

**The State of Washington's  
Oversight of FEMA's Public  
Assistance Grant Program  
for Fiscal Years 2015-2017  
Was Generally Effective**





# DHS OIG HIGHLIGHTS

## *The State of Washington's Oversight of FEMA's Public Assistance Grant Program for Fiscal Years 2015–2017 Was Generally Effective*

**September 25, 2019**

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

Our objective was to determine the extent to which the State of Washington complied with policies, procedures, and regulations for effective oversight of FEMA PA grant funding during fiscal years 2015 through 2017.

### **What We Recommend**

We are making five recommendations to FEMA to strengthen EMD's internal controls to improve its oversight of FEMA's PA grant program.

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

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

### **What We Found**

The State of Washington's Emergency Management Division (EMD) provided effective oversight of the Federal Emergency Management Agency's (FEMA) Public Assistance (PA) grant program from fiscal years 2015 through 2017 in three of four functional areas. In two of these areas — training and collaboration — EMD and FEMA complied with applicable policies, procedures, and regulations.

We identified no significant deficiencies in a third area — project execution, monitoring, and oversight — but found that EMD lacked position-specific guidance for all personnel with programmatic responsibilities. Because FEMA did not ensure that EMD complied with its own administrative plan to issue written guidance for each internal position, some program staff may not have consistently executed their assigned duties.

In the remaining functional area — project and grant closeout — neither EMD nor its subrecipients submitted timely project closeout requests. This occurred because FEMA did not enforce compliance with its own guidance for processing closeouts. As a result, approximately \$414,000 in obligated PA grant funds remained tied to open projects and could have been put to better use. Not reimbursing subrecipients promptly for completed work could also negatively affect the subrecipients' operating budgets.

### **FEMA Response**

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



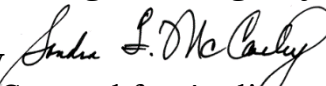
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Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

September 25, 2019

MEMORANDUM FOR: Michael O'Hare  
Region X Administrator  
Federal Emergency Management Agency

FROM: Sondra F. McCauley   
Assistant Inspector General for Audits

SUBJECT: *The State of Washington's Oversight of FEMA's Public Assistance Grant Program for Fiscal Years 2015-2017 Was Generally Effective*

For your action is our final report, *The State of Washington's Oversight of FEMA's Public Assistance Grant Program for Fiscal Years 2015-2017 Was Generally Effective*. We incorporated the formal comments provided by your office.

The report contains five recommendations aimed at improving the State of Washington's Public Assistance grant program. Your office concurred with all five recommendations.

Based on information provided in your response to the draft report, we consider recommendations 1 through 5 open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions.

Please send your response or closure request to [OIGAuditsFollowup@oig.dhs.gov](mailto:OIGAuditsFollowup@oig.dhs.gov).

Consistent with our responsibility under the *Inspector General Act*, 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 Katherine Trimble, Deputy Assistant Inspector General for Audits, at (202) 981-6000.



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### Background

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

FEMA's Public Assistance (PA) grant program provides assistance to these government entities and certain types of private non-profit organizations so communities can quickly respond to, and recover from, presidentially declared major disasters or emergencies. FEMA and PA grant recipients must comply with all applicable Federal regulations, including Title 44 of the Code of Federal Regulations (CFR) and 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), established by the Office of Management and Budget. We use the following definitions of the various responsible entities from FEMA, *Public Assistance and Program Policy Guide*, FP104-009-2, v. 2, p. 5 (April 2017):

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

FEMA determines eligibility based on factors related to the applicant, facility, work, and cost. In addition, FEMA categorizes all work as either emergency, (e.g., debris removal) or permanent (e.g., roadway and bridge repairs). FEMA works in partnership with the grant Recipient to assess damages, educate potential subrecipients, and formulate projects (subawards) for emergency or permanent work.

The State of Washington is a FEMA PA grant Recipient and the Emergency Management Division (EMD) of the Washington Military Department is the accountable state agency (non-Federal entity) to which the Federal grant is awarded. EMD administers FEMA PA grant funds for the State of Washington under its own procedures and according to 2 CFR Parts 200 and 3002.<sup>1</sup> As the

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<sup>1</sup> 44 CFR 206.200(b)(2)



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Recipient, the State of Washington must have a State Administrative Plan (State Plan) that, among other things, contains procedures for the administration of its PA funds. The State Plan also outlines the internal staffing functions supporting the State's PA program, as well as the responsibilities of each position.<sup>2</sup>

The Recipient is also required to submit Quarterly Progress Reports (QPR) to FEMA that provide the status of each open (i.e., work on-going) large project.<sup>3</sup> Other Recipient responsibilities include financial reporting, subrecipient progress monitoring, project time-extension approvals, project closure, subrecipient closure, and award closure.

As shown in table 1, the State of Washington experienced five presidentially declared disasters during this period, for which FEMA obligated nearly \$72 million in PA grants.

**Table 1. State of Washington Disaster Declarations, FYs 2015–2017**

Declaration Number	Declaration Date	Number of Projects	Amount Obligated* (\$millions)
4242	10/15/2015	64	\$7.992
4243	10/20/2015	84	\$25.079
4249	1/15/2016	87	\$18.097
4253	2/2/2016	94	\$7.261
4309	4/21/2017	88	\$13.554
<b>Total</b>			<b>\$71.983</b>

\*As of May 10, 2018

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

We conducted this audit to determine the extent to which the State of Washington complied with policies, procedures, and regulations for effective oversight of FEMA PA grant funding received from FYs 2015 through 2017 in four functional areas:

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

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<sup>2</sup> 44 CFR 206.207

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





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#### Results of Audit

#### **EMD Complied with Requirements for Training Subrecipients on PA Administrative Responsibilities**

In accordance with Federal requirements, in FYs 2015 through 2017, EMD annually issued State Plans that included provisions to ensure training of PA grant subrecipients. Specifically, under the State Plans, EMD was responsible for training subrecipients on the day-to-day administration of their PA subgrants. During our review, we determined EMD provided relevant information to subrecipients explaining the administrative requirements. A significant portion of this information is typically delivered to subrecipients during applicant briefings and kick-off meetings.<sup>4</sup> We reviewed documents related to EMD's subrecipient training, which showed during FYs 2015 through 2017, EMD's applicant briefings and kick-off meetings covered all relevant subject matter for declared disasters.

Further, EMD provided specialized PA training sessions and technical assistance to subrecipients as needed. EMD also conducted annual general training sessions throughout the State for potential PA subgrant applicants. For example, in 2017, EMD scheduled and conducted 22 such general PA training sessions.

Finally, we administered a written questionnaire to a judgmentally selected sample of 10 PA grant subrecipients. The subrecipients provided their perspectives on EMD's performance in each of the four functional areas we assessed. Not all selected subrecipients responded to all of the questions in our questionnaire. As necessary, we followed up on the subrecipients' responses with in-person interviews. In response to four training-related questions on the questionnaire:

- eight of nine subrecipients who responded confirmed EMD made them aware of the PA award administrative requirements;
- none of the nine subrecipients who responded indicated they ever felt left on their own by EMD in this regard;
- seven of nine respondents said they required no additional guidance beyond what EMD provided; and
- all six of the subrecipients who responded felt EMD has met their need for information about administering their PA subgrants.

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<sup>4</sup> During applicant briefings, the Recipient provides potential subrecipients with high-level information on the PA program, including eligibility criteria, funding options, grant application procedures, and administrative requirements. During kick-off meetings, the Recipient discusses the specific needs of each subrecipient based on the effects of the declared incident.



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### **EMD Collaborated Effectively with FEMA and Subrecipients on Project Formulation and Reporting**

EMD collaborated with its subrecipients on PA project formulation in accordance with FEMA guidance.<sup>5</sup> To this point, EMD worked directly with subrecipients to determine eligibility, estimate costs, and develop scopes of work. On our questionnaire, all 10 subrecipients confirmed EMD helped develop their projects. Furthermore, we reviewed documentation supporting 41 PA projects and found each included a complete scope of work and quantitative estimates for eligible work, as Federal regulations require.<sup>6</sup>

EMD also collaborated with subrecipients through periodic status reporting. Specifically, within 30 days of the end of each quarter, EMD was required to submit to FEMA a QPR with the status of each open large project. These cumulative reports contain updates on all large projects that remain open within any given quarter. EMD required all subrecipients to report the status of their large open projects by the 15th day of the month following the end of each quarter. Our review of EMD's QPRs from FYs 2015 through 2017 showed they were submitted on time and contained all required project information. We also reviewed EMD's second quarter QPR from FY 2018. This QPR confirmed that all 10 subrecipients we selected provided EMD with quarterly information on work status and expenditures associated with their active projects. Finally, EMD and FEMA met quarterly to review all open large projects.

### **EMD's Project Execution, Monitoring, and Oversight Is Largely Effective but Personnel Guidance Is Not in Accordance with the State Plan**

We identified no major gaps in EMD's policies and procedures for overseeing and monitoring subrecipients' PA projects. However, EMD did not issue position-specific guidance detailing the procedures for all responsible internal personnel to follow for administering the State's PA program. Without detailed, specific guidance, personnel may not have consistently carried out their programmatic duties.

We reviewed EMD's State Plan and found it included all policies and procedures required for the Recipient to oversee and monitor subrecipients' large and small projects. EMD also established procedures for prioritizing onsite monitoring visits with subrecipients and visited subrecipients at various project phases to assess their progress. Each of the seven subrecipients who

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<sup>5</sup> FEMA, *Public Assistance and Program Policy Guide*, FP 104-009-2, v. 2, pp. 134-42 (April 2017)

<sup>6</sup> 44 CFR 206.202(d)



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responded to the related question in our questionnaire said they received useful information during EMD's monitoring visits.

EMD also informed subrecipients of the risks and benefits of using alternative procedures to complete their projects.<sup>7</sup> All eight respondents to this question reported familiarity with alternative procedures, and six of the eight subrecipients said they used at least one.

EMD officials said they typically notify subrecipients before their project performance periods expire. Under certain circumstances, subrecipients may ask EMD for time extensions on projects not expected to meet original performance period completion dates.<sup>8</sup> Seven of the 41 PA projects we reviewed were not completed within their original timeframes, but all were appropriately supported by EMD-approved time extensions.

Federal regulations establish administrative requirements, but also give the Recipient discretion to administer Federal programs under its own procedures.<sup>9</sup> Accordingly, EMD issued annual State Plans identifying internal grant administration roles, responsibilities, policies, and procedures to use during the specific year each disaster is declared. EMD's 2017 State Plan identified the Deputy State Coordinating Officer-Public Assistance (DSCO-PA) — a position currently held by the PA Program Manager — as the individual responsible for overall management of Recipient PA activities. Within EMD, programmatic and administrative personnel and a cadre of Disaster Reservists support the DSCO-PA.

We determined that all EMD personnel responsible for PA program implementation were following some form of written internal guidance to perform their respective duties, but the guidance was not always position-specific. In particular, the State Plan established each EMD staff member's role in the PA grant administration process and further indicated that the "detailed responsibilities for each position are found in the Desk Manual for each position. These manuals are regularly updated to reflect changes in policy interpretations and processes." However, only Program Delivery Managers (PDM), Secretary Leads, and Program Assistants had been formally issued "desk manuals." The PA Program Manager, Regional PA Supervisors, and Disaster Reservists had not been issued position-specific guidance, but were following, at least in part, the guidance EMD expressly developed for PDMs. The lack of internal guidance for each key position within EMD is

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<sup>7</sup> This includes Improved or Alternate Projects (44 CFR 206.203(d)(1) or (2), respectively) or Public Assistance Alternative Procedures Pilot Program for Permanent Work Projects (*Stafford Act* § 428 (42 U.S.C. § 5189f)).

<sup>8</sup> 44 CFR 206.204 (c-d)

<sup>9</sup> 44 CFR 206.200(b)(2)





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notable given the staff's distinct roles in monitoring subrecipients. These roles are described in the 2017 State Plan:

The Recipient will **monitor [subrecipients] through specific tasks that are detailed in PA staff desk references**, including project and special conditions monitoring. Staff responsible for Sub-recipient monitoring will include: Project Specialists,<sup>10</sup> PDMs, **Regional PA Supervisors**, and Program Assistants. Construction-related monitoring will primarily involve the Project Specialists and PDMs. Finance-related monitoring will involve the Project Specialists, PDMs, **Regional PA Supervisors**, Program Assistants, and **PA Program Manager**. (emphasis added)

According to *Standards for Internal Control in the Federal Government*,<sup>11</sup> management should establish an organizational structure, assign responsibility, delegate authority to achieve the entity's objectives, and document the internal control system. In this case, implementing the State's PA grant program, according to the State Plan, includes documenting policies with the appropriate level of detail to allow management to monitor control activities effectively. Management should effectively communicate to personnel the policies and procedures, so that personnel can implement the control activities for their assigned responsibilities. Without providing detailed guidance specific to each position in EMD, as described in the State Plan, new or incumbent personnel may not consistently execute their programmatic duties as expected.

### **Untimely PA Project and Grant Closeout Submissions for 78 Projects Prevented Nearly \$414,000 from Being Put to Better Use**

Subrecipients did not always submit their requests for large project closeout to EMD in a timely manner. This occurred because FEMA did not require EMD to actively pursue and, if necessary, initiate closeout requests from subrecipients. As a result, 78 projects identified by subrecipients as "100 percent work completed" and representing approximately \$414,000 in obligated PA grant funds (underruns) remained tied to open projects. These funds could have been put to better use. In addition, as the Recipient, EMD did not always timely submit closeout requests to FEMA upon their receipt from subrecipients. If any excess obligated funds related to these projects existed, those funds could have been put to better use. Finally, in some cases, subrecipients may be due additional funds at closeout beyond those originally

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<sup>10</sup> As of July 2018, EMD reported that no internal personnel were actively filling the position of Project Specialist.

<sup>11</sup> U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, Section 3.01, GAO-14-704G, September 2014



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obligated (overruns). Not reimbursing such funds to subrecipients in a timely manner could negatively affect their local operating budgets.

#### Subrecipients' Untimely Action Impeded Large Project Closeouts

Contrary to Federal regulations, some subrecipients did not submit their requests for large project closeouts in a timely manner. Further, although the QPRs we reviewed repeatedly identified projects that were “100 percent work completed,” EMD and FEMA took little or no action from quarter to quarter to pursue closeout requests.<sup>12</sup> Finally, although EMD and FEMA met quarterly to discuss the current QPR, we found no evidence that FEMA required EMD to actively pursue, or initiate closeout requests, from subrecipients.

Federal regulations require that a non-Federal entity (subrecipient) submit all closeout reports no later than 90 days after the period of performance end date,<sup>13</sup> unless a time extension is granted from the pass-through entity or Federal agency.<sup>14</sup> According to 44 CFR 207.8(a), the Recipient is responsible for ensuring that its subrecipients meet all program and administrative requirements. As such, a Recipient must submit to FEMA all financial, performance, and other reports for each subaward until PA grant award closeout. Project closeout is the first step toward overall closure of the PA grant. Once a large project reaches “100 percent work completed,” the subrecipient must request the Recipient formally close the project, identifying any underrun or overrun. The Recipient should then certify to FEMA that all costs and work were completed according to grant terms and conditions, the FEMA-State Agreement, and Federal regulations.<sup>15</sup> After all projects have been closed, the Recipient and FEMA work together to close the grant.

Our review of the FY 2018 second quarter QPR showed that subrecipients did not timely submit closeout requests for a number of large projects. Specifically, 78 of the 148 open large projects across the 5 open disaster declarations within the scope of our audit were designated as “100 percent work completed.” Of these 78, 40 (51 percent) were awaiting action by a subrecipient to initiate formal closeout. Table 2 shows 16 of the 78 closeouts were pending action by the Recipient (the State), and 18 were pending action by FEMA. Four were listed as “Other.”

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<sup>12</sup> The QPR complies with 2 CFR 200.301 and 44 CFR 206.204(f). See also FEMA, *Public Assistance Program and Policy Guide*, FP 104-009-2, v. 2, p. 148 (April 2017)

<sup>13</sup> The period of performance for a given project is identified on the subaward (2 CFR 200.92) documents as required by 2 CFR 200.331(a)(1)(v).

<sup>14</sup> 2 CFR 200.343 (a-b)

<sup>15</sup> Large projects are written based on estimate unless work has already been completed and costs incurred. Changes to project scope may lead to cost changes.



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Due to the high percentage of completed projects awaiting action, we expanded our review to all of the State of Washington's 13 open disaster declarations and found 268 open large projects. Of the 268, 172 (64 percent) were identified as "100 percent work completed" on the FY 2018 second quarter QPR. (See appendix B for the State of Washington's 13 open disaster declarations.) As shown in table 2, EMD was waiting for subrecipients to submit closeout requests for 57 (33 percent) of its 172 completed large projects. FEMA and EMD had identified nearly \$414,000 related to the 78 projects, and more than \$6.6 million related to the 172 projects, that were available for deobligation.

**Table 2. FY 2018 2nd Quarter: QPR — Pending Action**

<b>100% Work Completed Projects</b>	<b>5 Open Declarations (scope of audit)</b>	<b>13 Open Declarations (total report)</b>
Pending Subrecipient Action	40	57
Pending Recipient Action	16	74
Pending FEMA Action	18	30
Other	4	11
<b>Total Projects</b>	<b>78</b>	<b>172</b>
<b>Available for Deobligation</b>	<b>\$413,935</b>	<b>\$6,605,502</b>

Source: OIG analysis of EMD's FY 2018 second quarter QPR

Because the FY 2018 second quarter QPR identified the date of each project completion, we were able to determine with whom and for how long each project has been pending. As shown in table 3, 40 of the 78 projects were awaiting closeout action from subrecipients. These 40 projects exceeded the 90-day requirement to submit all reports, per 2 CFR 200.343 (a-b). Sixteen of the 40 (from FYs 2015 and 2016) were "100 percent work completed" projects from more than 2 years ago, although the closeout process was not initiated. Twelve additional large projects awaiting subrecipient action were undated.

**Table 3. FY 2018 2nd Quarter QPR: 100% Work Completed Projects Requiring Closeout Action by Subrecipients, Recipient, or FEMA**

<b>Closeout Action Required by:</b>	<b>No. of Projects</b>	<b>Work completed:</b>				
		<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>Undated</b>
Subrecipient	40	1	11	11	5	12
Recipient	16	0	0	8	8	0
FEMA	18	1	1	12	2	2
Other	4					
<b>TOTALS</b>	<b>78</b>	<b>2</b>	<b>12</b>	<b>31</b>	<b>15</b>	<b>14</b>

Source: OIG analysis of EMD's FY 2018 second quarter QPR

We have issued prior reports on the importance of closing out projects and deobligating funds. In FY 2010, we reported FEMA had a weak control



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environment over disaster closeouts, which allowed disasters to stay open for a considerable length of time after disaster-recovery effort completion. We reported that obligated funds not needed for the open disasters could be deobligated for use in other disaster relief activities.<sup>16</sup> In FY 2015, we reported deobligating unneeded funds sooner would release funding to cover cost overruns on other projects, help close out subrecipients' PA applications, provide a more accurate status of program costs for a disaster, and be consistent with appropriation law. Recipients could also improve their monitoring efforts by identifying unneeded funds and returning them to FEMA as soon as practicable after subrecipients complete projects.<sup>17</sup>

#### FEMA Did Not Hold EMD Accountable for Timely Submission of Closeout Requests

FEMA did not ensure EMD accounted for its large projects in a timely manner. Our review of the FY 2018 second quarter QPR showed, contrary to Federal regulations, EMD did not timely submit closeout requests to FEMA upon receipt of some subrecipients' requests. These projects repeatedly appeared on prior QPRs as "100 percent work completed" and "pending Recipient request for closeout."

Regulations require the pass-through entity (Recipient) to make an accounting for large projects to FEMA, certify the work, and make payments according to the FEMA-State Agreement, Federal regulations, and the terms and conditions of the grant, as soon as practicable.<sup>18</sup> In addition, although the PA program is a partnership between FEMA and the Recipient (and its subrecipients), as the Federal awarding agency, FEMA is responsible for managing the program. FEMA must provide the Recipient with clear performance goals, indicators, and milestones.<sup>19</sup> FEMA must also manage and administer Federal awards to ensure Federal funding is expended in accordance with policy requirements.<sup>20</sup> Per the *Stafford Act*, FEMA shall, consistent with applicable regulations and required procedures, meet its responsibilities to improve closeout practices and reduce the time to close disaster program awards.<sup>21</sup> Finally, FEMA guidance states initiating project closeout should occur within 180 days from the date the subrecipient completes each large project.<sup>22</sup>

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<sup>16</sup> *Opportunities to Improve FEMA's Disaster Closeout Process*, OIG-10-49, January 2010, p. 6

<sup>17</sup> *Summary and Key Findings of Fiscal Year 2014 FEMA Disaster Grant and Program Audits*, OIG-15-146-D, September 2015, p. 7

<sup>18</sup> 44 CFR 206.205(b)

<sup>19</sup> 2 CFR 200.301

<sup>20</sup> 2 CFR 200.300(a)

<sup>21</sup> *Stafford Act*, Section 705 (d)(2) (codified at 42 U.S.C. § 5205(d)(2)), as amended by the *Disaster Recovery Reform Act of 2018*

<sup>22</sup> FEMA, *Public Assistance Program and Policy Guide*, FP 104-009-2, v. 2, p. 145 (April 2017)



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### Recommendations

**Recommendation 1:** We recommend the Regional Administrator, FEMA Region X, provide technical assistance to assist [Washington State Department of the Military, Emergency Management Division (EMD)] in complying with its State Administrative Plan by issuing and regularly updating desk manuals detailing the roles, responsibilities, and procedures for each pertinent staff position in administering the State's Public Assistance program.

**Recommendation 2:** We recommend the Regional Administrator, FEMA Region X, coordinate with, and provide technical assistance to, EMD so it can assist its subrecipients in submitting required close out documentation in compliance with the regulatory requirements in place at the time of the disaster.

**Recommendation 3:** We recommend the Regional Administrator, FEMA Region X, coordinate with EMD to monitor the completion status of all subrecipient projects and provide technical assistance to EMD so it can initiate closeout on behalf of the subrecipient in a timely manner.

**Recommendation 4:** We recommend the Regional Administrator, FEMA Region X, coordinate with, and provide technical assistance to, EMD so it can complete reconciliation and submit closeout requests to FEMA for all open large projects whose period of performance end dates exceed the regulatory requirements in place at the time of the disaster.

**Recommendation 5:** We recommend the Regional Administrator, FEMA Region X, coordinate with, and provide technical assistance to, EMD so it can process all subrecipient closeout requests in a timely manner to help avoid delayed project reconciliation and reimbursement of eligible costs in accordance with guidance and Federal regulations.

### Management Comments and OIG Analysis

FEMA Region X's Regional Administrator provided written comments in response to a draft of this report. In its management response, FEMA concurred with all five of our report recommendations. We have included a copy of FEMA management's response in its entirety in appendix A of this report. In addition, FEMA previously provided technical comments under separate cover, which resulted in agreed upon revisions to the recommendations.





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The following is our analysis and response to FEMA's comments on each recommendation.

**FEMA Response to Recommendation 1:** FEMA concurred with this recommendation. In its response, FEMA stated Region X will provide technical assistance to help EMD identify opportunities to produce and update the appropriate materials or modify its State Administrative Plan in ways that will increase its ability to execute the plan while remaining compliant with CFR requirements. FEMA believes these actions meet the intent of the recommendation and requests OIG consider this recommendation closed.

**FEMA Response to Recommendation 2:** FEMA concurred with this recommendation. In its response, FEMA stated Region X will continue to work with EMD on the processes in place to close out projects and identify any shortfalls that may need to be addressed through increased communication, technical assistance, or training. FEMA believes these actions meet the intent of the recommendation and requests OIG consider this recommendation closed.

**FEMA Response to Recommendation 3:** FEMA concurred with this recommendation. In its response, FEMA stated FEMA and EMD jointly monitor the completion status of all subrecipient large projects via the Quarterly Progress Report. Region X works closely with EMD to monitor the status of all subrecipient projects and provides technical assistance upon request to navigate any required administrative actions. FEMA believes these actions meet the intent of the recommendation and requests OIG consider this recommendation closed.

**FEMA Response to Recommendation 4:** FEMA concurred with this recommendation. In its response, FEMA stated it is committed to continuing to provide support to EMD, including hiring a full-time program specialist to work at EMD's office. The additional capacity will ensure FEMA continues to engage with EMD to close projects in a timely, effective manner. FEMA believes these actions meet the intent of the recommendation and requests OIG consider this recommendation closed.

**FEMA Response to Recommendation 5:** FEMA concurred with this recommendation. In its response, FEMA stated EMD is processing closeout requests as quickly as practicable. FEMA will continue supporting EMD to help it close all projects by the applicable regulatory deadlines. FEMA believes these actions meet the intent of the recommendation and requests OIG consider this recommendation closed.



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**OIG Analysis for all recommendations:** Although FEMA provided a narrative on actions taken to address the intent of the recommendations, it did not provide written documentation to substantiate completion of those actions. Therefore, all five recommendations will remain open and resolved until FEMA provides supporting documentation for actions taken to close these recommendations, along with estimated completion dates for any actions that remain ongoing, and the name and title of the person responsible for the recommendation.



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### 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 PA grant funds awarded to the State of Washington, administered through EMD during fiscal years 2015 through 2017. Our objective was to determine the extent to which the State of Washington complied with policies, procedures, and regulations for the effective oversight of FEMA PA grant funding during this period.

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

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

We interviewed relevant FEMA Region X and Recipient officials; obtained and reviewed key FEMA and state documentation, including grant applications, contracts, administrative plans, and financial and status reports. In addition, we identified the Recipient's roles and responsibilities relative to PA program administration and oversight; and assessed the Recipient's internal guidance for executing these responsibilities.

We selected a judgmental sample of 10 subrecipients from the total universe of 193 State of Washington subrecipients that received PA funds for declarations during FYs 2015 through 2017. These 10 subrecipients were responsible for approximately 26 percent of total disaster funds awarded during the scope of our audit. We administered a written questionnaire to, and conducted follow-up interviews with, appropriate subrecipient personnel to gain their perspectives on the Recipient's performance in each of our four functional areas and analyzed the results. We also reviewed documentation supporting the Recipient's administration of 41 PA projects for which each sampled subrecipient received pass-through funds during the audit's scope period.



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We conducted this performance audit between March and October 2018 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.

Office of Audits major contributors to this report are Brooke Bebow, Audit Director; Patrick Tobo, Audit Manager; Angela McNabb, Auditor-in-Charge; Gary Alvino, Program Analyst; Caroline Bobst, Auditor; Shawn Hatch, Auditor; Rebecca Hetzler, Auditor; Kevin Dolloson, Communications Analyst; and Justin Kerr, Independent Referencer.



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


U.S. Department of Homeland Security  
FEMA Region X  
Federal Regional Center  
130 228th Street, SW  
Bothell, WA 98021-8627



**FEMA**

SEP 12 2019

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

FROM: Michael F. O'Hare   
Regional Administrator

SUBJECT: Management Response to Draft Report: "The State of  
Washington's Oversight of FEMA's Public  
Assistance Grant Program for Fiscal Years 2015–2017  
Was Generally Effective" (Project No. 18-072-AUD-FEMA)

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

The Department is pleased to note OIG's positive recognition of the State of Washington's (State) management and oversight of its Public Assistance program. FEMA remains committed to continuing to work in concert with the State to ensure the best possible recovery outcomes for the citizens of Washington.

The OIG's audit found that, of approximately \$72 million of grant funding obligated for declarations made in FY 2015 through FY 2017, approximately 0.6% was unliquidated at the time of the audit. The report states that 78 project worksheets from disasters declared in FY 2015 through FY 2017 had associated unliquidated obligations with an average value of approximately \$5,300. FEMA is pleased to have worked with the Washington State Department of Military, Emergency Management Division (EMD) to accurately estimate Public Assistance projects and efficiently distribute federal funds to recovering communities.

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

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Regional Administrator's Response to Recommendations  
Contained in 18-072-AUD-FEMA

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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.

Attachment



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### Attachment: Management Response to Recommendations Contained in 18-072-AUD-FEMA

OIG recommended that the Regional Administrator (RA), FEMA Region X:

**Recommendation 1:** Provide technical assistance to assist [Washington State Department of the Military, Emergency Management Division (EMD)] in complying with its State Administrative Plan by issuing and regularly updating desk manuals detailing the roles, responsibilities and procedures for each pertinent staff position in administering the State's Public Assistance program.

**Response:** Concur. EMD submitted the Administrative Plan with the requirements as set forth in Title 44 of the Code of Federal Regulations (C.F.R.) §206.207(b)(ii) for the identification of staffing functions in the Public Assistance program, the sources of staff to fill these functions and the management and oversight responsibilities of each with the addition of non-required items. FEMA, Region X reviewed and approved the plan, which meets all regulatory criteria. EMD's administration of the PA program is consistent with the approved plan and satisfactory. Region X will provide EMD with technical assistance to identify opportunities for EMD to produce and update the appropriate materials or to modify its plan in ways which will increase its ability to execute it while remaining compliant with the requirements in the C.F.R. We believe that these actions meet the intent of the recommendation and request that the OIG consider this recommendation closed.

**Recommendation 2:** Coordinate with, and provide technical assistance to, EMD so that it can assist its subrecipients in submitting required close out documentation in compliance with the regulatory requirements in place at the time of the disaster.

**Response:** Concur. EMD and FEMA, Region X staff communicate on a weekly basis via phone or email exchange and once a month FEMA, Region X Public Assistance staff work on location at the EMD's offices to collaborate on closeout activities. Both organizations use the Quarterly Progress Report (QPR) to identify large projects that are ready for closeout. FEMA, Region X will continue to work with EMD on the processes in place and identify any shortfalls that may need to be addressed through increased communication, technical assistance or training. We believe that these actions meet the intent of the recommendation and request that the OIG consider this recommendation closed.



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Management Response to Recommendations  
Contained in 18-072-AUD-FEMA

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**Recommendation 3:** Coordinate with EMD to monitor the completion status of all subrecipient projects and provide technical assistance to EMD, so that it can initiate closeout on behalf of the subrecipient in a timely manner.

**Response:** Concur. FEMA and EMD jointly monitor the completion status of all subrecipient large projects via the Quarterly Progress Report. As detailed above, FEMA, Region X works closely with EMD to monitor the status of all subrecipient projects and provides technical assistance upon request to navigate any required administrative actions. We believe that these actions meet the intent of the recommendation and request that the OIG consider this recommendation closed.

**Recommendation 4:** Coordinate with, and provide technical assistance to, EMD so that it can complete reconciliation and submit closeout requests to FEMA for all open, large projects whose period of performance end dates exceed the regulatory requirements in place at the time of the disaster.

**Response:** Concur. FEMA is committed to continuing to provide support to EMD, including by hiring a full time program specialist to work at the EMD's office. The additional capacity will ensure that we continue to engage with EMD to close projects in a timely, effective manner. We believe that these actions meet the intent of the recommendation and request that the OIG consider this recommendation closed.

**Recommendation 5:** Coordinate with, and provide technical assistance to, EMD so that it can process all subrecipient closeout requests in a timely manner to help avoid delayed project reconciliation and reimbursement of eligible costs in accordance with guidance and Federal regulations.

**Response:** Concur. EMD is processing closeout requests as quickly as practicable. FEMA will continue providing support to EMD to assist it in closing all projects by the applicable regulatory deadlines. We believe that these actions meet the intent of the recommendation and request that the OIG consider this recommendation closed.



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**Appendix B**  
**State of Washington Open Disaster Declarations**

Event	Declaration Date	Period of Performance End Date	Total Open Projects	Funds Identified for Deobligation
1671-DR-WA	December 12, 2006	December 12, 2014*	7	\$283,210
1734-DR-WA	December 8, 2007	December 8, 2015*	25	\$861,131
1817-DR-WA	January 30, 2009	January 30, 2017*	28	\$635,265
1963-DR-WA	March 25, 2011	March 25, 2019	5	\$966
4056-DR-WA	March 5, 2012	March 5, 2020	13	\$210,453
4083-DR-WA	September 25, 2012	September 25, 2020	5	\$173,436
4168-DR-WA	April 2, 2014	April 2, 2022	14	\$741,414
4188-DR-WA	August 11, 2014	August 11, 2022	23	\$5,147,127
4242-DR-WA	October 15, 2015	October 15, 2023	7	\$0
4243-DR-WA	October 20, 2015	October 20, 2023	32	\$341,599
4249-DR-WA	January 15, 2016	January 15, 2024	36	\$488,444
4253-DR-WA	February 2, 2016	February 2, 2024	20	\$62,344
4309-DR-WA	April 21, 2017	April 21, 2025	53	\$0
<b>Totals</b>			<b>268</b>	<b>\$8,945,389</b>

Source: OIG Analysis of FY18 Second Quarter Quarterly Progress Report

\*Under the Uniform Guidance, Federal awarding agencies and pass-through entities should complete all closeout activities within 1 year following receipt and acceptance of all required reports.<sup>23</sup> Moreover, under the *Grants Oversight and New Efficiency Act (GONE Act)* of 2016,<sup>24</sup> Federal agencies must now report on open but expired grants that have not been closed within 2 years of the grant's period of performance<sup>25</sup> ending date, plus any approved time extensions.

<sup>23</sup> 2 CFR 200.343(g)

<sup>24</sup> Pub.L. 114-117, (Jan. 28, 2016)

<sup>25</sup> 2 CFR 200.77 *Period of performance* means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award (see §§ 200.210 Information contained in a Federal award paragraph (a)(5) and 200.331 Requirements for pass-through entities, paragraph (a)(1)(iv)).



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