Averting a Second Disaster: Leading Financial Oversight Practices in Mitigation and Disaster Grant Programs – ASFPM 2016
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Introductions

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What We will Discuss Today

► What programs are we talking about
► What the IG is looking for and finding
► What you can do
► Fact, Myths and Legends
► Questions – PLEASE
Today We Will Focus on the Post Disaster Grants

► Which Grants
  ► 406 Mitigation (Public Assistance)
  ► Hazard Mitigation Grant Program (HMGP)

► Why?
  ► This is where the bulk of the IG Reports that we can use for guidance focus
  ► Most if not all of the grants management issues we will discuss are issues for all grant programs e.g. procurement.
  ► However, the Public Assistance program is probably one of the most difficult programs to administer because of the nature and timeline of the program.
Disaster Grants Are Different Than Other Grants - Why?

- Ad Hoc Public Works Program
- Ambiguous by design – “Flexibility”
- Much less guidance than other Federal grant programs
- Reliance on “oral history”
- Forgiveness vs. permission
- Temporary workforce
- Recipients and Subrecipients do not have time
  - This is for the long run
What’s New? Section 428 (Sandy Recovery Improvement Act of 2013)

► Authorizes alternative procedures for the Public Assistance (PA) program under the Stafford Act.
  ► Reducing the costs to the Federal Government of providing Public Assistance
  ► Increasing flexibility in the administration of such assistance
  ► Expediting the provision of assistance to a State, tribal or local government, or nonprofit owner or operator of a private nonprofit facility.
  ► Providing financial incentives and disincentives for timely and cost-effective completion of projects with such assistance.

► Two main provisions – Debris Removal and Permanent Work
Debris Removal Pilot - Sandy Recovery Improvement Act

Pros
- Incentivizes faster debris removal and therefore faster recovery.
- Particularly beneficial if you are using force account labor.
- Higher Cost Share – starts at 85% for the first 30 days.
- Incentives for having a debris removal plan in advance.
- Should reduce costs for all parties.

Cons
- Time limited – begins with start of incident period.
- No funding after 180 days.
- Normal procurement rules apply.
- Extensions permitted but “weather” specifically excluded.
- May not be suitable for all disasters especially those where access to debris may be delayed (e.g. large scale flooding or extended incident periods for run on events.)
Permanent Work Pilot – Sandy Recovery Improvement Act

Pros
- Flexibility
- Waivers
- Set budget
- Consolidate projects
- No “hair cut” for alternate projects.
- Can apply cost savings for other eligible purposes – including mitigation.

Cons
- Risk for cost overruns.
- Still need to account for costs – same rules apply as traditional PA Program.
- Must have very good cost estimates.
- May not be suitable when estimates are hard to get or cost escalations likely.
- Program subject to increased Congressional and Inspector General scrutiny.
What’s New? – Super Circular 2 CFR

► Found at 2 CFR Part 200
  ► The Uniform Rules apply to all new grant awards under emergencies and major disasters declared on or after December 26, 2014 (79 Fed. Reg. at 75872 and §200.110)
  ► The Uniform Rules, where applicable, supersede the procurement standards formerly found at 44 C.F.R. § 13.36 and elsewhere
  ► Includes OMB Cost Circulars and A-133 (Audits)
► New terms
  ► Now Recipients and Subrecipients
► But there is a “grace period” for procurement standards
What’s New? - Federal Disaster Assistance “It is not just a FEMA Show” – Other Federal Grants

► Who provides Disaster Assistance?
► Different Culture
► Different Rules and Laws Apply
► Multiple IGs and Oversight Entities (e.g. Congressional Committees)
► Duplication of Benefit Issues
► Communication and Coordination seem to be getting better
► Congress seems to be trying to help (e.g. environmental reviews)
What’s New? - Federal Disaster Assistance “It is not just a FEMA Show” – Non Government Organizations

- Rockefeller Foundation 100 Resilient Cities Initiative
  - Includes: Financial and logistical guidance for establishing an innovative new position in city government, a Chief Resilience Officer, who will lead the city’s resilience efforts;
- EY Recently Named a Platform Sponsor
- New and Evolving
- Stay tuned!!!
States Are Recipients – Implications

- For FEMA Public Assistance and HMGP, States are “recipients” (formerly grantees).
- Counties, local governments and eligible non-profits are “subrecipients”.
- States are “pass through entities”.
- Because states are recipients for the FEMA seeks any recoveries of grant funds directly from states.
- As a result, states are taking new steps to protect grant funds and monitor subrecipients.
- Why?
### OIG Audit Results – FEMA Grant and Subgrant Audits 2009 – 2014

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Awarded Amount ($B)</th>
<th>Amount Audited ($B)</th>
<th>% Audited</th>
<th>Questioned Amount ($M)</th>
<th>Funds Put to Better Use ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$ 4.04</td>
<td>$ 3.44</td>
<td>85%</td>
<td>$ 111.62</td>
<td>$ 860.14</td>
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<tr>
<td>2013</td>
<td>1.70</td>
<td>1.28</td>
<td>75%</td>
<td>266.22</td>
<td>41.60</td>
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<td>2012</td>
<td>1.52</td>
<td>1.25</td>
<td>82%</td>
<td>267.89</td>
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<tr>
<td>2011</td>
<td>1.72</td>
<td>1.22</td>
<td>71%</td>
<td>307.80</td>
<td>29.09</td>
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<td>2010</td>
<td>2.29</td>
<td>1.23</td>
<td>54%</td>
<td>104.48</td>
<td>60.77</td>
</tr>
<tr>
<td>2009</td>
<td>1.30</td>
<td>0.93</td>
<td>72%</td>
<td>123.38</td>
<td>15.06</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 12.57</strong></td>
<td><strong>$ 9.35</strong></td>
<td><strong>74%</strong></td>
<td><strong>$ 1,181.39</strong></td>
<td><strong>$ 1,154.36</strong></td>
</tr>
</tbody>
</table>

Source: 2014 DHS-OIG Capping Report
Deobligating Disaster Recovery Funds

► As a result of ongoing audits by the Department of Homeland Security and the Federal Emergency Management Agency (FEMA), the federal government has deobligated roughly $100 million in previously-approved disaster assistance funding from Florida local governments and other recipients. These entities are now required to pay back these funds have future disaster assistance withheld.

Source: Florida Association of Counties
What Happens When Things Go Wrong?

- Disputes
  - Applicant eligibility
  - Work/facility eligibility
  - Cost eligibility
  - Timing of FEMA determination matters

- Deobligations and Section 705(c)

- Appeals

- Arbitration
What are the Common Audit Findings?

- Improper contracting
- Inadequate source documentation
- Ineligible work performed and claimed
- Incorrect rates for equipment, labor and benefits
- Claims with duplicate benefits
  - Insurance
- Poor contracting practices result in excessive costs
- Improper contractor monitoring
- DAC
  - Allocations
  - Lacking sufficient documentation
Contracts – Just Because it is a Disaster Does Not Mean Contractual Rules Don’t Apply

► Reasonable cost
  ► One test – does it differ from what you normally do or pay?
  ► Competitively bid, with limited exceptions for exigent circumstances.
► Must comply with Federal, state, and local laws.
► Do not use:
  ► Debarred contractors
  ► Cost plus percentage of cost contracts.
  ► Contingency contracts.
► Time and materials generally after 70 hours
Contracts – Just Because it is a Disaster Does Not Mean Contractual Rules Don’t Apply

► Supporting Documents for Contracts
  ► Procurement history
  ► Copy of contract and any modifications
  ► Contractor invoices
  ► Contract monitoring documents
  ► Contractor timesheets for hours billed
Direct Administrative Costs

► Direct administrative costs include costs that can be tracked, charged, and accounted for directly to a specific project (DAP 9525.9 VII (D)(1)).

► Available for Public Assistance (406 mitigation) and HMGP
Buy Boards

Subrecepients are using buy boards for procurement

- Common issue is subrecepients are improperly procuring services by selecting only one service provider from buy boards without obtaining bids or performing a price comparison
- Even when a buy board is being utilized, multiple bids (minimum of 3) must be obtained
- The bids must be reviewed and assessed prior to selecting a contractor to perform the work
The FEMA guy said it was OK, so it’s OK.
If costs are reasonable, FEMA cannot deobligate.
The OIG has the final decision on deobligations and audit recommendations.
FEMA capped grants (Section 428) will not be audited because they are based on estimates.
No competition is required when purchasing from buy boards/intergovernmental vehicles.
Project Worksheets are final.
Standby contracts are not eligible under FEMA.
FEMA personnel at the start of the project will be there for the duration of the project.
Records must be maintained 3 years after PW closeout.
State and local governments can use the Federal GSA schedule.
Contracts without profits are eligible because there is no profit.
FEMA pays for a project only once.
Questions?