

**FEMA Needs To Track
Performance Data and
Develop Policies, Procedures,
and Performance Measures
for Long Term Recovery
Offices**





HIGHLIGHTS

FEMA Needs to Track Performance Data and Develop Policies, Procedures, and Performance Measures for Long Term Recovery Offices

October 30, 2014

Why We Did This

Between 1994 and 2013, FEMA operated seven Long Term Recovery Offices. FEMA obligated and spent more than \$4 billion in administrative costs and more than \$1 billion in salaries for these offices.

Our audit objective was to determine whether FEMA's policies, procedures, and performance measures for establishing, operating, and closing Long Term Recovery Offices meet Federal statutes and are consistently applied.

What We Recommend

We made two recommendations to FEMA that, when implemented, will allow FEMA to manage Long Term Recovery Offices more consistently and effectively.

For Further Information:

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

What We Found

FEMA does not track costs or data associated with performance measures for Long Term Recovery Offices. Without tracking costs or data, FEMA cannot determine whether these offices are cost effective. FEMA establishes, operates, and closes Long Term Recovery Offices without standardized policies, procedures, and performance measures. Without these controls in place, FEMA is at risk for mismanagement of Federal disaster funds and cannot ensure consistency in establishing and managing these offices. Correcting these deficiencies will provide FEMA the information and guidance it needs to determine whether Long Term Recovery Offices are cost effective. In addition, FEMA can better ensure consistency in establishing and managing these offices.

FEMA Response

FEMA concurs with our recommendations. FEMA plans to determine the cost effectiveness of various models for managing Long Term Recovery Offices. These models will examine post-disaster coordination and delivery of disaster assistance to assist FEMA in developing decision-making guidance for identifying, tracking, and reporting on the need for and cost effectiveness of these offices. FEMA is currently documenting the process, procedures, performance measures, lessons learned, and best practices used to scope and establish the Sandy Recovery Office. FEMA's written response to us for this report is due in 90 days.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security
Washington, DC 20528

OCT 30 2014

MEMORANDUM FOR: Elizabeth Zimmerman
Associate Administrator, Response and Recovery
Federal Emergency Management Agency

FROM: John V. Kelly
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Needs To Track Performance Data and Develop
Policies, Procedures, and Performance Measures for Long
Term Recovery Offices*

Attached for your information is our final letter report, *FEMA Needs To Track Performance Data and Develop Policies, Procedures, and Performance Measures for Long Term Recovery Offices*. We incorporated the formal comments from the Federal Emergency Management Agency in the final report.

The report contains two recommendations aimed at improving the management of Long Term Recovery Offices. Your office concurred with both recommendations. Based on information you provided in the response to the draft report, we consider the recommendations resolved with a target completion date of March 31, 2015. Once your office has fully implemented the recommendations, please submit a formal close-out letter to us within 30 days so that we may close the recommendations. The request should be accompanied by evidence of completion of agreed-upon corrective actions.

Please email a signed PDF copy of all responses and closeout requests to the Office of Emergency Management Oversight at OIGEMOFollowup@oig.dhs.gov.

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

Major contributors to this report are Kaye McTighe, Director, Headquarters Office; Nigel Gardner, Audit Manager; Christine Alvarez, Auditor-in-Charge; and Kimberly Letnaunchyn, Program Analyst.



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Please call me with any questions, or your staff may contact Tonda L. Hadley, Deputy Assistant Inspector General for Audit Services, Office of Emergency Management Oversight, at (214)436-5200.

Attachment



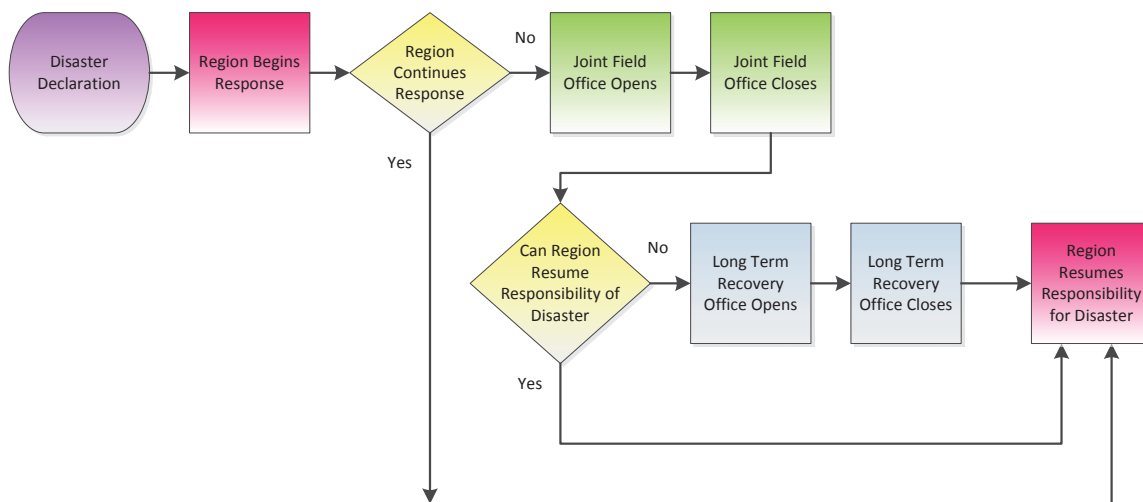
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Background

When the President declares a Federal disaster, the Federal Emergency Management Agency (FEMA) Regional Office that services the affected State is responsible for response and recovery efforts. The Regional Office opens a Joint Field Office to coordinate efforts with its disaster partners. When a Joint Field Office closes, the disaster programs usually transfer back to the Regional Office. In cases where State and local community officials, businesses, and citizens need additional recovery assistance, FEMA may open a Long Term Recovery Office. These offices open because the size, severity, or the number of disasters overwhelms the Regional Office. Figure 1 shows the progression of the disaster response and recovery responsibility through FEMA.

Figure 1: Disaster Flowchart



Source: DHS OIG

The structure of Long Term Recovery Offices, in part, mirrors divisions within the Regional and Joint Field Offices to ensure a smooth transition back into regional operations. For example, each office has Logistics, Finance, and Operations Divisions.

Results of Audit

We estimate that, between 1994 and 2013, FEMA obligated and spent more than \$4 billion in administrative costs and more than \$1 billion in salaries for the seven Long Term Recovery Offices. These offices were responsible for 26 major disaster declarations totaling \$66 billion in obligated funds. However, FEMA does not track costs



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or performance data for these offices. As a result, FEMA cannot determine the cost effectiveness of Long Term Recovery Office operations. In addition, FEMA has not created standardized policies, procedures, and performance measures for Long Term Recovery Office operations. Without them, FEMA cannot ensure consistency in establishing and managing these offices.

In January 2014, FEMA opened an additional Long Term Recovery Office for Hurricane Sandy, responsible for the recovery efforts in New York and New Jersey. Federal spending for Hurricane Sandy will likely surpass all but one previous disaster (Hurricane Katrina). Therefore, it is imperative that FEMA should (1) identify, track, and report performance data that shows cost effectiveness for Long Term Recovery Offices; and (2) implement standardized policies, procedures, and performance measures to establish, operate, and close Long Term Recovery Offices.

FEMA Does Not Track Long Term Recovery Office Costs or Performance Data

FEMA does not track costs or data associated with performance measures for Long Term Recovery Offices. Without tracking costs or data, FEMA cannot determine whether Long Term Recovery Offices are cost effective.

Costs

FEMA could not verify the costs of each Long Term Recovery Office. The *Federal Managers' Financial Integrity Act of 1982* (Act), in part, requires that Federal agencies properly record and account for revenues and expenditures applicable to agency operations to maintain accountability for their assets. FEMA asserts that it is not in violation of this Act because FEMA's financial system tracks overall disaster costs. However, FEMA could not provide the costs by location. To fully accomplish the goal of the Act, FEMA should be tracking the costs for each Long Term Recovery Office.

FEMA provided the overall disaster costs related to seven Long Term Recovery Offices. We worked with FEMA to analyze these costs and mutually agreed to estimate that FEMA obligated and spent more than \$4 billion in administrative costs and more than \$1 billion in salaries for the seven offices. Without tracking costs, FEMA is unable to determine whether Long Term Recovery Office operations are cost effective. Further, FEMA needs to track important data such as office spending, disaster program workload, and number of Long Term Recovery personnel to determine economies of scale.



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Data Associated with Performance Measures

In addition, FEMA is not tracking data associated with performance measures. Performance measurement is the ongoing monitoring and reporting of program accomplishments, particularly progress toward pre-established goals. Performance measures may address (1) the type or level of program activities conducted (process), (2) the direct products and services a program delivers (outputs), or (3) the results of those products and services (outcomes). Without tracking such data, FEMA cannot determine whether the economies of scale are cost effective.

For example, FEMA mirrors its Long Term Recovery Offices, in part, after the operations in the Regional and Joint Field Offices. All three office types have Logistics, Financial, and Operations Divisions. These parallel divisions exist to allow for a smooth transition of disaster operations back to the Regional Office when Regional officials decide they no longer need a Long Term Recovery Office.

FEMA Needs Standardized Policies, Procedures, and Performance Measures for Long Term Recovery Offices

FEMA establishes, operates, and closes Long Term Recovery Offices without standardized policies, procedures, and performance measures. Two Federal statutes, the *Robert T. Stafford Disaster Relief and Emergency Assistance Act* and *Post-Katrina Emergency Management Reform Act of 2006*, authorize FEMA to establish field offices, including Long Term Recovery Offices. However, these statutes do not provide procedural guidance or performance measures for these offices.

The *Government Performance and Results Act of 1993* instituted a government-wide requirement that agencies set goals and report annually on performance. According to the Government Accountability Office (GAO), most Federal agencies now use performance measures to track progress towards goals.¹

Without standardized policies, procedures, and performance measures, FEMA officials, at their discretion, determine the overall operation of Long Term Recovery Offices. FEMA regional officials said that the factors they consider in deciding to open or close a Long Term Recovery Office include: the volume of Individual Assistance applications opened, Public Assistance project applications, Public Assistance project revisions and Hazard Mitigation projects submitted; and the amount of insurance claims and dollars paid. We asked FEMA to provide us with copies of the reports it used to decide whether

¹ *Performance Measurement and Evaluation: Definitions and Relationships*, GAO-11-646SP, May 2, 2011.



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to open or close a Long Term Recovery Office. They were able to provide us with reports showing data FEMA assessed for the closure, but not the establishment of Long Term Recovery Offices. In addition, these reports were not standardized and not every region used them. FEMA officials said that the key decision point for establishing and closing a Long Term Recovery Office rests on the regional officials' "disaster knowledge" for determining the need, operation, and closure of these offices. FEMA also said the ability and desire of the affected State to close out disaster recovery work quickly affects the operations and closure of the Long Term Recovery Offices.

As a result of using this subjective decision-making process and the affected States' ability and desire to close out the disaster, Long Term Recovery Offices remain open for inconsistent timeframes. Table 1 shows that, as of October 2013, FEMA had opened seven Long Term Recovery Offices and had closed four.

Table 1: FEMA Long Term Recovery Offices, 1994–2013

FEMA Region	State	Opened	Closed/Status	LTRO ¹ Age in Months	Major Disasters Managed	Total Obligated Disaster Funds*	Average # of Staff
Region IV	Mississippi	4/2006	Open	90	1	10,070,369,164	970
Region IV	Florida	5/2005	1/2012	79	7	9,252,934,569	200
Region IV	Alabama	6/2006	11/2009	40	1	1,027,409,341	110
Region VI	Texas	4/2006	2/2009	33	2	1,930,083,021	122
Region VI	Louisiana	5/2006	Open	89	4	33,458,602,832	790
Region VII	Iowa	8/2009	10/2012	37	1	1,909,841,777	104
Region IX	California	1/1994	Transitioned to an Area Field Office-2008	167	10	8,095,285,213	315
TOTALS					26	\$65,744,525,917	

Source: FEMA Headquarters and FEMA Region IV, VI, VII, and IX; FEMA Disaster Financial Status Reports from August 2013; and FEMA Financial Information Tool Reports from November 2013

¹ Long Term Recovery Office

* Total Obligated Disaster Funds are calculated from the time of the disaster declaration until disaster closure or October 31, 2013, whichever came first.

In January 2014, FEMA opened an additional Long Term Recovery Office for Hurricane Sandy, responsible for the recovery efforts in New York and New Jersey. Hurricane Sandy is likely to be one of the most costly disasters in history. As of January 2014, FEMA had already obligated nearly \$7 billion in disaster funds for Hurricane Sandy in New York and New Jersey and employed over 700 staff for Long Term Recovery Offices in those two States.

FEMA officials recognize the lack of standardized policies, procedures, and performance measures for Long Term Recovery Offices. Without these controls in place, FEMA is at risk for mismanagement of Federal disaster funds and cannot ensure consistency in



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establishing and managing these offices. However, several FEMA regional officials said they have developed individual practices for the Long Term Recovery Offices using their knowledge of disaster operations and regional office capabilities. Additionally, since September 2013, several FEMA regional offices began sharing their practices with FEMA Region II, which is responsible for Hurricane Sandy recovery in New Jersey and New York. Finally, before 2008, FEMA headquarters developed a draft directive outlining Long Term Recovery Office operations. However, FEMA headquarters' leadership has not implemented that directive.

Conclusion

FEMA risks mismanaging disaster relief funds because it does not track costs or performance data and has not created and implemented standardized policies, procedures, and performance measures for Long Term Recovery Offices. Correcting these deficiencies will provide FEMA the information and guidance it needs to determine whether Long Term Recovery Offices are cost effective. In addition, FEMA can better ensure consistency in establishing and managing these offices.

Recommendations

We recommend that the Associate Administrator for Response and Recovery, Federal Emergency Management Agency:

Recommendation #1: Identify, track, and report costs and performance data that show cost effectiveness for Long Term Recovery Offices.

Recommendation #2: Implement standardized policies, procedures, and performance measures to establish, operate, and close Long Term Recovery Offices.



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Management Comments and OIG Analysis

We received and reviewed written comments on the draft report from FEMA's Associate Administrator for Policy, Program Analysis and International Affairs. FEMA concurs with our recommendations.

Based on the information FEMA provided, we consider recommendation #1 as resolved and open. FEMA is currently determining the cost effectiveness of various models for post-disaster coordination and delivery of assistance. This initiative will establish criteria for determining the cost effectiveness and applicability of one model versus another based on historic cost data and projections of potential cost savings. FEMA will then develop decision-making guidance for identifying, tracking, and reporting on the need for and cost effectiveness of Long Term Recovery Offices versus transitioning support to the FEMA Region or other options. FEMA's estimated completion date is March 31, 2015.

Based on the information FEMA provided, we also consider recommendation #2 as resolved and open. FEMA is currently documenting the process, procedures, performance measures, lessons learned, and best practices used to scope and establish the Sandy Recovery Office. The Sandy Recovery Office approach and OIG findings will assist the FEMA initiative to update and implement previously developed draft guidance, procedures, and performance measures to establish, operate, and close Long Term Recovery Offices. FEMA's estimated completion date is March 31, 2015.

Appendix B includes a copy of the management comments in their entirety.



Appendix A

Objectives, Scope, and 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*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the Department.

The objective of this audit was to determine whether FEMA’s policies, procedures, and performance measures for establishing, operating, and closing Long Term Recovery Offices meet Federal statutes and are consistently applied.

We interviewed FEMA Headquarters officials and FEMA Regional officials in FEMA Regions IV, VI, VII, and IX; reviewed Federal statutes and regulations and draft FEMA policies and procedures; analyzed disaster cost data for the disasters managed by the seven Long Term Recovery Offices for the period January 1994 through October 2013. Using the disaster cost data, we estimated the Long Term Recovery Offices operating costs. For this, we used the overall disaster operations obligations and expenditures and eliminated costs not directly attributed to the operation of the Long Term Recovery Offices. We then adjusted those costs and obligations to reflect the estimated cost attributed to the Long Term Recovery Offices and other disaster offices through October 2013. We also compiled staffing and disaster fund data for New Jersey and New York for Hurricane Sandy to determine its current financial impact on Long Term Recovery Offices; and performed other procedures considered necessary to accomplish our objective.

We did not assess the adequacy of the agency’s internal controls applicable to Long Term Recovery Office operations because it was not necessary to accomplish our audit objectives.

We conducted this performance audit between June 2013 and March 2014 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

Management Comments to the Draft Letter Report


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



FEMA

JUN 23 2014

MEMORANDUM FOR: John V. Kelly
Assistant Inspector General
Office of Emergency Management Oversight
Office of Inspector General

FROM: David J. Kaufman 
Associate Administrator
Office of Policy, Program Analysis and International Affairs

SUBJECT: FEMA's Response to Draft Report for OIG Project No. 12-128
EMO-FEMA: "FEMA Needs to Track Performance Data and
Develop Policies, Procedures, and Performance Measures for
Long Term Recovery Offices"

Thank you for the opportunity to review and comment on draft report, "FEMA Needs to Track Performance Data and Develop Policies, Procedures, and Performance Measures for Long Term Recovery Offices" OIG Project No. 12-128-EMO-FEMA. The Federal Emergency Management Agency (FEMA) appreciates the Office of Inspector General's (OIG's) work in planning and conducting its review and issuing this report. Several activities are already underway to improve the Agency's ability to monitor administrative costs and performance, and the findings in this report will be used to further enhance our management of Long Term Recovery Offices (LTROs). The draft report contains two recommendations for which FEMA concurs with both recommendations.

Recommendation #1: Identify, track, and report costs and performance data that show cost effectiveness for Long Term Recovery Offices.

Response: Concur: FEMA is currently determining the cost effectiveness of various models for post-disaster coordination and delivery of assistance. These models scale from virtual Joint Field Offices (JFOs) for smaller, more limited events, up to fully functional JFO – Area Field Office (AFO) models for larger, more severe events. This initiative will establish criteria for determining the cost effectiveness and applicability of one model versus another based on historic cost data and projections of potential cost-savings. Leveraging this initial JFO work, FEMA will then develop decision-making guidance for identifying, tracking, and reporting on the need for and cost-effectiveness of LTROs versus transitioning support to the FEMA Region or other options.

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Recommendation #2: Implement standardized policies, procedures, and performance measures to establish, operate, and close Long Term Recovery Offices.

Response: Concur: FEMA is currently documenting the process, procedures, performance measures, lessons learned, and best practices used to scope and establish the Sandy Recovery Office (SRO). The SRO was created in accordance with the National Disaster Recovery Framework (NDRF) and Annexes, as well as previous experiences in Louisiana, Mississippi, Florida, California, New York, and other states where a long term recovery office was utilized versus transitioning to the Region. The SRO approach and OIG findings will inform the FEMA initiative to update and implement previously developed draft guidance, procedures, and performance measures to establish, operate, and close LTROs.

Thank you again for the opportunity to comment on OIG Project No. 12-128-EMO-FEMA Draft Report: "FEMA Needs to Track Performance Data and Develop Policies, Procedures, and Performance Measures for Long Term Recovery Offices" and for the work that you and your team have done to better inform us throughout this audit so that we may enhance our management of LTROs. We look forward to your final report for this audit. Please direct any questions regarding this response to Gary McKeon, Director, Audit Liaison Office at 202-646-1308.



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Appendix C

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