

***Proactively Auditing FEMA's  
Response to the  
2013 Colorado Floods***

*Mountain & Plains Intergovernmental Audit Forum  
August 12, 2016*



**Office of Inspector General**

# ***Proactively Auditing the 2013 Colorado Floods***

- Brief History of Auditing Disaster Assistance
- Inherent Risks with Disaster Assistance Grants
- Proactive Audits
- Proactive Disaster Assistance Audit Approach
- 2013 Colorado Flood Proactive Audits



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# ***Proactively Auditing the 2013 Colorado Floods***

- History of Disaster Assistance Grant Audit Organizations
  - ✓ FEMA OIG
  - ✓ Establishment of DHS OIG 2003
    - ✓ Florida Four in 2004
    - ✓ Hurricane Katrina in 2005
  - ✓ Establishment of an Office to Audit Disaster Assistance



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# *Proactively Auditing the 2013 Colorado Floods*

## ➤ Inherent Risks of Disaster Assistance Grants

- ✓ Disaster Assistance Environment
  - ❖ More than 750 open disasters
  - ❖ Every state has an open disaster
  - ❖ Disasters last for years, sometimes decades
  - ❖ More than 100,000 open sub-grantees
  - ❖ Sub-grantees often:
    - ❖ Have little knowledge of FEMA policies
    - ❖ Think their disaster was Noah's flood



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# ***Proactively Auditing the 2013 Colorado Floods***

- Inherent Risks of Disaster Assistance Grants
  - ✓ OIG reports show
    - ❖ Hundreds of millions of dollars misspent each year
    - ❖ ~25% of funds audited misspent
  - ✓ Definition of insanity
    - ❖ Doing the same thing over and over again, and
    - ❖ Expecting different results
  - ✓ More recent reports show shift from
    - ❖ From Questioned Costs
    - ❖ To Cost Avoidance
  - ✓ Historical audit approach
    - ❖ Good at detection
    - ❖ Not good at prevention



# ***Proactively Auditing the 2013 Colorado Floods***

- Inherent Risks of Disaster Assistance Grants
  - ✓ Looked at our stated mission
    - ❖ Identify fraud, waste, and abuse as early as possible
    - ❖ Focus on prevention and monitoring
    - ❖ Advise on sub-grantee contracting/financial management activities
    - ❖ Advise on internal controls and precedent-setting decisions
  - ✓ Compared our reports before 2012 to our mission
  - ✓ Our Products did not achieve needs of
    - ❖ Congress or Taxpayers
    - ❖ FEMA or State or local applicants



# *Proactively Auditing the 2013 Colorado Floods*

- Switched to Proactive Audits
  - Why Proactive Audits are Needed
    - ✓ Decision makers need early feedback
    - ✓ Auditor's role is at stake
  - What Proactive Audits are not
    - ✓ Auditors making management decisions
    - ✓ Auditors avoiding writing an audit report
  - What Proactive Audits are
    - ✓ GAGAS compliant
    - ✓ Auditors providing decision makers useful information



# ***Proactively Auditing the 2013 Colorado Floods***

- Life Cycle Audit Approach to Proactively Audit Disaster Assistance
  - ✓ Disaster Deployment Audits
  - ✓ Capacity Audits
  - ✓ Early Warning Audits, and
  - ✓ Close Out/Completion Audits (Traditional Audits)
  
- Advisory Reports



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# ***Proactively Auditing the 2013 Colorado Floods***

- Proactive Disaster Assistance Audit Approach
  - ✓ Disaster Deployment audits
    - ❖ Deploy with FEMA to Disasters
    - ❖ Assess FEMA's initial response
    - ❖ Report on initial response



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# *Proactively Auditing the 2013 Colorado Floods*

## ➤ Proactive Disaster Assistance Audit Approach

### ✓ Capacity Audits

- ❖ Conduct audits of new or historically challenged sub-grantees shortly after sub-grantees are selected
- ❖ Focus on sub-grantee capacity to
  - ❖ Properly Account for FEMA funds
  - ❖ Make procurement decisions
  - ❖ Adjusting for insurance
  - ❖ Adequately support costs
- ❖ Recommendations focus on prevention



# ***Proactively Auditing the 2013 Colorado Floods***

## ➤ Proactive Disaster Assistance Audit Approach

### ✓ Early Warning Audits

- ❖ Early in the recovery phase focus on sub-grantee
  - ❖ Initial compliance--FEMA and Federal policies
  - ❖ Early detection of non compliance should enable sub-grantees to get into compliance
- ❖ Recommendations focus on
  - ❖ Ensuring compliance
  - ❖ Can address improperly spent grant funds



# ***Proactively Auditing the 2013 Colorado Floods***

## ➤ Proactive Disaster Assistance Audit Approach

### ✓ Close out/completion phase audits

- ❖ Provide a gauge of the effectiveness of grantee and sub-grantee compliance
- ❖ Lead to adjustments or reduction of audit coverage
- ❖ Identify improperly spent grant funds



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# ***Proactively Auditing the 2013 Colorado Floods***

## ➤ Proactive Disaster Assistance Audit Approach

### ✓ Advisory Reports

- ❖ Can be GAGAS or Non-GAGAS
- ❖ Addresses new or unique situations
- ❖ May or may not contain recommendations



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# Proactively Auditing the 2013 Colorado Floods

## ➤ 2013 Colorado Floods

	Total Dollars Obligated
Individual Assistance	\$62 million
Public Assistance	354 million
Total Obligated	\$416 million
Amount Audited	\$270 million



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# ***Proactively Auditing the 2013 Colorado Floods***

## ➤ *Audit of the 2013 Colorado Floods*

- ✓ FEMA's Initial Response to the Colorado Flood
- ✓ FEMA Should Take Steps To Improve the Efficiency and Effectiveness of the Disaster Assistance Helpline for Disaster Survivors That Do Not Speak English or Spanish
- ✓ The City of Loveland, Colorado, Could Benefit from Additional Assistance in Managing its FEMA Public Assistance Grant Funding



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# ***Proactively Auditing the 2013 Colorado Floods***

## ➤ *2013 Colorado Floods Audits*

- ✓ Larimer County, Colorado, Needs Assistance to Ensure Compliance with FEMA Public Assistance Grant Requirements
- ✓ Boulder County, Colorado, Has Adequate Policies and Procedures to Manage Its Grant, but FEMA Should Deobligate about \$2.5 Million in Unneeded Funds
- ✓ Longmont and Colorado Officials Should Continue to Improve Management of \$55.1 Million FEMA Grant



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# ***Proactively Auditing the 2013 Colorado Floods***

## ➤ *2013 Colorado Floods Audits*

- ✓ Boulder, Colorado, Has Adequate Policies, Procedures, and Business Practices to Manage Its FEMA Grant Funding
  
- ✓ Jamestown, Colorado, Needs Additional Assistance and Monitoring to Ensure Proper Management of Its \$10.4 Million FEMA Grant



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# ***Proactively Auditing the 2013 Colorado Floods***

## ➤ *2013 Colorado Floods Audits*

- ✓ Lyons and Colorado Officials Should Continue to Improve Management of \$36 Million FEMA Grant
  
- ✓ Colorado Should Provide the City of Evans More Assistance in Managing FEMA Grant Funds



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Questions?



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