

Department of Homeland Security **Office of Inspector General**

FEMA Can Improve Its Purchase Controls at
Joint Field Offices





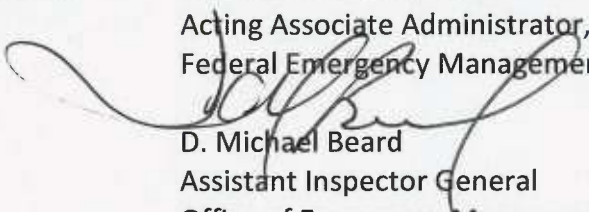
OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

APR 10 2013

MEMORANDUM FOR: Elizabeth A. Zimmerman
Acting Associate Administrator, Response and Recovery
Federal Emergency Management Agency

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

SUBJECT: *FEMA Can Improve Its Purchase Controls at Joint Field
Offices*
OIG Project No. 12-113-EMO-FEMA

Attached for your action is our final report, *FEMA Can Improve Its Purchase Controls at Joint Field Offices*. We incorporated the formal comments from the Federal Emergency Management Agency (FEMA) in the final report.

The report contains two recommendations aimed at improving purchasing controls at FEMA Joint Field Offices. Your office concurred with these recommendations. As prescribed by the Department of Homeland Security Directive 077-01, Follow-Up and Resolutions for Office of Inspector General Report Recommendations, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved.

Based on information provided in your response to the draft report, we consider the recommendations resolved. Once your office has fully implemented the recommendations, 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 of the disposition of any monetary amounts.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate 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, or your staff may contact John Kelly, Deputy Assistant Inspector General, Office of Emergency Oversight, at (202) 254-4100.

Attachment



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Department of Homeland Security

Table of Contents

Executive Summary.....	1
Background	2
Results of Audit.....	5
FEMA Needs To Improve Its Property Internal Controls at JFOs.....	5
Strategic Sourcing	5
Recommendation.....	7
Acquisition Management.....	7
Recommendation.....	9
Management Comments and OIG Analysis	9

Appendixes

Appendix A: Objectives, Scope, and Methodology.....	10
Appendix B: Management Comments to the Draft Report	11
Appendix C: Major Contributors to This Report	13
Appendix D: Report Distribution	14

Abbreviations

BPA	blanket purchase agreement
DHS	Department of Homeland Security
DISC	Disaster Information Systems Clearinghouse
FEMA	Federal Emergency Management Agency
IAA	interagency agreement
JFO	Joint Field Office
OIG	Office of Inspector General
OMB	Office of Management and Budget



Executive Summary

In 2011, State Governors praised the Federal Emergency Management Agency (FEMA) for the Federal response to Hurricane/Tropical Storm Irene. FEMA won high marks for providing support for recovery to localities along the Atlantic seaboard from Puerto Rico to Maine. Notwithstanding the compliments from the recipient States for the support provided, FEMA has the opportunity going forward to take advantage of substantial cost savings and improve internal controls over consumable materials purchased by the temporary field offices that support response and recovery efforts.

At the time of our fieldwork, the field offices were no longer operating under emergency conditions, but instead had settled into the routine of providing crucial, although not urgent, support to the ongoing recovery efforts. The nature of the operations we witnessed was not life-sustaining, but rather involved the important role of helping communities return to normalcy. Because of the predictable nature of the need for consumable materials, FEMA can take advantage of planned, cost-effective acquisitions during recovery operations. The rhythm of operations at the field offices would also allow for adequate asset oversight and improved acquisition management.

FEMA could have saved more than \$1 million by better leveraging the Federal Government's buying power through consolidation of requirements, especially for commonly purchased goods such as office supplies. Furthermore, the disaster purchase card transactions were carried out without sufficient oversight, as required by Federal regulations. Increasing management oversight of the acquisition process may eliminate some unnecessary purchases.

This report focuses on conditions at temporary field sites at the time of our visits in 2011 and 2012, and contains two recommendations to assist FEMA in its management and oversight of response and recovery operations.



Background

As shown in figure 1 and table 1, Hurricane Irene developed in the Atlantic Ocean and made landfall in Puerto Rico in August 2011, then headed to the U.S. mainland, where it struck several southern and mid-Atlantic States before eventually being downgraded to a tropical storm as it proceeded through New England during September.

Figure 1. Storm Track, Hurricane Irene



Source: National Oceanic and Atmospheric Administration, U.S. Department of Commerce.



Table 1. Storm's Progression and Irene Disaster Declarations

2011 Date	Location	Designation
Aug. 27	Puerto Rico	Hurricane Irene
Aug. 31	North Carolina	Hurricane Irene
Sept. 3	Virginia	Hurricane Irene
Sept. 28	District of Columbia	Hurricane Irene
Sept. 16	Maryland	Hurricane Irene
Sept. 30	Delaware	Hurricane Irene
Sept. 3	Pennsylvania	Hurricane Irene
Aug. 31	New Jersey	Hurricane Irene
Aug. 31	New York	Hurricane Irene
Sept. 1	Connecticut	Tropical Storm
Sept. 3	Rhode Island	Tropical Storm
Sept. 3	Massachusetts	Tropical Storm
Sept. 1	Vermont	Tropical Storm
Sept. 3	New Hampshire	Tropical Storm
Sept. 13	Maine	Tropical Storm

Source: Office of Inspector General, based on FEMA data.

To coordinate the Federal, State, tribal, and local governments' response and recovery activities related to Irene, FEMA established temporary Joint Field Offices (JFOs) in each of the affected locations.¹ The Office of Inspector General (OIG) visited many of the JFOs to provide monitoring and oversight of the expenditure of public funds.

Based on our fieldwork, we identified a number of issues that warranted further examination. This report is one in a series that focuses on one of those issues: FEMA's acquisition of materials, such as office supplies and other consumables, needed to manage response and recovery operations at the JFOs. At the time of our fieldwork, the field offices were no longer operating under emergency conditions, but instead had settled into the routine of providing crucial, although not urgent, support to the ongoing recovery efforts. The nature of the operations we witnessed was not life-sustaining, but rather involved the important role of helping communities return to normalcy.

This report does not focus on life-saving commodities, nor more durable equipment such as laptop computers, modems, printers, workstations, and other office equipment needed to set up a JFO. We addressed life-saving commodities such as water, meals,

¹ The JFO is a temporary coordination center established locally to facilitate field-level incident management activities; it provides a central location for coordinating Federal, State, local, tribal, nongovernmental, and private-sector organizations with primary responsibility for activities associated with threat response and incident support.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

cots, tarps, and blankets intended to sustain life and prevent further property damage during a disaster in an earlier report, *FEMA's Sourcing for Disaster Response Goods and Services* (OIG-09-96, August 2009). FEMA stores durable equipment centrally at its Disaster Information Systems Clearinghouse (DISC) and deploys it when FEMA establishes a JFO shortly after a Presidential disaster declaration. FEMA procedures call for the durable equipment to be returned to the DISC after the JFO closes.

Acquisition of Material for the JFO

As of January 2012, FEMA had spent about \$6 million at the JFOs established for Hurricane/Tropical Storm Irene for consumable items such as office supplies, paper, ink, and toner cartridges. The procurement vehicles available to the JFOs include Government purchase cards, blanket purchase agreements (BPAs), interagency agreements (IAAs), and acquisition contracts. These procurement vehicles are described below.

Government Purchase Card – A centrally billed charge card used to pay for goods and services in support of official Government business. In addition to the standard purchase card for regular operations, FEMA uses a disaster purchase card that is linked to specific funds, and used extensively at JFOs for disaster-related purchases. Government purchase cards can be used as an acquisition and payment vehicle if the amount of the acquisition is less than the micro-purchase threshold (generally \$3,000) and simply as a payment vehicle for acquisitions that cost more than the micro-purchase threshold.

Blanket Purchase Agreement (BPA) – A simplified method of filling anticipated repetitive needs for supplies or services by establishing charge accounts with qualified sources.

Interagency Agreement (IAA) – An agreement negotiated with other Federal agencies to provide common supplies and commodities used at a disaster site.

Acquisition Contracts – Government-wide acquisition contracts are established by one Federal agency and may be used by another. Such contracts offer many different supplies and services that may be useful in a disaster response or recovery effort.

FEMA encourages the use of purchase cards for acquisitions not exceeding \$3,000 as a flexible way of obtaining commercial goods and services through over-the-counter, telephone, and catalog purchases. However, the purchase card can also be used to pay for goods and services that are offered under BPAs. FEMA said that it makes most of its



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

commercial acquisitions with a purchase card. However, FEMA did not know whether any of the purchase card acquisitions were for items ordered on BPAs.

BPAs are intended to be used for filling anticipated or repetitive needs for supplies and services by establishing charge accounts with prequalified vendor sources. The advantage of a BPA is that it allows for the acceleration of a competitive order, and a lower price can be negotiated. Discounts often are not applied to purchase card transactions.

Results of Audit

FEMA performed property management functions appropriately following Hurricane/Tropical Storm Irene, with certain exceptions that are the subject of this report. Specifically, FEMA did not have adequate internal controls over the acquisition process, which resulted in insufficient program oversight, the purchase of unnecessary items, and missed opportunities for cost savings. Some of the conditions might have been avoided if FEMA had implemented corrective actions that we previously identified.

FEMA Needs To Improve Its Property Internal Controls at JFOs

Notwithstanding the provisions of OMB [Office of Management and Budget] Circular A-123, which requires Federal agencies to improve the accountability and effectiveness of publicly funded programs by establishing internal controls, FEMA did not have adequate internal controls at its JFOs following Hurricane Irene, even though several weeks had elapsed since the event and support operations were becoming routine. At the time of our fieldwork, the JFOs were not operating under emergency conditions. Areas in which FEMA did not have adequate controls included strategic sourcing and acquisition management.

Strategic Sourcing

Strategic sourcing is the process by which a Government agency analyzes the way it spends money through contracts, BPAs, IAAs, and purchase cards in order to leverage purchasing power by taking advantage of available discounts on commonly purchased goods and services. OMB Circular A-123, Appendix B, requires agencies to analyze their spending data to determine when sufficient quantities of like items are being procured, and evaluate how to leverage the Government's buying power through consolidation of requirements.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

The Government purchase card program provides an efficient, low-cost procurement and payment method to acquire goods and services, and it is the preferred method to purchase and to pay for micro-purchases of \$3,000 or less. Despite the streamlined benefits associated with the use of the purchase card, other procurement methods, such as the BPA, can provide substantial cost savings. FEMA guidance specifies that BPAs should be used for repetitively purchased supplies or services.² In fact, OMB best practices to ensure effective strategic sourcing for Government purchase cards recommend that agencies identify high-volume, commonly used supplies (such as office supplies); focus on awarding BPAs; and develop other strategies to improve the value of taxpayer dollars.

The *Robert T. Stafford Disaster Relief and Emergency Assistance Act* section 307(a)(1) states that “preference shall be given, to the extent feasible and practicable, to those organizations, firms, and individuals residing or doing business primarily in the area affected by such major disaster or emergency,” and FEMA has made a great effort to maximize the use of local businesses for purchase card purchases. However, FEMA management told us that BPAs could also be used to meet local purchasing requirements, since it takes only 2 hours to set up a BPA. In addition, many of the companies that have existing BPAs operate in the communities affected by Hurricane/Tropical Storm Irene.

Despite the variety of acquisition vehicles, FEMA relied on the disaster purchase card for more than \$6 million in transactions, and therefore did not take advantage of the cost savings available through strategic sourcing. Only one of the Hurricane Irene JFOs at the time of our fieldwork used OMB’s recommended best practices. According to FEMA, the other JFOs did not practice strategic sourcing. We raised similar concerns in an earlier report, *FEMA’s Sourcing for Disaster Response Goods and Services* (OIG-09-96), which pointed out that despite generally successful delivery of disaster-related goods and services, ineffectiveness and waste occurred. FEMA concurred with the report’s findings, but has yet to implement the recommended corrective actions.

Because the FEMA purchase card transaction data were recorded by vendor billing address, which often was a remotely located site, we were unable to accurately segregate the amounts by JFO. Nevertheless, using the dollar total of purchase card transactions from all JFOs, and the Department of Homeland Security (DHS) guidance that indicates the Government can save about 19 percent of the total purchase price of supplies and services through discounts that are

² The FEMA Disaster Contracting Desk Guide (v. 23).



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

available with BPAs, we estimate that FEMA could have saved about \$1.1 million if it had used strategic sourcing strategies at the JFOs following Hurricane Irene.

Conclusion

FEMA did not take advantage of cost savings available through strategic sourcing at JFOs, especially when making repeat purchases. FEMA should have estimated the need for common, repetitively used items such as paper and toner cartridges, and obtained them at discounted prices.

Recommendation

We recommend that the Federal Emergency Management Agency Chief Procurement Officer:

Recommendation #1: Effectively communicate Federal Emergency Management Agency strategic sourcing guidance to acquisition staff at headquarters and in the field, including Joint Field Offices as they are established.

Acquisition Management

Because FEMA had not implemented a required electronic tracking system for purchase card transactions, it was unable to exercise sufficient oversight of acquisitions at the JFOs. Although the DHS Acquisitions Guide requires that agencies maintain an electronic record-keeping system for purchase card transactions, such a system did not exist at the time of our fieldwork. Rather, FEMA staff said that they used a paper-based alternative that was cumbersome and provided little oversight. We previously reported that FEMA's existing information technology systems, for a number of functions, do not support disaster response activities effectively.³

Nevertheless, JFO staff in New York and Puerto Rico took the initiative to implement acquisition tracking systems for managing purchase card records, thus providing a level of oversight for JFO, FEMA management, and OIG staff. The continually updated database at those two JFOs contained a list of products and services ordered by staff, in order to avoid redundant purchases and aid

³ *Federal Emergency Management Agency Faces Challenges in Modernizing Information Technology* (OIG-11-69), April 2011; and *FEMA's Process for Tracking Public Assistance Insurance Requirements* (OIG-12-18), December 2011



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Department of Homeland Security

decision makers. Although the system required significant time and effort because FEMA's various ordering systems were not integrated, the database was accessible online and allowed review of transactions in detail. An agency-wide tracking system, if implemented correctly, would be more user-friendly and would allow greater visibility.

The remaining JFOs did not use an automated tracking system. At those locations, neither FEMA nor our auditors were able to review all requisitions, receipts, and supporting documentation. Although we had access to some of the paper-based records, those records did not always contain the documents necessary to determine whether FEMA actually received all the items ordered, or tracked all accountable property. We also determined that FEMA did not maintain some of the acquisition documents centrally. Rather, some FEMA temporary disaster assistance employees kept the purchase card receipts and other records at their homes. According to FEMA guidance, there is no requirement to maintain historical records of consumable property.

Based on our limited review of transactions at one of the locations with a tracking system, we identified the acquisition of a number of potentially inappropriate items such as iPad accessories, a high-end car stereo global positioning system, snow blowers that were never needed, and golf carts rented exclusively to shuttle JFO workers to and from their cars in the parking lot. FEMA purchase card holders acquired those items before our visit, and the JFO Comptroller said that he would never have approved "such wasteful spending." Although the cost of the items that we identified in our limited review totaled less than \$10,000, similar acquisitions may have occurred at the other JFOs. Without an automatic tracking system in place, management cannot adequately monitor such activity.

Conclusion

FEMA has not implemented a required electronic tracking system for purchase card transactions at JFOs. Because of the need for a focused approach to acquisition tracking, oversight requirements are not met, internal control processes are not in place, and FEMA risks wasteful or fraudulent transactions going undetected.



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Department of Homeland Security

Recommendation

We recommend that the Federal Emergency Management Administrator:

Recommendation #2: Implement an agency-wide electronic tracking system for JFO acquisitions, accessible on the FEMA headquarters Intranet.

Management Comments and OIG Analysis

FEMA concurred with recommendation 1. FEMA stated that it has taken steps toward providing updated copies of the Guide to Utilizing DHS Strategically Sourced Contracts, providing updated information on DHS strategically sourced contracts, and conducting strategic source training to Acquisition staff. We concur with these actions and will determine the status of these recommendations once we receive the detailed corrective action plan in FEMA's 90 day letter.

FEMA concurred with recommendation 2. FEMA stated that it will be moving toward implementing PaymentNet, a new FEMA-wide electronic tracking system for JFO acquisitions. We concur with these actions and will determine the status of these recommendations once we receive the detailed corrective action plan in FEMA's 90 day letter.



Appendix A

Objectives, Scope, and Methodology

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.

The objective of this audit was to determine the extent to which FEMA's JFOs are managing the acquisition of assigned property. We interviewed officials at JFOs, FEMA headquarters, and regional offices, where we observed operations and discussed issues concerning property management. We also performed a forensic analysis on FEMA systems to measure the degree of program performance, as well as the validity and reliability of the computer-generated data. We researched Federal laws, regulations, policies, guidance, and other information related to the subject matter.

We conducted this performance audit between June and December 2012, 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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Appendix B
Management Comments to the Draft Report

U.S. Department of Homeland Security
Washington, DC 20472



FEMA

FEB 20 2013

MEMORANDUM FOR: D. Michael Beard
Assistant Inspector General
Office of Emergency Management Oversight
Department of Homeland Security

FROM: David J. Kaufman 
Associate Administrator for
Policy, Program Analysis and International Affairs

SUBJECT: *"FEMA Can Improve Its Purchase Controls at Joint Field Offices" –
For Official Use Only
OIG Project No.: 12-113-EMO-FEMA*

This memorandum serves as the Federal Emergency Management Agency's (FEMA) official written response to the Office of Inspector General's (OIG) DRAFT REPORT: *"FEMA Can Improve Its Purchase Controls at Joint Field Offices" – For Official Use Only - OIG Project No.: 12-113-EMO-FEMA*. We greatly appreciate the opportunity to provide these written comments on the draft report and specific responses to each recommendation. The following are our responses to the recommendations for implementation:

OIG Recommendation 1: We recommend that the Federal Emergency Management Agency Chief Procurement Officer communicate Federal Emergency Management Agency strategic sourcing guidance to acquisition staff at headquarters and in the field, including Joint Field Offices as they are established.

FEMA Response: Concur. To prepare the Contracting Officers for purchasing for disasters, FEMA's Strategic Sourcing Team provides outreach to the Acquisition community (Contracting Officers, Contract Specialists, Contracting Officer Representatives, and Program Managers) by providing them with the most recent "Guide to Utilizing DHS Strategically Sourced Contracts". This guide serves as a resource to purchase goods and services during times of disasters.

In addition, communication is disseminated to the Acquisition community when DHS has implemented a new strategically sourced contract. Lastly, both the DHS and FEMA Strategic Sourcing intranet sites are updated with the latest information regarding the use and availability of all DHS Strategically Sourced contracts.

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DHS periodically provides training to users to ensure their understanding of how to purchase goods and services from strategically sourced contracts. Training for the purchase of office supplies was conducted December, 2012. FEMA and DHS will conduct more of these trainings and workshops in the upcoming future.

OIG Recommendation 2: We recommend that the Federal Emergency Management Agency Chief Procurement Officer implement an agency-wide electronic tracking system for JFO acquisitions, accessible on the FEMA headquarters Intranet.

FEMA Response: Concur. FEMA had utilized the Credit Card Transaction Management System. However, this system is now defunct. In March 2013, FEMA will be transferring to the use of an electronic system named "PaymentNet". Currently, there is an ongoing effort to develop a training course on the use of "PaymentNet" for Purchase card holders and Approving officials.

Thank you for the work that you and your team did to better inform us throughout this audit. The Acquisition Policy and Legislation Division, and its Acquisition Policy Oversight Branch, have made recent, efficient, and diligent efforts toward closing these two (2) specific, open recommendations. We look forward to OIG's final report. Please direct any questions regarding this response to Gary McKeon, FEMA's Branch Chief Audit Liaison Office, at 202-646-1308.



Appendix C

Major Contributors to This Report

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Nigel Gardner, Audit Manager

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Appendix D

Report Distribution

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