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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

October 5, 2017

CHRISTOPHER R. HIXON, STAFF DIRECTOR
MARGARET E. DAUM, MINORITY STAFF DIRECTOR

The Honorable Brock Long
Administrator
Federal Emergency Management Agency
500 C Street SW
Washington, DC 20472

Dear Mr. Long:

I write regarding the recent Department of Homeland Security Office of Inspector General (OIG) report, *FEMA Should Disallow \$246,294 of \$3.0 Million in Public Assistance Grant Funds Awarded to Lincoln County, Missouri*.¹ In this report, OIG audited the eligibility of Federal Emergency Management Agency (FEMA) Public Assistance grant funds awarded to Lincoln County, Missouri.²

FEMA awarded \$3 million in grant funding to Lincoln County for damages resulting from the tornadoes and severe storms that occurred from May to July 2015. OIG reviewed whether Lincoln County accounted for and expended the award according to federal regulation and FEMA guidelines. Of the \$3 million, OIG found that Lincoln County claimed \$246,294 of ineligible and unsupported costs for two large projects. Specifically, OIG questioned \$10,632 in overstated material costs (uncontested by Lincoln County) and \$235,662 in direct administrative costs.³

¹ Department of Homeland Security, Office of Inspector General, *FEMA Should Disallow \$246,294 of \$3.0 Million in Public Assistance Grant Funds Awarded to Lincoln County, Missouri* (OIG-17-118-D) (Oct. 3, 2017).

² *Id.* From May to July 2015, the County experienced numerous tornadoes, damaging straight-line winds, flooding, and severe storms. These severe storms brought torrential rains followed by rapidly rising river levels that washed away and damaged several roads and bridges throughout the County.

³ Department of Homeland Security, Office of Inspector General, *FEMA Should Disallow \$246,294 of \$3.0 Million in Public Assistance Grant Funds Awarded to Lincoln County, Missouri* (OIG-17-118-D) (Oct. 3, 2017).

As you are aware, FEMA Disaster Assistance Policy requires recipients to identify direct administrative costs separately and assign costs to a project.⁴ Additionally, federal regulation requires that disaster work must directly relate to the major disaster declaration, recipients must account for expenditures on a project-by-project basis and keep records for all projects, and subrecipients must maintain accounting records that adequately identify the source and application of federal funds.⁵ OIG noted that Lincoln County provided summary documentation for its direct administrative costs, but these documents did not meet federal requirements because they lacked specific details such as time sheets or work logs to validate the eligibility of costs claimed.⁶ Therefore, OIG concluded that FEMA should disallow \$235,662 that Lincoln County claimed for direct administrative costs as ineligible or unsupported.⁷

OIG's report revealed that FEMA officials may not have adequately communicated with the grant recipients regarding their obligations. In particular, Lincoln County officials stated, "FEMA officials provided inconsistent guidance regarding the types of direct administrative costs that were eligible." Lincoln County officials also expressed receiving unclear information from FEMA joint field office staff that often contradicted subsequent FEMA Region VII determinations. As a result, Lincoln County submitted all its claims as direct administrative costs because the eligibility and documentation requirements were unclear. Notably, even FEMA officials acknowledged the need to provide clearer guidance to local governments.⁸

States and local governments rely on FEMA to provide proper assistance to help them account for and expend grant funds according to Federal regulations and FEMA guidelines. Because FEMA failed to provide adequate guidance, Lincoln County may be shortchanged hundreds of thousands of dollars in aid. I am concerned that the inconsistent guidance and lack of communication identified by the Inspector General in this report could potentially lead to other counties being forced to bear unallowable disaster costs. To better understand how FEMA will implement recommendations made by the Inspector General and how FEMA will effectively communicate policies and guidance to grant recipients and subrecipients, please provide written responses to the following questions no later than October 26, 2017.

⁴ Federal Emergency Management Agency, Public Assistance Program and Policy Guide, (FP 104-009-2) (Apr. 2017) ([www.fema.gov/media-library-data/1496435662672-d79ba9e1eddb16e60b51634af00f490ac/2017_PAPPG_2.0_508_FINAL\(2\).pdf](http://www.fema.gov/media-library-data/1496435662672-d79ba9e1eddb16e60b51634af00f490ac/2017_PAPPG_2.0_508_FINAL(2).pdf)).

⁵ 44 CFR 206.223

⁶ Department of Homeland Security, Office of Inspector General, *FEMA Should Disallow \$246,294 of \$3.0 Million in Public Assistance Grant Funds Awarded to Lincoln County, Missouri* (OIG-17-118-D) (Oct. 3, 2017).

⁷ *Id.*

⁸ *Id.*

1. Given the findings in this report, what steps will FEMA take to ensure applicants receive clear guidance on eligibility and support document requirements?
2. How will FEMA work to improve communications between its Regional Offices and Joint Field Offices?
3. OIG recommended disallowing and denying Lincoln County's claims in the amount of \$235,662 for unsupported direct administrative costs unless Lincoln County provides additional documentation sufficient to support the eligibility of the costs and their direct relation to the project. How will FEMA work with Lincoln County to provide the necessary guidance for it to resubmit proper documentation that meets eligibility requirements?
4. According to this report, FEMA will make final eligibility determinations within 90 days on whether to disallow/deny these funds to Lincoln County. In light of the County receiving inconsistent and unclear guidance for documenting eligible direct administrative costs, how will FEMA plan to make its final eligibility determination?

Please contact Phylcia Woods with my Committee staff at (202) 224-4627 with any questions. Please send any official correspondence related to this request to Amanda Trosen at Amanda_Trosen@hsgac.senate.gov. Thank you for your prompt attention to this matter.

Sincerely,



Claire McCaskill
Ranking Member

cc: Ron Johnson
Chairman