

Department of Homeland Security Office of the Inspector General

Office of Emergency Management Oversight

Audit Division- Eastern District



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Introduction

The Department of Homeland Security (DHS), Office of the Inspector General (OIG), prepared this presentation for recipients of FEMA public assistance and hazard mitigation funding, as well as audit staff.

This presentation will help you to:

- - Document and account for disaster-related costs;
- - Minimize the loss of FEMA's disaster assistance program funds;
- - Maximize financial recovery; and
- - Prevent fraud, waste, and abuse of disaster funds.



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Overview

- The Homeland Security Act of 2002 provided for the establishment of an OIG in DHS by amendment to the Inspector General Act of 1978 (P.L.-95-452). The OIG serves as an independent unit to:
 - Promote-Economy, Efficiency, & Effectiveness;
 - Prevent-Fraud, Waste, & Abuse; and,
 - Fully informs the Congress and the DHS Secretary of problems in any DHS programs and/or operations.



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Principal Functions of the DHS-OIG

- - Perform or oversee all *audit* functions relating to programs and operations within DHS;
- - *Inspect* department activities to identify actual or potential fraud, waste, abuse, or mismanagement, and develop recommendations for corrective action; and,
- - *Investigate* allegations of illegal, unethical, or other activities that may lead to civil or criminal liability on the part of DHS or its employees, contractors, or program participants.



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Applicable Federal Regulations

Many directives are available regarding public assistance funding. Guidance that is helpful when managing federal funds includes:

- - Title 44 of the Code of Federal Regulations (44 CFR)
- - Policies and Procedures for implementing the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended (The Stafford Act).

www.access.gpo.gov/su_docs/index.html



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Applicable Federal Regulations (Cont'd)

- - Part 13 (44 CFR 13) - Set forth administrative requirement for grants;
- - Part 206 (44 CFR 206) - Set forth the disaster assistance rules applicable to mayor disasters and emergencies declared by the President;
- - Office of Management and Budget (OMB) Directives - establish administrative requirements and cost principles applicable to public assistance and hazard mitigation funding.

www.whitehouse.gov/omb/circulars/index.html



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Other Federal Regulations

	State & Local Government	Public & Private Institutions of Higher Education	Hospitals Affiliated with Institutions of higher Institutions	Quasi-Public & Private Nonprofits	Public & Private Hospitals
Administration of Grants	44 CFR 13 & OMB-A-102	OMB-A-110	OMB-A-110	OMB-A-110	OMB-A-110
Cost Principles	OMB-A-87	OMB A-21	OMB A-21	OMB-A-87	OMB-A-87
Audits	OMB-A-133	OMB-A-133	OMB-A-133	OMB-A-133	OMB-A-133



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The auditors are coming!



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The Audit Process

The OIG reviews several factors to determine which activities to audit such as:

- - Statutory and regulatory requirements;
- - Current or potential dollar magnitude;
- - Requests from Congress, FEMA, or State Officials; &
- - Reports/allegations of impropriety or problems implementing the FEMA programs.



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Audit Objective

Audits are conducted mainly to determine whether the State and Applicants expended and accounted for FEMA funds according to federal regulations and FEMA guidelines.



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Public Assistance Grant Audits



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Public Assistance Grant Audits

- Public Assistance (PA) Grants are Critical to the Recovery Process;
- When you get Federal grant money:
 - ✓ Know and follow the rules
 - ✓ Ignorance is not a justifiable defense
 - ✓ The OIG makes criminal & civil referrals to DOJ
 - ✓ The OIG refers companies, individuals and municipalities for suspension and debarment;
- Audit Objective: Determine whether FEMA funds were accounted for and expended according to federal regulations and FEMA guidelines;



Public Assistant Grant Audits (Cont'd)

In Fiscal Year 2011:

- ✓ 58 FEMA disaster grant audit reports were issued;
- ✓ The funds that were reviewed were awarded between calendar years 2001 thru 2008;
- ✓ \$1.2 billion (71%) of funds audited were questioned out of \$1.7 billion awarded;
- ✓ 220 recommendations were issued; and,
- ✓ \$336.9 million potential monetary benefits were recovered.



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Frequent Audit Findings

- - Contracting Practices
- - Unsupported Costs
- - Did Not Purchase Insurance
- - Funds Put to Better Use
- - Insurance Proceeds Incorrectly Applied
- - Ineligible Force Account Labor and
Force Account Equipment Costs Claimed



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Frequent Audit Findings (Cont'd)

- - Ineligible Debris Removal Charges
- - Excessive or Unreasonable Costs
- - Duplicate Charges
- - Contract Monitoring
- - Outside of FEMA Approved Scope
- - Other Federal Agency Funding Available



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FY 2011 Summary of Findings

	Finding	%	In Millions
1	Contracting practices	39%	131.7
2	Unsupported costs	25%	83.3
3	Did not purchase insurance	9%	31.5
4	Funds put to better use	9%	29.1
5	Insurance proceeds not applied/allocated correctly	5%	15.4
6	Ineligible force account labor and equipment	3%	8.7
7	Ineligible debris removal charges	2%	7.9
8	Excessive or unreasonable costs	2%	6.1
9	Duplicate charges	2%	5.9
10	Contract monitoring	2%	5.2
11	Outside FEMA-approved scope	1%	4.4
12	Other Federal agency funding available	1%	3.4
13	Not legal responsibility of subgrantee	1%	2.3
14	Other ineligible charges (i.e. nondisaster-related, credits, etc.)	1%	2.0



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Contracting Practices

- DHS-OIG generally does not question practices & costs during the exigency period;
- Non-compliance after exigency is a major concern;
- Non-compliance with federal procurement regulations often results in high-risk contracts with excessive costs;
- Full & open competition...
 - Allows all qualified bidders to participate; and
 - Discourages and prevents favoritism, collusion, fraud, waste, and abuse.



Unsupported Costs

- Disaster Assistance applicants often did not adequately support costs claimed; and
- Unsupported costs resulted because...
 - Had not established fiscal and accounting procedures that would allow us to trace expenditures, and
 - Did not maintain accounting records that were supported by source documents.



DHS-OIG Fraud Hotline

1-800-323-8603



The DHS-OIG not only performs audits, but also aggressively investigates allegations of fraud, waste, and abuse.



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Common Allegations - Hotline

- Disaster assistance applicants use false names and/or fictitious addresses;
- Disaster assistance applicants claim losses that they did not incur or were not eligible to claim;
- Disaster Assistance applicants do not use FEMA funds for the purpose intended;



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Common Allegations – Hotline (Cont'd.)

- Disaster fund recipients are victimized by contractors who inflate repair fees and/or fail to properly complete repairs;
- Disaster fund recipients damage their own properties to receive disaster assistance;
- Private citizens have claimed to be FEMA employees.



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DHS-OIG Fraud Hotline

1-800-323-8603

- If you have knowledge of fraud, waste, or abuse, or allegations of mismanagement involving disaster relief operations, you can call the DHS-OIG Fraud Hotline:

**CALLS ARE and CAN BE MADE
ANONYMOUSLY & CONFIDENTIALLY**



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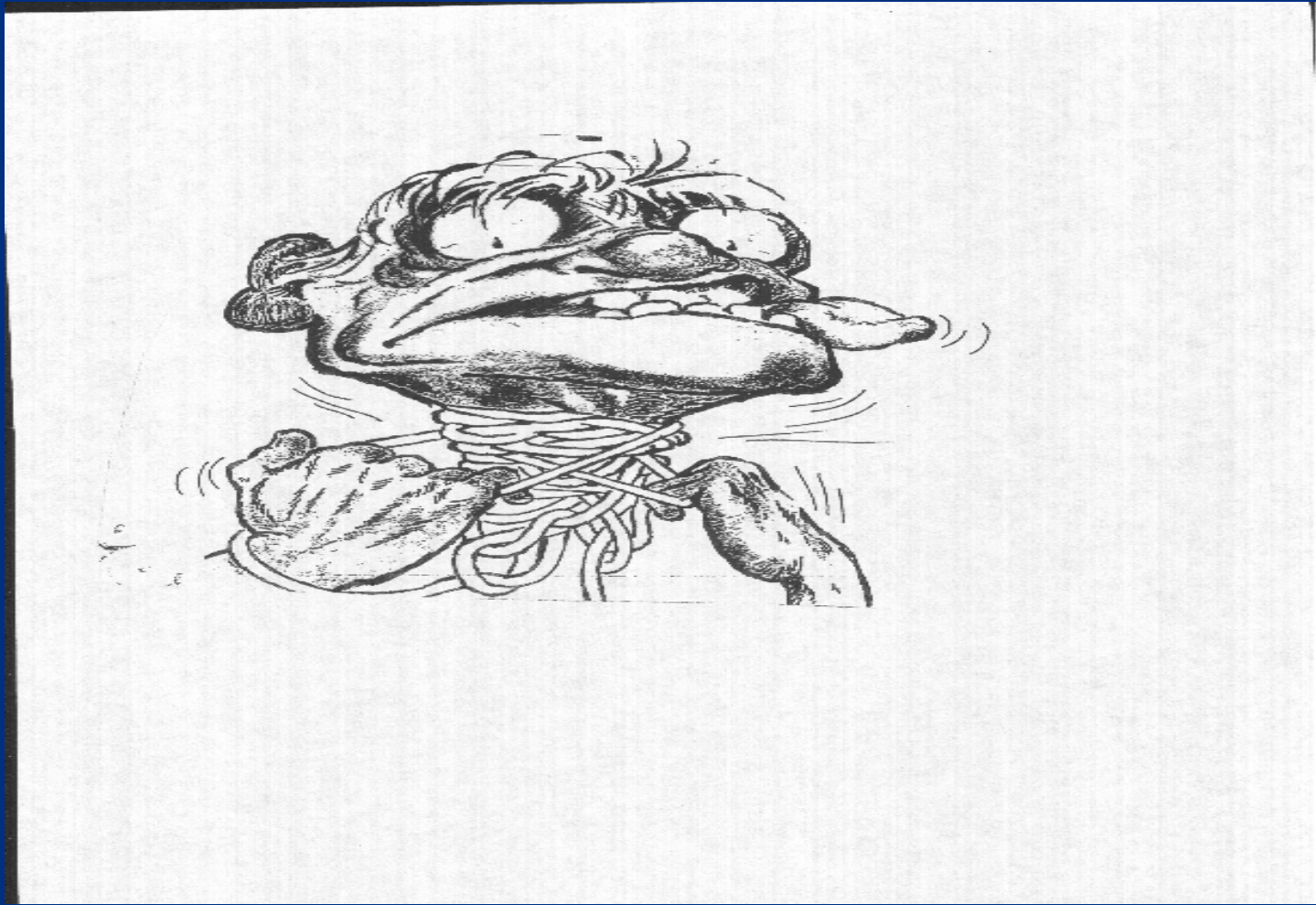


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The Auditors Are Now Leaving ANY QUESTIONS???



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