

**Capacity Audit of FEMA
Grant Funds Awarded to
the Puerto Rico Aqueduct
and Sewer Authority**





DHS OIG HIGHLIGHTS

Capacity Audit of FEMA Grant Funds Awarded to the Puerto Rico Aqueduct and Sewer Authority

April 9, 2020

Why We Did This Audit

The DHS Office of Inspector General contracted with Williams Adley to conduct an audit to determine whether FEMA ensured Puerto Rico COR3 and PRASA established and implemented policies, procedures, and practices to account for and expend PA grant funds according to Federal regulations and FEMA guidance.

What We Recommend

We made two recommendations to FEMA Region II to improve COR3 and PRASA's management of FEMA PA funds, ensuring they are expended according to Federal regulations and FEMA guidance.

For Further Information:

Contact our Office of Public Affairs at (202) 981-6000, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov

What We Found

Williams, Adley & Company-DC, LLP (Williams Adley) found the Federal Emergency Management Agency (FEMA) did not ensure the Puerto Rico Central Office of Recovery, Reconstruction, and Resiliency (COR3) and its Aqueduct and Sewer Authority (PRASA) established and implemented policies, procedures, and practices to account for and expend Public Assistance (PA) grant funds according to Federal regulations and FEMA guidance. Specifically, PRASA did not follow established policies and procedures for: (1) recording the capacity size and rate of its force account equipment; and (2) ensuring each vendor had a certificate of eligibility before receiving a contract award.

This occurred because FEMA did not consistently provide adequate oversight and PRASA did not review for accuracy its recording of force account generator usage or the cost claimed to FEMA. In addition, PRASA did not take adequate steps to comply with its contracting procedures that require verification of vendor eligibility before awarding a contract.

As a result, FEMA overpaid PRASA \$72,304 in force account equipment costs, which we questioned. Additionally, PRASA may have awarded contracts to vendors that were ineligible, increasing the risk of substandard service delivery and unallowable costs.

FEMA's Response

FEMA concurred with the two recommendations. Appendix B includes FEMA's response in its entirety.




OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

April 9, 2020

MEMORANDUM FOR: Thomas Von Essen
Regional Administrator, Region II
Federal Emergency Management Agency

FROM: Sondra F. McCauley 
Assistant Inspector General for Audits

SUBJECT: *Capacity Audit of FEMA Grant Funds Awarded to the
Puerto Rico Aqueduct and Sewer Authority*

Attached for your action is our final report, *Capacity Audit of FEMA Grant Funds Awarded to the Puerto Rico Aqueduct and Sewer Authority*. We incorporated the formal comments provided by your office.

The report contains two recommendations aimed at improving Puerto Rico Aqueduct and Sewer Authority grants management. Your office concurred with the two recommendations. Based on information provided in your response to the draft report, we consider Recommendation 1 to be resolved and closed and Recommendation 2 to be open and resolved. Once your office has fully implemented the recommendation, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and the disposition of any monetary amounts. Please send your response or closure request to OIGAuditsFollowup@oig.dhs.gov.

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

Please call me with any questions at (202) 981-6000, or your staff may contact Maureen Duddy, Deputy Assistant Inspector General for Audits, at (617) 565-8723.

Attachment



April 9, 2020

Ms. Sondra F. McCauley
Assistant Inspector General for Audits
Office of Inspector General
U.S. Department of Homeland Security

Dear Ms. McCauley:

Williams, Adley & Company-DC, LLP performed an audit of the Puerto Rico Aqueduct and Sewer Authority's (PRASA) capacity to manage Federal Emergency Management Agency (FEMA) Public Assistance (PA) grant funds. We performed the audit in accordance with our Task Order No. HSIQAQ-17-A-00008, dated September 27, 2018. Our report presents the results of the audit and includes recommendations to help improve PRASA's management of FEMA PA funds.

We conducted our audit in accordance with applicable *Government Auditing Standards*, 2011 revision. The audit was a performance audit, as defined by Chapter 6 of the *Standards*, and included a review and report on program activities with a compliance element. Although the audit report comments on costs claimed by PRASA, we did not perform a financial audit, the purpose of which would be to render an opinion on PRASA's financial statements, or the funds claimed in the Financial Status Reports submitted to the Department of Homeland Security.

We appreciate the opportunity to have conducted this audit. Should you have any questions or need further assistance, please contact us at (202) 371-1397.

Sincerely,

A handwritten signature in black ink that reads 'Jocelyn Hill'.

Jocelyn A. Hill, CPA, CGFM
Partner



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Abbreviations

COR3	Central Office of Recovery, Reconstruction, and Resiliency
EMMIE	Emergency Management Mission Integrated Environment
FEMA	Federal Emergency Management Agency
GAO	Government Accountability Office
OIG	Office of Inspector General
PRASA	Puerto Rico Aqueduct and Sewer Authority



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Background

On September 6, 2017, Hurricane Irma’s center passed 50 nautical miles north of Puerto Rico as a category 5 hurricane causing severe wind and rain inundation to the island. Two weeks later, on the morning of September 20, 2017, Hurricane Maria made a direct hit to Puerto Rico as a category 4 hurricane. Although the storm moved offshore in the early afternoon of September 20, 2017, tropical storm-force winds continued late into the night causing catastrophic damage to electrical utilities, roads, bridges, and other public infrastructure throughout Puerto Rico. According to the National Hurricane Center, Hurricane Maria was the most intense hurricane to make landfall in Puerto Rico since 1928.¹ The President declared Hurricanes Irma and Maria as major disasters on September 10, 2017 and September 20, 2017, respectively.

The Puerto Rico Aqueduct and Sewer Authority (PRASA)² is one of the subrecipients in Puerto Rico that received assistance under the Federal Emergency Management Agency’s (FEMA) Public Assistance (PA) grant program.



Figure 1: Aerial view of the Guajataca Dam rupture

Source: Newspaper First Hour - <https://www.primerahora.com/noticias/puerto-rico/nota/rupturaenembalseguajatacatodaviarepresentaunriesgoiminminente-1248519/>

¹ *Puerto Rico Hurricanes – Status of FEMA Funding, Oversight, and Recovery Challenges*, Government Accountability Office (GAO), GAO-19-256, March 2019

² PRASA was created by Puerto Rico Law Number 40 on May 1, 1945. It is a government-owned corporation in Puerto Rico and is responsible for water quality, management, and supply on the island. At the time of our audit, PRASA had more than 1.2 million customers, and maintained 8 dams, 114 water treatment plants, and 51 wastewater treatment plants.



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Immediately following the disaster declaration, FEMA began working directly with PRASA to provide guidance and monitor its recovery effort related to PA grant funds. In April 2018, the Governor issued Executive Order 2017-065 to establish the Central Office of Recovery, Reconstruction, and Resiliency (COR3) of Puerto Rico. This office assumed responsibility, as the Governor's Authorized Representative, to monitor PRASA's management of disaster recovery funds.³ In June 2018, COR3 contracted with ICF Incorporated, LLC to review grant reimbursement claims and assist PA grant applicants with project formulation, and Deloitte & Touche, LLP to provide disaster recovery strategic and compliance services.

As of December 14, 2018 — the cutoff date of our audit — FEMA had obligated more than \$314 million in PA grant funding to PRASA under 20 Project Worksheets (PW)⁴ for water transport, generator usage, security services, floating pumps, and repairs.

Grant Management Requirements

According to the Code of Federal Regulations (CFR) (2 CFR 200.331(d)), recipients are responsible for the proper administration of grants. For example, recipients are responsible for managing the day-to-day operations of grant- and subgrant-supported activities. In addition, recipients must ensure subrecipients are aware of and comply with Federal regulations to ensure compliance with applicable Federal requirements and achievement of performance goals.

It is FEMA's responsibility to monitor the state to ensure the recipient is performing proper grant administration.⁵ Federal regulations require the Governor — acting for the state — and the FEMA Regional Administrator to execute an Agreement.⁶ The FEMA-State Agreement outlines the understandings, commitments, and conditions under which Federal disaster assistance is to be provided. Federal regulations also require the state to develop a State Administration Plan outlining the actions the state will take to fulfill its duties and responsibilities to FEMA.⁷ Accordingly, FEMA is

³ <http://www.p3.pr.gov/assets/cor3-memorandum-2018-001.pdf>

⁴ A Project Worksheet is the primary form used to document the location, damage description and dimensions, scope of work, and cost estimate for each project (Public Assistance Program and Policy Guide, April 2018, p. 174). It is the basis for a subgrant and the Public Assistance grant funding (SOP9570.14, Dec. 2013, p. 4 of 32).

⁵ PA Program Management and Grant Closeout (FEMA SOP 9570.14), Section 6.3 FEMA Responsibilities: www.fema.gov/medialibrary/assets/documents/86377

⁶ 44 CFR 206.44(a)

⁷ 44 CFR 206.207



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responsible for holding the state accountable to the terms and conditions of both the FEMA-State Agreement and the State Administration Plan.

In its FEMA-State Agreements,⁸ COR3 agreed to comply with, and require its subrecipients to comply with, all applicable laws and regulations, including the Stafford Act⁹ and applicable FEMA policies and guidance. Federal regulations require recipients to monitor subrecipients' activities to ensure subawards are in "compliance with Federal statutes, regulations, and the terms and conditions of subawards."¹⁰

Results of Audit

Subrecipient Did Not Comply with Federal Requirements

PRASA did not adhere to policies and procedures that required it to document the correct capacity size and rate of its force account equipment. Additionally, PRASA did not follow established procedures to ensure that each vendor had a certificate of eligibility on file prior to receiving a contract award. PRASA needs additional training and monitoring to ensure compliance with Federal accounting and procurement regulations.

Incorrect Capacity Size Recorded for Force Account Equipment

PRASA overstated its cost reimbursement claim for the use of generators by \$72,304 (PW 87). We selected 22 items from a population of 1,908 generator usage recordings and noted PRASA incorrectly recorded the capacity size of its generators in 4 of the 22 items sampled (valued at \$6.7 million). PRASA prepares an equipment listing to record the information related to its generators (e.g., capacity in kilowatts (KW), usage, location, and FEMA rate). Table 1 shows a breakdown of the \$72,304, 1.07 percent of the total sampled amount, in force account equipment costs that were overstated on PRASA's equipment listing, based on the incorrect capacity size and corresponding FEMA rate:

⁸ FSA-4336-FEMA-DR-state (Hurricane Irma) and FSA-4339-FEMA-DR-state (Hurricane Maria)

⁹ *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended

¹⁰ 2 CFR 200.331(d)



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Table 1: Overstatement of Force Account Equipment Claimed

Per PRASA Equipment Sheet					Per Auditor				
#	Size Recorded	FEMA Code	FEMA Rate	Costs Claimed	Size Per Support	FEMA Code	FEMA Rate	Costs That Should Have Been Claimed	Over statement
2	537 KW	8319	\$222	\$118,326	400KW	8318	\$153	\$81,709	\$36,617
5	60 KW	8313	\$35	\$41,241	40 KW	8325	\$15	\$17,464	\$23,777
15	46.5 KW	8313	\$35	\$18,279	40 KW	8325	\$15	\$ 7,740	\$10,539
20	50 KW	8313	\$35	\$ 2,377	40 KW	8325	\$15	\$ 1,006	\$ 1,371
Total Overstatement of Force Account Equipment Costs Claimed									\$72,304

Source: PRASA Equipment Listing and FEMA 2017 Schedule of Equipment Rates Table

FEMA obligated an expedited PW on October 11, 2017 for \$70.3 million for usage of generators under PW 87. PRASA reconciled the force account equipment costs for PW 87 against the advance and has claimed reimbursement of such costs from FEMA.

PRASA stated the errors on the equipment listing were due to its employees entering the kilovolt-ampere unit rather than the KW unit for the generators. PRASA did not follow its existing policies and procedures to document and review the correct capacity size of its equipment before submitting claims to FEMA. As a result, FEMA overpaid PRASA \$72,304 in force account equipment costs.

According to 2 CFR 200.313 (d)(1), property records must be maintained that include a description of the property; a serial number or other identification number; the source of property; who holds title; the acquisition date; the cost of the property; the percent of Federal participation in the cost of the property; the location, use, and condition of the property; and any ultimate disposition data, including the date of disposal and sale price of the property.

FEMA’s 2017 Schedule of Equipment Rates Table provides rates for force account equipment for disaster declarations on or after September 1, 2017. Cost rates for generators start with FEMA code 8310. (See Appendix D.)

Failure to Adhere to Procurement Controls for Vendor Eligibility

PRASA did not ensure vendors had the proper certificate of eligibility on file for 2017, the year PRASA awarded the contracts, for 5 of 21 contract samples valued at \$9,687,524.



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PRASA outsourced its procurement duties to the Administración de Servicios Generales (ASG).¹¹ We noted PRASA did not follow established procedures to ensure all vendors awarded contracts in 2017 possessed the required certificates of eligibility from ASG indicating the vendors had not been suspended or debarred. PRASA stated that computer system outages prevented it from confirming eligibility for the five vendors on the ASG website. Therefore, as an alternative solution PRASA selected vendors from a list of companies it had awarded contracts to in the past. During testing, we determined the five vendors had not been suspended or debarred in 2017, so we are not questioning the \$9,687,524. Although not identified during our testing, PRASA may have awarded contracts to vendors that were ineligible, increasing the risk of substandard service delivery and unallowable costs.

According to 2 CFR 200.213, non-federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Recommendations

Recommendation 1: We recommend the Regional Administrator, FEMA Region II, work with COR3 to:

- determine if the \$72,304 in force account equipment costs were improperly claimed for PW 87 and collect any amount determined to be unallowable; and
- review all force account equipment costs for the period under audit to identify other potential overpayments.

FEMA Comments

Recommendation 1: Concur. Since the time of the audit period, the Puerto Rico Aqueduct and Sewer Authority (PRASA) has provided photos of each generator plate and a signed certification by a PRASA supervisor, which when taken together, provide all information required to determine the appropriate

¹¹ ASG is a state agency of the Commonwealth of Puerto Rico. ASG is responsible for implementing public policy related to purchase of goods and services for the Executive Branch, the municipalities, and some public corporations. ASG evaluates, under objective criteria, all bidders interested in being bound contractually with the Government of the Commonwealth of Puerto Rico through a series of certifications and documents allowing ASG to determine eligibility to bid.



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usage rate for each generator. Further, PRASA adjusted its claim based on the information, which resulted in an additional obligation of \$350,000. PRASA also submitted documentation for additional force account equipment use, increasing the claim for PW 87 by \$14.5 million. FEMA validated the entire claim and no costs are unallowable. FEMA requests this recommendation be considered resolved and closed.

OIG Analysis

FEMA's corrective actions are responsive to the recommendation. PRASA submitted to FEMA detailed information about each generator sufficient to determine the appropriate usage. Further, FEMA obtained, reviewed, and validated all costs reported by PRASA for PW 87 and determined that those costs are allowable. We determined that FEMA's response meets the intent of this recommendation. Therefore, we consider this recommendation resolved and closed.

Recommendation 2: We recommend the Regional Administrator, FEMA Region II, work with COR3 to:

- require PRASA to adhere to its procurement policy to address the requirement related to vendor eligibility in 2 CFR 200.213 prior to contract award;
- require PRASA to confirm vendor eligibility for the five contracts tested; for contracts PRASA determines as ineligible, ensure those costs are recovered; and
- conduct training with PRASA personnel on the importance of verifying vendor eligibility

FEMA Comments

Recommendation 2: Concur. The FEMA Region II Regional Administrator will work with COR3 to require PRASA to adhere to its procurement policy, confirm vendor eligibility for the five contracts tested, and conduct training with PRASA personnel. ECD February 28, 2021

OIG Analysis

FEMA's corrective actions are responsive to the recommendation. However, the recommendation will remain resolved and open until we have received and reviewed evidence that the FEMA Region II Regional Administrator has worked with COR3 to ensure that PRASA adheres to its procurement policy, confirms the eligibility of the five contracts tested, and conducts training for PRASA personnel.



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Appendix A

Objective, Scope, and Methodology

Our audit objective was to determine whether FEMA ensured PRASA established and implemented policies, procedures, and practices to ensure PA grant funds awarded to disaster areas are accounted for and expended according to Federal regulations and FEMA guidance.

We audited the capacity of PRASA to manage FEMA PA grant funds. We conducted this audit early in the grant process to identify areas in which PRASA may need additional technical assistance or monitoring to ensure compliance with Federal procurement regulations.

To answer the objective, we:

- reviewed FEMA, COR3, and PRASA policies, procedures, and practices for ensuring PA grant funds are accounted for and expended in accordance with Federal regulations and FEMA guidance; and
- performed test work in the areas of internal controls, accounting system, insurance, procurement, and claimed costs

We noted one finding in the area of claimed costs related to lack of adherence to policies and procedures for documenting equipment costs. See Finding 1, *Incorrect Capacity Size Recorded for Force Account Equipment*, on page 4 of this report.

We also noted a finding in the area of procurement for failure to adhere to controls over vendor eligibility. See Finding 2, *Failure to Adhere to Procurement Controls for Vendor Eligibility*, on page 5 of this report.

We found policies and procedures were established and working in the areas of accounting system and insurance and found no issues in these areas.

Our audit covered the period September 5, 2017 through December 14, 2018 and covered the following disaster numbers:

- EM-3384: emergency declared on September 5, 2017 due to Hurricane Irma
- DR-4336: disaster declared on September 10, 2017 due to Hurricane Irma
- DR-4339: disaster declared on September 20, 2017 due to Hurricane Maria

Table 2 summarizes the value amounts of the samples selected:



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Table 2: Value Amounts of Contracts Tested

Contracts Tested	
Population	\$143,943,987
Sample	\$38,490,057
Percent (%) Tested	26.74%

Source: PRASA PA contract data

We assessed the reliability of contract data by (1) performing testing of required data elements, (2) reviewing existing information about the data, and (3) interviewing agency officials knowledgeable about the data. In addition, we traced a statistically random sample of data to source documents. We determined the data was sufficiently reliable for the purposes of this report.

To accomplish our objective, we interviewed FEMA, COR3, and PRASA personnel. We also reviewed and gained an understanding of the policies, procedures, and practices PRASA uses and plans to use to account for and expend Federal grant funds, and to procure and monitor contracts for disaster work. We performed testing as appropriate in the areas of accounting system, insurance, contracting, claimed costs, and costs not yet claimed.

We conducted our performance audit between October 2018 and May 2019 pursuant to the *Inspector General Act of 1978*, as amended, and according to *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 the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.



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Appendix B
FEMA Comments to the Draft Report

U.S. Department of Homeland Security
Washington, DC 20528



March 5, 2020

MEMORANDUM FOR: Sondra F. McCauley
Assistant Inspector General for Audits

FROM: Thomas Von Essen *Tommy Von Essen*
Regional Administrator, Region II
Federal Emergency Management Agency

SUBJECT: Management Response to Draft Report: "Capacity Audit of
FEMA Grant Funds Awarded to the Puerto Rico Aqueduct and
Sewer Authority"
(Project No. 19-017-AUD-FEMA)

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS)/Federal Emergency Management Agency (FEMA) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

The Department appreciates the OIG's recognition of the catastrophic damage to the Commonwealth of Puerto Rico's utilities, roads, bridges, and other public infrastructure caused by Hurricane Maria (Hurricane) in 2017. This unprecedented event occurred at a time of financial difficulties and limited workforce capacity for Puerto Rico and its agencies.

In partnership with the Government of Puerto Rico and to further FEMA's mission of helping people before, during, and after disasters, DHS and FEMA committed to provide effective and timely recovery assistance to disaster survivors. In 2018, the Governor of Puerto Rico established the Central Office of Recovery, Reconstruction, and Resiliency (COR3) to monitor, manage and administer federal disaster recovery funds.

In November 2017, FEMA implemented a manual reimbursement process for eligible projects under the Public Assistance Grant Program. As the result of COR3 taking numerous steps to develop its grants management process, FEMA lifted the manual drawdown process effective April 1, 2019. The agreement, signed by COR3 and FEMA, established that COR3 took the steps necessary to implement fiscal controls, accounting procedures, and project administration procedures at the recipient and sub-recipient levels



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ensuring it is ready, willing and able to assume the responsibility and access to the federal grant funds. This includes the execution of all phases of the grants management process for both the recipient and sub-recipient in accordance with all applicable federal laws, regulations, and administrative requirements.

FEMA continues monitoring COR3 as the grant recipient and will provide technical assistance as needed to ensure that COR3 maintains its ability to manage its grants. As noted in the report, the Puerto Rico Aqueduct and Sewer Authority (PRASA), is in need of additional support regarding procurement.

The draft report contained two recommendations with which the Department concurs. Attached find our detailed response to each recommendation.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you again in the future.

Attachment



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Department of Homeland Security

**Attachment: Management Response to Recommendations
Contained in OIG 19-017-AUD-FEMA**

OIG recommended that the Regional Administrator, FEMA Region II:

Recommendation 1: Work with COR3 to:

- determine if the \$72,304 in force account equipment costs were improperly claimed for PW 87 and collect any amount determined to be unallowable; and
- review all force account equipment costs for the period under audit to identify other potential overpayments.

Response: Concur. Since the time of the audit period, the Puerto Rico Aqueduct and Sewer Authority (PRASA) provided photos of each generator plate and a signed certification by a PRASA supervisor, which when taken together, provide all information required to determine the appropriate usage rate for each generator. Further, PRASA adjusted its claim based on the information, which resulted in an additional obligation of approximately \$350,000.00. PRASA also submitted documentation for additional force account equipment use, increasing the claim for PW 87 by \$14.5 million. FEMA validated the entire claim and no costs are unallowable. FEMA requests this recommendation be considered resolved and closed.

Recommendation 2: Work with COR3 to:

- require PRASA to adhere to its procurement policy to address the requirement related to vendor eligibility in 2 CFR 200.213 prior to contract award;
- require PRASA to confirm vendor eligibility for the five contracts tested. For contracts PRASA determines as ineligible, ensure those costs are recovered; and
- conduct training with PRASA personnel on the importance of verifying vendor eligibility.

Response: Concur. The FEMA Region II Regional Administrator will work with COR3 to require PRASA to adhere to its procurement policy, confirm vendor eligibility for the five contracts tested, and conduct training with PRASA personnel. Estimated Completion Date: February 28, 2021.



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Appendix C

Description of the FEMA Public Assistance Program

The Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988, as amended, 42 U.S.C. 5121-5207 (Stafford Act) authorizes the Public Assistance (PA) Grant Program. Following a major Presidential disaster declaration, the Stafford Act authorizes FEMA to provide PA funding for disaster relief to state, local, and tribal governments and to certain non-profit organizations. The PA grants can be authorized, among other things, for:

- Assistance for debris removal (Category A) (Section 407 of the Stafford Act);
- Assistance essential to meet immediate threat to life and property resulting from a major disaster (Category B) (Section 403 of the Stafford Act);
- Assistance for the repair, restoration, and replacement of damaged facilities (Categories C-G) (Section 406 of the Stafford Act), which includes certain hazard mitigation measures.

The PA Program is administered through a coordinated effort between FEMA, the recipient (usually a state), and the subrecipients (applicants). While all three entities must work together to meet the overall objective of quick and effective program delivery, each has a different role.

FEMA and the recipient share responsibility for making PA funds available to subrecipients. FEMA uses a Project Worksheet (project) for each project to record the scope of eligible work, estimated or actual costs necessary to complete the work, and special considerations associated with the work. The project serves as the basis for Federal funding. Once FEMA approves a project, it obligates the Federal share of the approved amount and makes it available to the recipient. The obligated funds are available to the recipient via electronic transfer and reside in a Federal account until the recipient approves funding to eligible subrecipients.

The recipient is responsible for notifying the subrecipients that funds are available, and for disbursing those funds to the subrecipients. The recipient is also responsible for providing technical advice and assistance to eligible subrecipients, ensuring all potential subrecipients are aware of the available assistance programs, providing support for damage assessment operations, monitoring subrecipients' activities to ensure the subaward is used in compliance with Federal statutes and regulations, and submitting the necessary paperwork for grant awards. Subrecipients are responsible for identifying damage, providing data for developing scopes of work and estimates of costs on projects, managing projects funded under the PA program (day-to-



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day operations), and documenting claimed costs. The PA program is a cost reimbursement program.

For disasters declared after November 13, 2007, the recipient receives a fixed management cost rate of 3.34 percent (capped at \$20 million) of the expected disaster costs that can be shared with the subrecipients at the discretion of the recipient. FEMA is required to review this rate periodically to determine whether adjustments are necessary. In addition, subrecipients can claim direct administrative costs for each project (no allocated costs).

On January 29, 2013, the Sandy Recovery Improvement Act (SRIA) was signed into law. Part of the legislative intent of SRIA was to streamline administrative procedures and improve the effectiveness of several disaster assistance programs authorized by the Stafford Act, including Public Assistance. Section 1102 of SRIA revises the Stafford Act by creating a new Section 428 authorizing the FEMA Administrator to establish and adopt alternative procedures for debris removal and permanent work projects effective for major disasters declared on or after May 20, 2013.

Section 20601 of the Bipartisan Budget Act of 2018 authorizes FEMA to provide assistance, pursuant to Section 428 of the Stafford Act, for critical services as defined in Section 406. This new authority allows FEMA to provide assistance to restore disaster-damaged facilities or systems that provide the specifically identified critical services to an industry standard without regard to pre-disaster condition. The authority is exclusive to assistance authorized by the major disaster declarations issued to Puerto Rico and the United States Virgin Islands following Hurricanes Irma and Maria. The Bipartisan Budget Act of 2018 also allows the Oversight Board¹² to review any federal funds exceeding \$10 million that are designated for recovery from Hurricanes Irma and Maria.

¹² The Oversight Board was created as a result of the Puerto Rico Oversight, Management, and Economic Stability Act of 2016 (Public Law 114-187).



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Appendix D
FEMA Schedule of Equipment Rates for 2017 – Generators

FEMA Code ID		Equipment Description					
Cost Code	Equipment	Specifications	Capacity/Size	Horsepower	Notes	Unit	2017 Rate
8310	Generator	Prime Output	5.5 KW	to 10		Hour	\$3.35
8311	Generator	Prime Output	16 KW	to 25		Hour	\$7.45
8312	Generator	Prime Output	43 KW	to 65		Hour	\$15.00
8313	Generator	Prime Output	100 KW	to 125		Hour	\$34.95
8314	Generator	Prime Output	150 KW	to 240		Hour	\$50.00
8315	Generator	Prime Output	210 KW	to 300		Hour	\$62.45
8316	Generator	Prime Output	280 KW	to 400		Hour	\$80.40
8317	Generator	Prime Output	350 KW	to 500		Hour	\$90.50
8318	Generator	Prime Output	530 KW	to 750		Hour	\$153.30
8319	Generator	Prime Output	710 KW	to 1000		Hour	\$222.00
8320	Generator	Prime Output	1100 KW	to 1500	Open	Hour	\$349.00
8321	Generator	Prime Output	2500 KW	to 3000		Hour	\$533.75
8322	Generator	Prime Output	1,000 KW	to 1645	Enclosed	Hour	\$403.30
8323	Generator	Prime Output	1,500 KW	to 2500	Enclosed	Hour	\$511.22
8324	Generator	Prime Output	1100KW	2500	Enclosed	Hour	\$495.80
8325	Generator	Prime Output	40KW	60		Hour	\$14.80
8326	Generator	Prime Output	20KW	40		Hour	\$13.32

Source: FEMA 2017 Schedule of Equipment Rates Table



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Appendix E
Report Distribution

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Deputy Chiefs of Staff
General Counsel
Executive Secretary
Director, GAO/OIG Liaison Office
Assistant Secretary for Office of Policy
Assistant Secretary for Office of Public Affairs
Assistant Secretary for Office of Legislative Affairs

Office of Management and Budget

Comptroller
Chief, Homeland Security Branch
DHS OIG Budget Examiner

Congress

Senate Committee on Homeland Security and Governmental Affairs House
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Department of Homeland Security
Office of Inspector General, Mail Stop 0305
Attention: Hotline
245 Murray Drive, SW
Washington, DC 20528-0305