Department of Homeland Security

Office of Inspector General

FEMA's Process for Tracking Public Assistance Insurance Requirements



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Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the Department.

This report addresses the strengths and weaknesses of the Federal Emergency Management Agency's process for tracking public assistance insurance requirements. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. We trust this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

D. Michael Beard
Acting Assistant Inspector General
Office of Emergency Management Oversight

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Abbreviations

ADAMS	Automated Disaster Assistance Management System
CFR	Code of Federal Regulations
DHS	Department of Homeland Security
EDW	Enterprise Data Warehouse
EMMIE	Emergency Management Mission Integrated Environment
FEMA	Federal Emergency Management Agency
FY	fiscal year
GPS	global positioning system
NEMIS	National Emergency Management Information System
OIG	Office of Inspector General
PA	Public Assistance
PNP	private nonprofit

Executive Summary

The Federal Emergency Management Agency's (FEMA) Public Assistance Grant Program provides assistance to state, tribal, and local governments and certain types of private nonprofit organizations so that communities can quickly respond to and recover from major disasters or emergencies. As a condition of receiving federal disaster assistance, Public Assistance applicants are required to obtain and maintain insurance in order to protect facilities against future loss to property from the types of hazard that caused the damages. Some recipients do not comply with this requirement. Improvements can be made in the monitoring and oversight activities of states and FEMA to ensure that recipients satisfy this requirement and do not receive financial aid for damages that are, or should be, covered by insurance.

Even though the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, encourages states and local governments to obtain insurance to supplement or replace government assistance, FEMA's program provides a disincentive to carry insurance and is silent on a number of important policy issues. FEMA has been aware of these issues for more than 10 years; however, progress in addressing these issues has been slow.

Improvements can be made to the automated systems that FEMA uses to manage grant programs in order to provide a reliable method of monitoring insurance requirements and to easily determine if a current applicant received financial assistance in a previous disaster. Without a reliable system to track insurance information, the federal government is at risk of providing duplicate assistance.

We are making six recommendations to improve FEMA's management and oversight of public assistance insurance requirements.

Background

Under the authority of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended (*Stafford Act*), 42 U.S.C. 5121, *et seq*., and implementing regulations, FEMA provides aid to states and communities to recover from presidentially declared disasters as quickly as possible. [1] As a condition of receiving federal disaster assistance to repair property damaged by the same type of hazard that previously damaged the property during a major disaster, applicants must protect facilities by obtaining and maintaining insurance. Insurance reviews are conducted during the project approval process to ensure that applicants have satisfied any insurance requirements that may have existed as a result of receiving financial aid for damages in a prior disaster. Applicants agree to maintain insurance for the life of the facility and must provide evidence that they have obtained sufficient insurance to satisfy the grant requirements and the law.

The Public Assistance Program

FEMA provides federal disaster grant assistance to state, tribal, and local governments and certain private nonprofit (PNP) organizations through the Public Assistance (PA) program. Two types of work are eligible for reimbursement through a PA grant: emergency work and permanent work. These types are further divided into categories based on the activity being performed for emergency work, or the type of facility repaired for permanent work. Table 1 summarizes the categories.

Table 1. Categories of Disaster-Related Work

Type of Work	Categories	
Emergency Work	A	Debris removal
	B	Emergency protective measures
Permanent Work	C	Road systems and bridges
	D	Water control facilities
	E	Buildings, contents, and equipment
	F	Utilities
	G	Parks, recreational, and other

FEMA managed more than 197,000 PA grant projects, totaling more than $10 billion, for all disasters declared between 2007 and 2010. This report focuses on Category E work, which includes

[1] Implementing regulations concerning FEMA and the *Stafford Act* are in the Code of Federal Regulations (C.F.R.) Title 44, Part 206.

facilities owned by state, tribal, and local governments, as well as PNP organizations. More than 22,000 Category E projects totaling more than $1.3 billion associated with disasters were declared between 2007 and 2010.

The PA program is administered through a coordinated effort among FEMA, its grantees, and subgrantees, each with different responsibilities. In most cases, states are the grantees that manage and distribute grant funds, whereas tribal and local governments and eligible PNP organizations are the subgrantees that receive the funds.

The Insurance Purchase Requirement

Federal legislation and regulations encourage states and local governments to obtain insurance to supplement or replace federal assistance, and require that an applicant seeking a PA grant to repair damage to a facility commit to obtain and maintain insurance to protect against future damage, in the amount of the eligible damage that was incurred as a result of the disaster.[2] Applicants that fail to obtain and maintain insurance are not eligible to receive disaster assistance.

The *Stafford Act* and its implementing regulations provide more direction with respect to insurance requirements:

1. Disaster assistance provided by FEMA is intended to supplement financial assistance from other sources. Disaster assistance will not be provided for damage or losses covered by insurance. Insurance coverage must be subtracted from all applicable PA grants in order to avoid duplication of financial assistance. If PA funds are obligated for work that is subsequently determined to be covered by insurance, FEMA must deobligate the funds.

2. The applicant must obtain insurance on damaged insurable facilities (buildings, equipment, contents, and vehicles) as a condition of receiving PA grant funding. In addition, the applicant must maintain insurance on those facilities to be eligible for PA funding in future disasters.

[2] The *Stafford Act*, as amended, 42 U.S.C. §§ 5121(b)(4), 5154(b), and 44 C.F.R. § 206.253.

Furthermore, FEMA program guidance requires that—

- Applicants or subgrantees comply with federal laws, regulations, and policies and complete projects in accordance with the approved scope of work. Applicants are responsible for identifying all damages and any insurance that was in place, and providing all pertinent insurance information to the State Public Assistance Officer.

- States monitor the process to ensure that applicants comply with program requirements and complete work within regulatory timeframes. States are responsible for notifying FEMA of any insurance proceeds and settlements for damaged facilities, and for ensuring that subgrantees have obtained and maintained insurance on facilities that received PA funding.

- FEMA ensures that applicants that previously received disaster assistance have obtained and maintained insurance, and reduces the PA grants when damages are covered by insurance. FEMA's program managers are responsible for monitoring progress to ensure that work is completed within regulatory timeframes and in accordance with the *Stafford Act*, federal regulations, and all related policies.

Results of Review

In January 2001, the FEMA OIG issued a report[3] that identified concerns with applicant compliance with insurance requirements, insurance reviews, and FEMA and state monitoring of insurance requirements, among other issues. More than 10 years later, concerns remain, particularly in the following areas:

- Compliance with insurance requirements;
- Tracking insurance requirements in FEMA databases; and
- Insurance guidance.

Compliance With Insurance Requirements

Since fiscal year (FY) 2009, we have issued 19 financial assistance grant reports (see appendix C for complete list) that have included findings pertaining to PA insurance requirements, and brought the following conditions to FEMA's attention:

- Ten reports identified situations categorized as "duplicate benefits," where subgrantees received federal financial assistance and received insurance proceeds for the same damages or where damages paid with federal financial aid should have been covered by insurance.

- Six reports identified situations categorized as "incomplete insurance review," where the final insurance settlement had not been reconciled against the funded project costs.

- Three reports identified situations in which the applicant either did not obtain adequate insurance or did not file an insurance claim.

Although these reports were issued in FYs 2009–2011, they addressed financial assistance grant awards for disasters that were declared between 2003 and 2005. Projects routinely stay open for years before insurance verification or final grant reconciliation occurs. In fact, the above 19 audit reports were issued, on average, 60 months after the disaster declaration, even though regulations implementing the *Stafford Act* call for large projects to be completed within 18 months, unless extenuating circumstances or unusual project conditions exist.

States are responsible for ensuring that applicants comply with the program's insurance requirements. Furthermore, states are required to

[3] *Compliance with Public Assistance Program's Insurance Purchase Requirements* (I-01-01), January 2001.

submit quarterly reports as part of their grants management responsibilities.[4] However, FEMA officials said that the quarterly reports focus primarily on project costs and not on compliance or insurance issues.

State and local governments are often overwhelmed following a major disaster, and management activities are further hampered by personnel shortages. Nevertheless, five years is more than ample time for applicants to comply with the insurance requirements of the *Stafford Act*, and for the state and FEMA to monitor and oversee projects.

Leaving open insurance matters unresolved has additional financial implications. Delaying the closeout of PA grants and disasters results in additional administrative costs to FEMA, and any unliquidated obligation balances are not available for other uses.[5]

Conclusion

The findings reported in the 19 OIG reports demonstrate the need for improved monitoring by the state and increased oversight by FEMA. Unresolved and uncompleted insurance reviews increase the likelihood of FEMA providing unnecessary or even duplicate assistance. This, in turn, results in inefficiencies in the use of government funds and lost opportunities to use unliquidated obligations more effectively. More consistent and timely monitoring and oversight can reduce these risks.

Recommendation

We recommend that the Associate Administrator, Response and Recovery:

Recommendation #1: Work with FEMA regional personnel to evaluate the process of insurance reviews to determine how to complete these reviews earlier in the project formulation process.

[4] SOP9570.14, FEMA Program Management and Grant Closeout Standard Operating Procedure, Paragraph 5.2 – Grantee Responsibilities.
[5] *Opportunities to Improve FEMA's Disaster Closeout Process* (OIG-10-49), January 2010.

Management Comments and OIG Analysis

In summary, FEMA concurred with Recommendation 1, and stated that it is currently coordinating with the regional offices in conducting a revised insurance review procedure that is designed to streamline the process. We will determine the status of this recommendation once we receive the detailed corrective action plan in FEMA's 90-day letter.

Tracking Insurance Requirements in FEMA Databases

PA grant recipients are required to protect facilities from future damages by obtaining and maintaining insurance as a condition of receiving federal assistance for damages caused by the same type of hazard. One of the objectives of this review was to determine whether facilities that were required to maintain insurance received assistance a second time without meeting the insurance requirement. FEMA officials acknowledged that such duplicate benefits may have been awarded, but they could not cite a specific instance because they do not have the tools and resources to identify these conditions.

During the project approval process, one of FEMA's roles is to conduct insurance reviews to determine if the grant applicant previously received assistance for the damaged facility. To review historical assistance information, it is often necessary to query three databases that span several decades. The earliest is the Automated Disaster Assistance Management System (ADAMS), followed by the National Emergency Management Information System (NEMIS) and the Emergency Management Mission Integrated Environment (EMMIE[6]). The systems do not reliably indicate whether FEMA provided assistance to repair or replace a specific facility in a prior disaster. Moreover, FEMA does not have a tool to simultaneously compare fields in ADAMS with either NEMIS or EMMIE, and there is no reliable way to search based on facility location or name across NEMIS and EMMIE. Figure 1 summarizes the process of validating insurance considerations during project formulation.

[6] FEMA began the EMMIE pilot on select disasters between December 18, 2007, and July 14, 2008, and used it for all disasters starting with disaster declaration number 1778, declared on July 24, 2008.

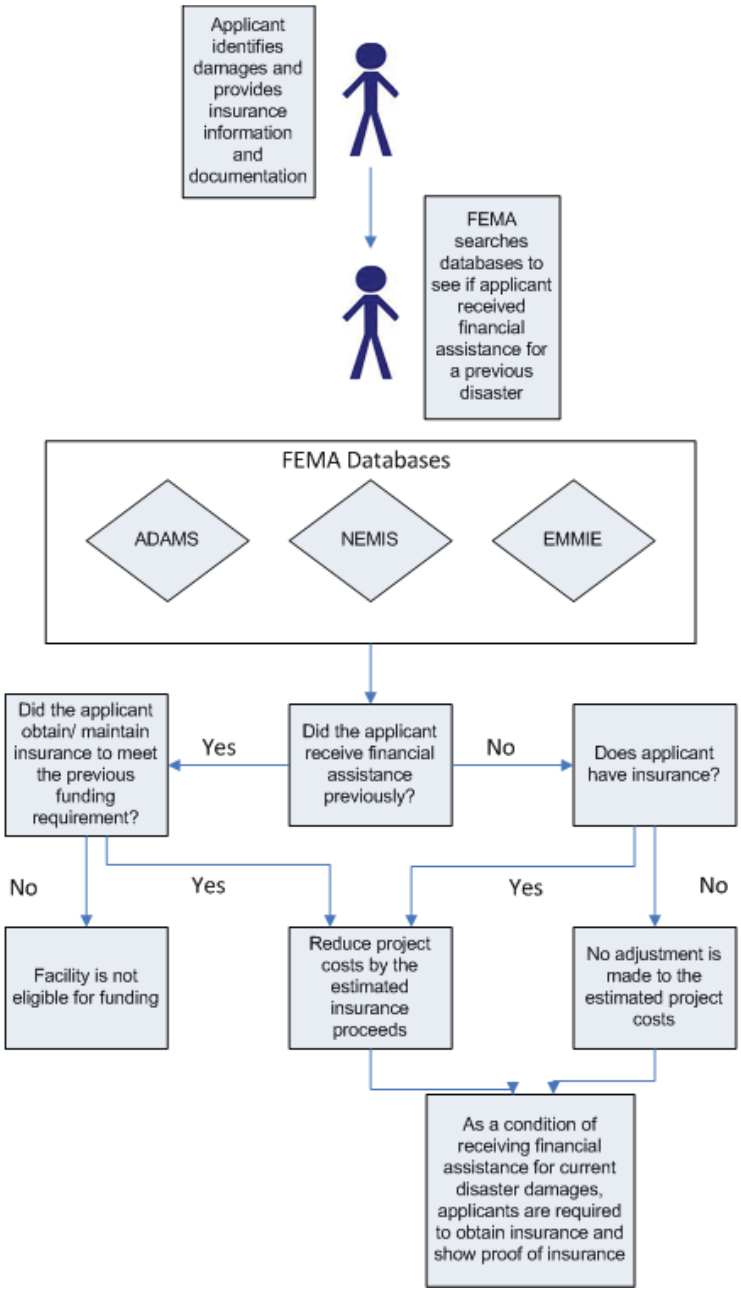


Figure 1: Validating insurance considerations (Source: OIG analysis of FEMA data)

FEMA established the Enterprise Data Warehouse (EDW) to enable it to simultaneously query fields within both NEMIS and EMMIE. However, data reliability and functionality issues significantly hamper the usefulness of these queries. The most reliable way to determine if FEMA has provided disaster assistance for a damaged facility is by matching global positioning system (GPS) coordinates. FEMA has increased the use of GPS coordinates to identify a facility's location—more than 90% of the facilities receiving disaster assistance after October 1, 2006, are identified

by GPS coordinates—but the majority of the facilities receiving disaster assistance before that date were not identified by GPS coordinates.

Another alternative is to match the fields containing descriptive information on the damaged facility's physical location. EMMIE contains three sets of fields that identify the physical location—the Project Location field, the Location field, and the Facility Name, Address, City, and ZIP fields. Of the 19,312 specific locations in EMMIE, 12,285 (64%) do not contain any information in the Address field. We randomly sampled 250 specific location records to determine if there was enough information in any of the three location fields to establish where the damaged facility was located. Of these, 26% did not contain enough information to determine the location of a damaged facility. Fields were either blank or contained generic information such as "District Wide" or "See site sheets." Without specific and searchable location information, it is difficult to use the information in EMMIE to identify instances of duplicate benefits.

Furthermore, some insurance information cannot be easily retrieved because it is entered incorrectly into the database. For example, insurance information was sometimes found in "general comments" rather than in the designated insurance fields. Such incorrect entries make it difficult to review details efficiently and accurately. Similarly, insurance cost information was not always coded correctly. Instead of using insurance cost codes, insurance costs were sometimes entered in the databases with a generic code. In fact, FEMA Regions rely on stand-alone internally developed spreadsheets to overcome some of these deficiencies.

A recent OIG audit[7] reviewed FEMA's efforts to provide the information systems needed to support its disaster response mission operations. The report concluded that FEMA's existing technology systems do not support disaster response activities effectively: The systems are not integrated, do not meet user requirements, and do not provide the information technology capabilities that agency personnel and external partners need to carry out disaster response and recovery operations in a timely or effective manner. Although FEMA is evaluating plans for upgrading and replacing NEMIS and EMMIE, concrete plans have not been announced.

[7] *Federal Emergency Management Agency Faces Challenges in Modernizing Information Technology* (OIG-11-69), April 2011.

Conclusion

The current system has data reliability, functionality, and data integration problems that hamper the management and verification of insurance data. Without a reliable system to track insurance information, FEMA is at risk of providing duplicate assistance in violation of the *Stafford Act*.

Recommendations

We recommend that the Associate Administrator, Response and Recovery:

Recommendation #2: Implement a quality control process to ensure that all pertinent insurance information, including insurance and location data, is entered into the correct fields and in the correct format.

Recommendation #3: Modify EMMIE or EDW so that FEMA can use the data stored in EMMIE to determine if an applicant previously received disaster assistance for a damaged facility.

Management Comments and OIG Analysis

In summary, FEMA concurred with Recommendation 2, and stated that it currently implements quality control procedures in two stages: (1) during the Project Worksheet review at the Joint Field Office, and (2) during project close-out at the Regional office.

FEMA concurred with Recommendation 3, and stated that it is working on improving its capability to access needed information through a plan to migrate data from NEMIS into EMMIE. The date of migration is dependent on funding availability. We will determine the status of these recommendations once we receive the detailed corrective action plan in FEMA's 90-day letter.

Recommendation

We recommend that the Associate Administrator, Response and Recovery:

Recommendation #4: Review and evaluate NEMIS and EMMIE data fields and update any location and insurance fields that are blank or contain erroneous information.

Management Comments and OIG Analysis

FEMA partially concurred with Recommendation 4 as it pertains to updating location and insurance fields as they become known in the process going forward in future disasters. FEMA stated that it would be infeasible in cost and labor to update the database retroactively.

We encourage FEMA to provide information comparing the cost of the recommended corrective action to estimated improper payments. Absent evidence that the cost to update NEMIS and EMMIE location and insurance data fields with accurate and complete information exceeds the improper payments that would be avoided, we continue to believe that updating NEMIS and EMMIE with complete and accurate information is in the best interest of the taxpayer.

We will determine the status of this recommendation once we receive the detailed corrective action plan in FEMA's 90-day letter.

Insurance Guidance

The *Stafford Act* encourages individuals, states, and local governments to protect themselves by obtaining insurance coverage to supplement or replace government assistance, and requires applicants to obtain and maintain insurance to protect against future loss of the same type and extent as a condition of receiving a public assistance grant. Yet FEMA's PA program provides disincentives for applicants to carry insurance. For example, the PA program pays for building repair costs following a first disaster. This effectively eliminates any incentive to purchase insurance before a disaster occurs. In addition, FEMA reimburses deductible amounts in insurance policies, regardless of the amount of the deductible. By reimbursing the applicant for the portion of loss not covered by insurance, the program creates disincentives to carry low or moderate deductibles. As a result, the program is not equitable to applicants who pay to carry insurance or choose reasonable deductibles.

FEMA has been aware of these and other equity and disincentive problems for more than a decade. In the February 23, 2000, *Federal Register* (65 FR 8927), FEMA published an advance notice of proposed rulemaking concerning insurance requirements, procedures, and eligibility criteria with respect to buildings under the PA program. The notice

discussed the discord between the congressional intent behind the *Stafford Act* and certain of the program's policies, including the following:

- Paying for building repair costs whether or not the building was insured at the time of the disaster. It is advantageous to building owners *not* to pay insurance premiums when they know that FEMA will cover the cost when a disaster occurs. FEMA reported that applicants were asking, "Why carry insurance on our buildings when we know that FEMA will be there to pick up the costs when the disaster hits?" Conversely, applicants who have maintained insurance not only are disadvantaged because they have been paying for insurance over time, but also because they will be reimbursed only for the portion of loss not covered by insurance.

- Reimbursing a disaster assistance applicant for that portion of the loss that is not covered by insurance, including any deductibles, regardless of the amount of the deductible. This tends to encourage high deductibles for those insured. This FEMA policy is a disincentive to insure adequately and is not equitable to those who choose to insure.

- Providing assistance to the extent that insurance does not. Applicants who have maintained insurance coverage and paid premiums for years can expect to receive federal assistance only to the extent that the costs are not covered by their insurance policy. They are at a disadvantage compared to applicants who do not have insurance and who will therefore receive all eligible repair costs from FEMA. Risk managers and other stakeholders raised this issue of inequity.

In this same *Federal Register* notice, FEMA identified the following other important issues that its regulations failed to adequately address:

- Defining insurance and quantifying what is acceptable to meet the insurance purchase requirement;

- Identifying which type of insurance—replacement cost value or actual cost value—is needed to satisfy the insurance purchase requirement;

- Indicating whether federal assistance will be provided for insured losses that fall within the deductible limits of a policy, and if so, up to what limits, if any;

- Explaining whether a local government or PNP organization could qualify as a self-insurer for the purposes of meeting the insurance purchase requirement; and

- Providing policy and guidance regarding the state insurance commissioners' determination under the *Stafford Act* that insurance is not reasonably available.

The *Federal Register* advance notice discussed possible options, solicited ideas and comments about how to improve the program, and posed specific questions about the approach it outlined in detail.

FEMA addressed the written comments it received in a subsequent notice of findings published in the *Federal Register* (65 FR 58720) on October 2, 2000. FEMA concluded that additional study of the issues was needed. At the time of our fieldwork, FEMA had not issued a final rule addressing the identified deficiencies. FEMA explained that action on these issues has not occurred because regulatory review and rulemaking involving other programs have taken precedence. Consequently, the pertinent PA regulations continue to present the same disincentives and equity issues, and do not provide adequate guidance to those involved in receiving, granting, or overseeing PA grants.

Conclusion

Even though the *Stafford Act* encourages state and local governments to obtain insurance to supplement or replace government assistance, FEMA's PA program creates a disincentive to carry insurance and is silent on a number of other important policy issues. FEMA has been planning to address these issues for more than a decade, but no action has been taken. FEMA needs to provide clear and complete guidance to those involved in receiving, granting, and overseeing PA grants.

Recommendations

We recommend that the Associate Administrator, Response and Recovery:

Recommendation #5: Complete the rulemaking process begun in 2000 and issue a final rule that resolves the longstanding problems with PA insurance regulations, including the topics of deductibles, self-insurance, and state insurance commissioners' determinations of reasonably available insurance, among others.

Recommendation #6: Prepare and issue additional revised PA insurance policy and guidance to address definitions of insurance, deductibles, and self-insurance, and clarify issues that include, among other topics, deductibles, self-insurance, and state insurance commissioners' impact on the PA insurance requirement.

Management Comments and OIG Analysis

In summary, FEMA concurred with Recommendation 5, and stated that it is in the process of examining its PA insurance regulations and evaluating necessary changes. FEMA stated that, given the nature of the rulemaking process, it could not comment more specifically at this time.

FEMA concurred with Recommendation 6, and stated that it is currently in the process of preparing additional insurance policy and guidance, in conjunction with the issuance of a final rule. Among the forthcoming policy and guidance are revised Fact Sheets for applicants and field personnel that clarify PA insurance issues.

We will determine the status of recommendations 5 and 6 once we receive the detailed corrective action plan in FEMA's 90-day letter.

The purpose of this audit was to determine (1) the extent to which FEMA and the states monitor PA insurance requirements and (2) whether facilities that were required to maintain insurance, but did not, received assistance a second time.

We interviewed officials from FEMA headquarters and Regions concerning the insurance requirements. We also performed a forensic analysis on FEMA systems to determine whether there is an effective and efficient approach to identify facilities that received prior assistance or were required to carry insurance.

We reviewed OIG reports issued since FY 2009 for audits and reviews that included PA insurance within their scopes of work. We researched federal laws, regulations, policies, guidance, and other information related to FEMA's PA program, with an emphasis on Category E and its insurance requirements.

We conducted this performance audit between February and May 2011 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.

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FEMA

OCT 22 00 2011

MEMORANDUM FOR: Matt Jadacki
Assistant Inspector General
Office of Inspector General

FROM: David J. Kaufman
Director
Office of Policy and Program Analysis

SUBJECT: FEMA Response to OIG Draft Report, *FEMA's Process for Tracking Public Assistance Insurance Requirements*

The Department of Homeland Security's Federal Emergency Management Agency (FEMA) appreciates the opportunity to review and respond to the Office of Inspector General (OIG) Draft Report: *FEMA's Process for Tracking Public Assistance Insurance Requirements* (OIG Project Number 08-145-EMO-FEMA). FEMA is actively working to resolve the issues identified in the audit.

It should be noted that sections of the report do not fully reflect FEMA's efforts to improve the efficiency of the Public Assistance (PA) insurance review process and accessing stored insurance information. Additionally, the report does not accurately recognize the relationship between the time necessary for project development and completion, and reconciling project costs with insurance proceeds that an applicant has received or may receive.

The main areas of findings that the report cites as problematic include: (1) improving monitoring and oversight by ensuring that insurance information is properly recorded in FEMA's databases; (2) ensuring that this information is accessible within FEMA's databases; and (3) publishing an insurance regulation that addresses specific insurance issues. FEMA has taken a multi-faceted approach to addressing these issues. At the Joint Field Office (JFO) and Regional levels, FEMA uses multiple levels of review for accuracy and quality in the project formulation and closeout processes. Further, FEMA has developed more streamlined and comprehensive databases for storing disaster data, including insurance information. Previous disaster data will be migrated into the newer system, and this system will be regularly maintained and adjusted to incorporate more efficient mechanisms for housing disaster data. The date for this migration is currently unknown and dependent upon available funding. FEMA is also evaluating its insurance regulations and policies, and determining the most efficient ways to implement clarifications or changes.

The OIG makes 6 recommendations in its draft report. FEMA's responses to those recommendations follow:

Recommendation #1: Work with FEMA regional personnel to evaluate the process of insurance reviews to determine how to complete these reviews earlier in the project formulation process.

FEMA Response: FEMA concurs with this recommendation.

FEMA regularly engages with Regional personnel to evaluate ways to improve efficiency in program implementation. In recent disaster operations, FEMA has initiated efforts to centralize insurance reviews by consolidating the insurance review processes related to a multi-state impact. Typically, insurance review is conducted at each JFO for a disaster, and FEMA is currently testing a process by which insurance reviews for multiple disasters are being done at a centralized processing office. Following this trial at the disasters for which this is currently being implemented, FEMA will evaluate this experience with Regional and other field personnel to determine its effect on streamlining the insurance review process.

Regarding the requirement for providing insurance information to FEMA, the grantee bears this responsibility pursuant to 44 CFR 206.252(c) and 44 CFR 206.253(a), and must provide this information to FEMA before FEMA is able to approve a project. This occurs at the beginning of the project formulation process.

Regarding the requirement to obtain and maintain insurance, the applicant is required to do so in the amount of the eligible damage that was incurred to the damaged facility as a result of the major disaster pursuant to 44 CFR 206.253(b)(1), or in the amount of eligible disaster assistance pursuant to 44 CFR 206.252(d). Due to the nature of disaster recovery, identifying eligible damage, and completing projects, some flexibility in this process is required to ensure that Federally-funded projects are completed as efficiently and responsibly as possible. At project close out, FEMA reconciles final project costs, including insurance requirements and compliance, in order to have a more final and accurate representation of the project costs and requirements.

FEMA believes this satisfies the intent of the recommendation and requests that this recommendation be resolved and closed.

Recommendation #2: Implement a quality control process to ensure that all pertinent insurance information, including insurance and location data, is entered into the correct fields and in the correct format.

FEMA Response: FEMA concurs with this recommendation.

FEMA implements quality control at two stages of project review. At the JFO level, FEMA employs a Quality Assurance/Quality Control stage in the Project Worksheet (PW) review process to identify any such errors or omissions in the PW formulation. At the Regional level,

FEMA staff responsible for project closeout performs a final review of the project, including compliance with insurance requirements.

FEMA believes this satisfies the intent of the recommendation and requests that this recommendation be resolved and closed.

Recommendation #3: Modify EMMIE or EDW so that FEMA can use the data stored in EMMIE to determine if an applicant previously received disaster assistance for a damaged facility.

FEMA Response: FEMA concurs with this recommendation.

Both EMMIE and EDW currently have the capability to provide this information. EMMIE allows searching for an applicant, and contains any information available for an applicant if they received or were considered for disaster assistance after July 1, 2008. The data in the National Emergency Management Information System (NEMIS) will be migrated into EMMIE, creating a more robust centralized source for verification of insurance information. FEMA recognizes that the efficiency of the system can be improved, and is working on improving the capability to access this information. The date of migration is dependent on the availability of funding, and the viability of this project will be evaluated in FY2012 based on funding availability.

FEMA believes this satisfies the intent of the recommendation and requests that this recommendation be resolved and closed.

OIG Recommendation #4: Review and evaluate NEMIS and EMMIE data fields and update any location and insurance fields that are blank or contain erroneous information.

FEMA Response: FEMA partially concurs with this recommendation.

FEMA agrees to update any location and insurance fields that are blank or contain erroneous information as they become known in the process going forward in future disasters. To do so retroactively would be an infeasible cost and personnel burden. EMMIE fields are quality reviewed at two stages to correct such errors. This combined with an applicant's duty to provide insurance information make retroactive application to these databases unnecessary.

FEMA believes this satisfies the intent of the recommendation and requests that this recommendation be resolved and closed.

OIG Recommendation #5: Complete the rulemaking process begun in 2000 and issue a final rule that resolves the longstanding problems with Public Assistance insurance regulations, including the topics of deductibles, self-insurance, and state insurance commissioners' determination of reasonably available insurance, among others.

FEMA Response: FEMA concurs with this recommendation.

FEMA is in the process of examining its PA insurance regulations and evaluating necessary changes. Given the nature of the rulemaking process, FEMA cannot comment more specifically at this time.

FEMA believes this satisfies the intent of the recommendation and requests that this recommendation be resolved and closed.

Recommendation #6: Prepare and issue additional revised Public Assistance insurance policy and guidance to address definitions of insurance, deductibles, and self-insurance, and clarify issues that include, among other topics, deductibles, self-insurance, and state insurance commissioners' impact on the PA insurance requirement.

FEMA Response: FEMA concurs with this recommendation.

FEMA is currently in the process of preparing additional insurance policy and guidance, in conjunction with the issuance of a final insurance rule. Among the forthcoming policy and guidance, are revised Fact Sheets for applicants and field personnel that clarify the above PA insurance issues.

FEMA believes this satisfies the intent of the recommendation and requests that this recommendation be resolved and closed.

Again, we thank you for the opportunity to review and provide our comments to your recommendations contained in your draft report. Should you have further questions regarding our response, please do not hesitate to call FEMA's Chief Audit Liaison, Brad Shefka, at 202-646-1308.

Appendix C
Previous Inspector General Reports on Public Assistance Insurance

DHS Office of Inspector General

DHS OIG PA Insurance Reports by Finding and Report Number			
Finding	Fiscal Year	Report Title	Report Number
Duplicate Benefits	2009	*Hurricanes Ivan, Dennis, and Katrina Activities for Baldwin County, Alabama*	DA-09-03
	2009	*Hurricane Katrina Activities for the Catholic Diocese of Biloxi, Mississippi*	DA-09-08
	2009	*Seminole Tribe of Florida - Activities for 2004 and 2005 Florida Hurricanes*	DA-09-16
	2009	*Hurricane Wilma Activities for Town of Davie, Florida*	DA-09-17
	2009	*Hurricane Georges Activities for Puerto Rico Electric and Power Authority*	DA-09-21
	2010	*City of Memphis, Tennessee*	DA-10-02
	2010	*Ernest N. Morial Exhibition Hall Authority*	DD-10-02
	2010	*City of Hialeah, Florida*	DA-10-12
	2010	*Hancock County School District, Mississippi*	DA-10-14
	2011	*Beauvoir - Jefferson Davis Home and Presidential Library*	DA-11-10
Incomplete Insurance Review	2010	*Town of Vinton, Louisiana*	DD-10-06
	2011	*City of West Palm Beach, Florida*	DA-11-01
	2011	*County of Ventura, California*	DS-11-03
	2011	*Chennault International Airport Authority, Lake Charles, Louisiana*	DD-11-07
	2011	*City of Port Arthur, Texas*	DD-11-10
	2011	*Roman Catholic Church of the Archdiocese of New Orleans Funding of Permanent Work*	DD-11-11
Insufficient Insurance Coverage	2010	*Orleans Levee District*	DD-10-12
	2011	*Lafon Nursing Facility of the Holy Family*	DD-11-02
Applicant Did Not File Insurance Claim	2011	*Broward Sheriff's Office - Disaster Activities Related to Hurricane Wilma*	DA-11-08

FEMA Office of Inspector General

Compliance with Public Assistance Program's Insurance Purchase Requirements (I-01-01), January 2001

Appendix D
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Assistant Secretary for Office of Public Affairs
Assistant Secretary for Office of Legislative Affairs

Federal Emergency Management Agency

Administrator
Chief of Staff
Associate Administrator, Response and Recovery
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