA officials are not displaying a sense of urgency in accounting for and recovering Federal taxpayer funds invested in the effort given that:

- Commercial property owners change or exit the business.
- Federal funds may have been spent on unauthorized repairs.
- Expenditures of Federal funds for emergency protective measures may not be adequately supported.

We identified at least six residential properties that received more than \$520,000 worth of Rapid Repairs work as having changed ownership following Hurricane Sandy:

- Two limited liability companies (LLC) benefiting from more than \$129,681 in Rapid Repairs work transferred their repaired properties to other LLCs.
- One for-profit corporation benefiting from \$33,146 in Rapid Repairs work transferred its repaired property to an LLC.
- A Florida-based LLC benefiting from \$3,165 in Rapid Repairs work transferred its repaired property to an individual and subsequently exited the business.
- An individual benefiting from more than \$56,206 in Rapid Repairs work transferred the repaired property to a non-profit corporation.
- One individual receiving more than \$300,000 in Rapid Repairs work, including electrical conduit and wiring repairs totaling \$70,650, transferred the repaired property to an LLC.

Federal regulations<sup>7</sup> require that an accounting of costs for the work be submitted “as soon as practicable” after a large project has been completed and payment requested. This includes a certification that reported costs were incurred in the performance of eligible work; the approved work was completed; the project is in

FEMA standard operating procedures set a target date for submitting an accounting of costs 90 days after a large project is complete.

<sup>7</sup> 44 Code of Federal Regulations (CFR) 206.205(b)(1)



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compliance with the provisions of the FEMA-State Agreement; and payments for the project have been made in accordance with 44 CFR 13.21.

At the end of our audit engagement, New York State had not submitted a final accounting and certification of costs for the work to FEMA. Once FEMA receives the final accounting of cost and closeout of the project begins, FEMA should be able to identify the amount it needs to collect from New York State and New York City. In accordance with standard Federal regulations and the FEMA-New York State Disaster Assistance Grant Agreement, it is New York's—not FEMA's—responsibility to monitor and oversee the expenditure of disaster assistance funds.<sup>8</sup>

### **FEMA Has Not Performed Adequate Monitoring and Oversight**

FEMA officials reported that they did not know whether New York State or New York City had collected any money from the owners of the assisted properties. This occurred because other than the final compliance review at project closeout, FEMA does not have procedures in place for the timely identification and recovery of Federal funds incidentally benefiting commercial landlords. Additionally, FEMA records for properties receiving Rapid Repairs work are incomplete. When we ended our audit engagement on July 7, 2016, we found no information in FEMA records regarding any amount of money owed by commercial property owners or any related collection efforts. FEMA anticipates receiving the necessary records from New York State and New York City when the closeout process commences.

FEMA records and New York City records in FEMA's possession only accounted for 5,641 single family and multifamily dwellings that received an estimated \$195.12 million in assistance through Rapid Repairs. Our review of these records disclosed that 157 of the properties were registered in New York City as multiple dwellings with 3 or more residential units or private dwellings with 1 or 2 residential units where neither the owner nor the owner's immediate family resided.<sup>9</sup> New York City provided these 157 properties with at least \$7.34 million in temporary electrical, heating, and hot water system repairs. According to FEMA, it expects that New York State will submit complete documentation for final accounting and project closeout.

### **FEMA Records Did Not Separate Private and Commercial Residential Properties**

FEMA did not maintain records separating private and commercial residential properties assisted through Rapid Repairs. As a result, FEMA cannot easily determine the amount New York City spent on commercial residential properties and owes FEMA.

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<sup>8</sup> 44 CFR 13.20(a) and 44 CFR 13.40(a)

<sup>9</sup> As of August 27, 2015, excluding housing co-operatives and condominiums





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According to the Federal Coordinating Officer, while the types of work provided for single family and multifamily dwellings through Rapid Repairs were similar in nature, they were provided under separate program guidelines and the “logical option” was to document each project’s costs accordingly.

For-profit organizations such as commercial landlords are ineligible for Public Assistance grant funds. However, New York City (through New York State) was eligible to receive Federal disaster assistance to perform emergency protective measures allowing residents to shelter-in-place. FEMA, New York State, and New York City proactively enabled renters such as apartment building tenants to shelter-in-place by providing temporary repairs, including short-term measures such as temporary boilers and power generators. To avoid subsidizing repairs that are the responsibility of commercial residential property owners and their insurance companies, FEMA required New York City to make reasonable efforts to recover the Federal share of repair costs from the owners and to return the funds to FEMA.

### FEMA Does Not Have Records to Independently Verify Information

FEMA officials were unable to locate 26 of 45 work orders for properties identified as having received temporary electrical, heating, and hot water system repairs. The total invoiced costs associated with the missing work orders was more than \$2.05 million. According to FEMA officials, their efforts to respond to our data requests were “more difficult than anticipated as the format and details associated with various source documents varied.”<sup>10</sup> Because FEMA does not have the records to independently verify amounts provided for repairs to commercial residential properties, it must rely on records kept by New York State and New York City.

This occurred although the Federal Coordinating Officer had emphasized the importance of closely monitoring and documenting all of the costs associated with the Rapid Repairs work. OIG cautioned FEMA in December 2012 about the need to (1) maintain strong internal controls given the number of individuals affected by Hurricane Sandy; and (2) address vulnerabilities associated with implementing pilot programs such as STEP.<sup>11</sup> However, at the end of our audit engagement, FEMA still did not have adequate policies and procedures for protecting government resources used to support disaster response and recovery activities that did not fit standard grant conditions.

<sup>10</sup> Included in FEMA’s response, dated February 12, 2016, to our written data requests of October 21, 2015, and December 8, 2015

<sup>11</sup> FEMA’s *Sheltering and Temporary Essential Power Pilot Program*, OIG-13-15, December 2012



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Consistent with standard grant management closeout processes, FEMA plans to verify the records provided by New York State and New York City as part of the project's closeout.

According to the Government Accountability Office's *Standards for Internal Control in the Federal Government*, the accurate and timely recording of transactions and events is a key internal control activity. The prompt recording of a transaction, through its entire life cycle, is critical in maintaining its relevance and value to management in controlling operations. This includes clearly documenting all transactions and ensuring that the documentation is readily available for examination. This was not the case with Federal funds New York City spent on repairs to commercial residential properties. Without adequate internal controls, FEMA is at risk of not being able to recover all the Federal taxpayer funds New York City spent on repairs to commercial residential properties. FEMA recognizes that commercial landlords may have received an incidental benefit from the Federal assistance provided to New York City and used for repairs to multifamily dwellings to ensure tenants could shelter in their homes.

### **FEMA's \$14.33 Million Cost Estimate Was Inaccurate**

FEMA based its \$14.33 million cost estimate on 37 high-rise apartment buildings receiving temporary power, heat, and hot water for 90 days, less than 5 percent of the 818 multifamily structures needing repairs as a result of Hurricane Sandy.<sup>12</sup> FEMA's estimate did not include temporary repairs or emergency protective measures for other types of multiple dwellings.<sup>13</sup> Under New York State law and New York City building code, a multiple dwelling is defined as "a dwelling which is either rented, leased, let or hired out, to be occupied, or is occupied as the residence or home of three or more families living independently of each other."

On December 27, 2012, the Federal Coordinating Officer issued guidance applicable to multifamily dwellings "that rely upon common utilities, which serve multiple individual dwelling units within a larger structure." Eligible assistance included minimal repairs to the existing building systems necessary to provide essential power, heat, and hot water for the building's residents. However, more permanent methods of repairs were also eligible if either cost neutral or more cost effective. FEMA's estimate did not address these additional costs.

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<sup>12</sup> As of December 20, 2012

<sup>13</sup> On February 25, 2015, without adjusting its cost estimate, FEMA updated the project's scope of work to read 3,225 multifamily units. We were unable to locate detailed supporting documentation (e.g., work order or address listings) in FEMA's records for this change.



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### Conclusion

FEMA should improve its management oversight to more effectively protect against the vulnerabilities associated with implementing pilot programs. Because more than 3 years have passed since the completion of the work, FEMA is at an increased risk of not being able to recover Federal funds New York City spent on emergency protective measures incidentally benefitting commercial residential properties. We are concerned FEMA officials are not displaying a sense of urgency in accounting for and recovering Federal taxpayer funds invested in the effort given that:

- Commercial property owners change or exit the business.
- Federal funds may have been spent on unauthorized repairs.
- Expenditures of Federal funds for emergency protective measures may not be adequately supported.

In December 2012, OIG cautioned FEMA about the need to (1) maintain strong internal controls given the number of individuals affected by Hurricane Sandy; and (2) address vulnerabilities associated with implementing pilot programs such as STEP. At the end of our audit engagement, FEMA still did not have adequate policies and procedures for protecting government resources used to support disaster response and recovery activities that did not fit standard grant conditions.

### Recommendations

We recommend that the Associate Administrator of Response and Recovery and Regional Administrator, FEMA Region II:

**Recommendation 1:** Review and improve, as necessary, policies and procedures that protect government resources used to support disaster response and recovery activities. Research the viability, appropriateness and legality of placing a lien or Notice of Federal Interest on commercial residential properties receiving Federally-funded emergency protective measures such as temporary repairs or short-term measures such as temporary boilers and power generators.

We recommend that the Regional Administrator, FEMA Region II:

**Recommendation 2:** Work with New York State and New York City to close out the project. This includes ensuring that the final cost reconciliation accurately separates the costs for commercial residential properties.





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**Recommendation 3:** Ensure New York City made reasonable efforts when appropriate and allowed for under State and local laws to compel commercial building owners/operators to make permanent repairs to health and safety hazards and other housing code violations addressed by FEMA-funded emergency protective measures under this initiative, and to recover from commercial owners any Federal funds expended on emergency protective measures for facilities they own or operate.

### **Discussion with Management and Audit Follow-up**

We discussed the results of our audit with FEMA officials during our audit. We also provided a discussion draft and discussed it with FEMA, New York State, and New York City officials on June 14, 2016. FEMA officials provided technical comments on July 7, 2016, and November 23, 2016. We discussed those comments with FEMA officials on December 8, 2016. We incorporated those comments, as appropriate, in this report.

FEMA provided a written response on January 23, 2017, agreeing with all three recommendations contained in this report (see appendix B). The response indicated that FEMA expects to implement its proposed corrective actions to address all recommendations by December 29, 2017. Therefore, we consider all three recommendations to be resolved, but open. We will evaluate for closure upon documentation that FEMA has implemented its proposed corrective actions. Please email closeout documentation and request to [OIGEMOFollowup@oig.dhs.gov](mailto:OIGEMOFollowup@oig.dhs.gov).

The Office of Emergency Management Oversight major contributors to this report are Paul Wood, Acting Deputy Assistant Inspector General; John McPhail, Supervisory Program Analyst; John Woo, Auditor-in-Charge; and Christine Alvarez, Independent Referencer.

Please call me with any questions at (202) 254-4100, or your staff may contact Paul Wood, Acting Deputy Assistant Inspector General, Office of Emergency Management Oversight, at (202) 254-4283.



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### Appendix A

#### Objective, Scope, Methodology

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

The objective of our audit was to determine the extent FEMA identified and received reimbursement due from New York City for Federal funds it spent on repairs to commercial residential properties.<sup>14</sup> Accordingly, we audited FEMA's efforts to identify and obtain reimbursement due from New York City (Public Assistance Identification Number 081-51000-26) for Public Assistance grant funds it spent on repairs to multifamily buildings that may have been owned by commercial entities. While we did receive some information and feedback from New York State and New York City, the focus of our audit was not designed to audit New York State or New York City's efforts.

New York City received a Public Assistance grant award of \$537.94 million (90% Federal share of project costs totaling \$597,711,508.72) from New York State for damages resulting from Hurricane Sandy occurring in October 2012. The award provided Federal funding to help New York City implement two large projects so disaster survivors could shelter-in-place in their own homes. These emergency protective measures were available for both single family and multifamily dwellings and consisted of temporary power, heat, and hot water system repairs and short-term measures such as temporary boilers and emergency power generators.

The scope of our audit covered the period October 30, 2012, to July 7, 2016; and included analyses of two large projects<sup>15</sup> that were subsequently combined: PA-02-NY-4085-PW-00012 (FEMA Sheltering and Temporary Essential Power Pilot program assistance) and PA-02-NY-4085-PW-00013 (Section 403 Emergency Protective Measures for Multifamily Dwellings). Based on an agreement with New York State and New York City, FEMA merged PA-02-NY-4085-PW-00013 into PA-02-NY-4085-PW-00012. We did not review the terms and conditions of the agreement for reasonableness or determine whether the agreement was in conformance with Federal regulations.

To accomplish our objective, we reviewed the major disaster declaration, FEMA-State Agreement, and related amendments; examined prior audit reports and the Hurricane Sandy FEMA After-Action Report; interviewed FEMA

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<sup>14</sup> This includes short-term measures such as temporary boilers and power generators.

<sup>15</sup> Federal regulations in effect at the time of Hurricane Sandy set the large project threshold at \$67,500.



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officials; and gained an understanding of the projects, including the addendum combining them. We inspected FEMA and New York City project records in FEMA's possession, including email correspondence; and judgmentally selected and reviewed (generally based on dollar values) project invoices and supporting work orders.

We also reviewed applicable Federal regulations and FEMA guidelines; obtained written comments from FEMA and New York State officials on preliminary findings and recommendations; and performed other procedures considered necessary under the circumstances to accomplish our audit objective. In conducting this audit, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster. We did not assess the adequacy of the agency's internal controls applicable to information systems and the financial processing of the projects because it was not necessary to accomplish our audit objective.

While the focus of our audit was not designed to audit New York State or New York City's efforts, we did receive comments directly from New York State officials on July 7, 2016. Those comments included information that had not previously been made available to FEMA. Since we did not review the accuracy or validity of New York State's assertions, we did not include those assertions in the body of this report.

We conducted this performance audit between October 2015 and July 2016 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.

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### Appendix B FEMA Response

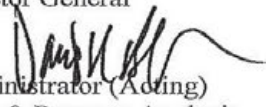
U.S. Department of Homeland Security  
Washington, DC 20472

JAN 23 2017



# FEMA

MEMORANDUM FOR: Thomas Salmon  
Assistant Inspector General  
Office of Emergency Management Oversight  
Office of Inspector General

FROM: David Bibo   
Associate Administrator (Acting)  
Office of Policy & Program Analysis

SUBJECT: Management's Response to OIG Draft Report: "FEMA Needs to Improve Its Oversight of the Sheltering and Temporary Essential Power Pilot Program" (OIG Survey/Project No. 15-133-EMO-FEMA/G-16-051-EMO-FEMA)

Thank you for the opportunity to review and comment on this Draft Report. The U.S. Department of Homeland Security (DHS) appreciates the work of the Office of Inspector General (OIG) in planning this engagement, conducting its review and issuing this report.

The Federal Emergency Management Agency (FEMA) appreciates the OIG's efforts to help improve the delivery of emergency assistance to disaster survivors. The task of repairing and restoring housing stock is one of the most important challenges the nation faces following a catastrophic disaster. Hurricane Sandy, and the dangerous snowstorm that followed it, created a critical need for temporary housing in New York City. In response to this unprecedented demand, FEMA established the Sheltering and Temporary Essential Power (STEP) pilot program to enable residents to return to or remain in their homes while permanent repairs were completed rather than overwhelm other limited emergency housing options.

As the OIG acknowledged in December 2012, the STEP pilot program was a unique exercise of the agency's authority under Section 403 of the Stafford Act and facilitated the delivery of over \$500 million in emergency assistance to New York City. FEMA is grateful for OIG's acknowledgement of the exceptional efforts of FEMA, New York State, and New York City to meet the unprecedented sheltering challenges created by Hurricane Sandy.

FEMA remains committed to collaborating with the OIG to determine ways to make its processes and business practices more efficient and cost effective while also improving mission execution for disaster survivors. As reflected in the Agency's corrective action

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### Appendix B (continued)

plan, FEMA is completing actions to address OIG's suggestion to review and potentially improve policies and procedures related to STEP. FEMA also agrees with the importance of working with New York State and New York City to complete the closeout process as expeditiously as possible. The Draft Report contained three recommendations with which FEMA concurs. Please see the attached for our detailed response to each recommendation.

Again, thank you for the opportunity to review and comment on this Draft Report. Technical comments were previously provided under separate cover. Please feel free to contact Gary Mckee, Director of FEMA's Audit Liaison Office at 202-646-1308, with any concerns you may have. We look forward to working with you in the future.



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**Appendix B (continued)**

**Attachment: DHS Management Response to Recommendations**  
**Contained in OIG Survey/Project No. 15-133-EMO-FEMA/G-16-051-EMO-FEMA**  
**Draft Report**

**We recommend that the Associate Administrator of Response and Recovery and Regional Administrator, FEMA Region II:**

**Recommendation 1:** Review and improve, as necessary, policies and procedures that protect government resources used to support disaster response and recovery activities. Research the viability, appropriateness and legality of placing a lien or Notice of Federal Interest on commercial residential properties receiving Federally-funded emergency protective measures such as temporary repairs or short-term measures such as temporary boilers and power generators.

**Response:** Concur. FEMA strives to improve its processes to maximize mission execution and better serve disaster survivors. Recognizing that STEP was a unique program created in the aftermath of Hurricane Sandy and the resulting housing challenges, FEMA has since reviewed, improved, and tailored the way it executes Stafford Act Section 403 emergency assistance authority to address the critical post-disaster housing needs of a particular locality. For example, in response to a disaster declaration in the state of Louisiana (FEMA-DR-4277-LA), FEMA refined the STEP program to limit application to single family, owner occupied residences.

Upon completion of the STEP program in Louisiana, FEMA anticipates completing an after-action review (AAR), which will identify lessons learned and provide recommendations for improvement. FEMA will use this AAR as the starting point for reviewing and improving, as necessary, policies and procedures related to STEP. Subsequent additional actions by FEMA may result from this review.

Interim Milestones	Estimated Completion Dates
1. Complete After Action Report (AAR) on implementation of STEP in Louisiana (FEMA-DR-4277-LA).	05/01/2017
2. Complete AAR review on implementation of STEP in FEMA-DR-4277-LA.	06/01/2017
3. FEMA will use the AAR as the starting point to review and improve, if necessary, policies and procedures related to STEP.	12/29/2017

Estimated Completion Date (ECD): December 29, 2017.





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**Appendix B (continued)**

**We recommend that the Regional Administrator, FEMA Region II:**

**Recommendation 2:** Work with New York State and New York City to close out the project. This includes ensuring that the final cost reconciliation accurately separates the costs for commercial residential properties

**Response:** Concur. FEMA will work with New York State and New York City to close out the project. Closeout is the last step of the grant cycle and its purpose is to certify that all work has been completed and all eligible costs have been reimbursed. Under 44 C.F.R. § 206.205(b) (1), Payment of Claims, Large projects, “the Grantee shall make an accounting to the Regional Administrator of eligible costs for each approved large project. In submitting the accounting the Grantee shall certify that reported costs were incurred in the performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA-State Agreement, and that payments for that project have been made in accordance with 44 C.F.R. § 13.21.”

Specifically, the Applicant, New York City, must submit documentation to the Grantee, New York State, to account for all incurred costs. Once the State has ensured that all incurred costs are associated with approved scope of work and certifies that the work has been completed in accordance with FEMA standards and policies, the State submits the documentation to FEMA for review.

In the case of STEP, a pilot program, FEMA-issued additional program guidance pertaining to multi-family dwellings (MFDs) through a December 27, 2012 memo and an Addendum dated September 26, 2013. The Addendum details specific conditions of the grant and the documentation that must be submitted by the Applicant.

FEMA is committed to working with New York City and New York State to close out the project expeditiously. FEMA will work with the City and the State to ensure that all documentation and requirements outlined in the December 27, 2012 memo and referenced in Sections 4 and 5 of the Addendum are received and reviewed.

Specifically, FEMA will ensure it receives documentation that reconciles the costs and activities associated with single family dwellings and MFDs separately (Addendum Section 2); a unit by unit accounting of total costs for MFDs (Addendum Section 5 (D) 1); and a detailed description of the efforts taken to recover funds from owners of MFDs (December 27, 2012 Memo Scope of Work Section 7). Based on the result of that review, FEMA will prepare a new amendment to obligate the project worksheet at 99% complete, which will constitute final reconciliation of the project and assurance that all conditions of the grant have been met. Upon resolution of the City’s disputes with its contractors, the City will submit to the State and FEMA its request for closeout.



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**Appendix B (continued)**

Interim Milestones	Estimated Completion Dates
1. Work with the State and City to develop a schedule and Action Plan to complete close-out by the end of the year.	06/31/2017
2. Review documentation sample.	09/30/2017
3. Prepare amendment to PW.	11/30/2017

ECD: December 29, 2017.

**Recommendation 3:** Ensure New York City made reasonable efforts when appropriate and allowed for under State and local laws to compel commercial building owners/operators to make permanent repairs to health and safety hazards and other housing code violations addressed by FEMA-funded emergency protective measures under this initiative, and to recover from commercial owners any Federal funds expended on emergency protective measures for facilities they own or operate.

**Response:** Concur. FEMA will enforce the conditions of the grant. As part of the closeout process, FEMA will review the documentation submitted by New York City that identifies the number of commercial properties that received repair work, the methodology used to determine if the property is commercial or non-commercial, and the steps taken by New York City to recover funds that were spent on commercial properties.

Once this information is available and reviewed, FEMA will determine if the conditions of the grant are met. ECD: December 29, 2017.



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