

**Capacity Audit of FEMA Grant
Funds Awarded to the Puerto
Rico Department of Housing**





DHS OIG HIGHLIGHTS

Capacity Audit of FEMA Grant Funds Awarded to the Puerto Rico Department of Housing

March 26, 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 PRDOH 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.

What We Recommend

We made two recommendations to FEMA Region II to improve PRDOH's management of FEMA PA funds to ensure 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 FEMA did not ensure the Puerto Rico Department of Housing (PRDOH) 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, PRDOH did not have sufficient controls over its processes for claiming force account labor costs.

This occurred because FEMA did not provide adequate oversight and ensure PRDOH correctly entered its employees' timesheets into the payroll system.

Failure to comply with controls over payroll increases the risk fraudulent activities may occur and not be detected.

FEMA's Response

FEMA concurred with the two recommendations and plans to take corrective action. Appendix B includes FEMA's response in its entirety.




OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

March 26, 2020

MEMORANDUM FOR: Thomas Von Essen
Region II Regional Administrator
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 Department of Housing*

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

The report contains two recommendations aimed at improving the Puerto Rico Department of Housing. Your office concurred with the two recommendations. Based on information provided in your response to the draft report, we consider recommendations 1 and 2 open and 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.

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



March 26, 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 Department of Housing's (PRDOH) 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 PRDOH'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 PRDOH, we did not perform a financial audit, the purpose of which would be to render an opinion on PRDOH'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
FEMA	Federal Emergency Management Agency
GAO	Government Accountability Office
OIG	Office of Inspector General
PRDOH	Puerto Rico Department of Housing



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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 saturation on the island. Two weeks later, on the morning of September 20, 2017, Hurricane Maria made a direct hit on 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 Department of Housing (PRDOH)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: Flooded Road Conditions in Loiza Community

Source: Photo by Yuisa Rios. Obtained from FEMA website – <https://www.fema.gov/media-library/assets/images/142571>

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

² PRDOH was created under Act No. 97, the Department of Housing Organic Act, on June 10, 1972, as amended, to provide a comprehensive approach to the housing problem in Puerto Rico, and to establish adequate coordination among the different agencies supporting constituents in public housing. PRDOH's mission is to increase the inventory of homes, manage existing public housing projects, and offer subsidy programs to individuals and families of low or medium income.



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Immediately following the disaster declaration, FEMA began working directly with PRDOH to provide guidance and monitor its recovery efforts 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 to assume responsibility as the Governor's Authorized Representative and to monitor PRDOH'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 \$665,689,683 in PA grant funding to PRDOH under five Project Worksheets (PW)⁴ for debris removal, protective measures, state management, and the Sheltering and Temporary Essential Power program.

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 regulation requires the Governor — acting for the state — and the FEMA Regional Administrator to execute a FEMA-State Agreement.⁶ The FEMA-State Agreement outlines the understandings, commitments, and conditions under which Federal disaster assistance is provided. Federal regulations also require the state to develop a State Administration Plan outlining the actions the state will use to fulfill its

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 PA 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).



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duties to FEMA.⁷ Accordingly, FEMA is 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 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 the subrecipients' activities to ensure the subaward is in "compliance with Federal statutes, regulations, and the terms and conditions of the subaward."¹⁰

Results of Audit

Subrecipient Did Not Comply with Federal Requirements

PRDOH needs additional monitoring to ensure compliance with its own policies and procedures. During our fieldwork, we noted PRDOH did not adhere to controls in place over payroll.

Lack of Adherence to Controls over Payroll

PRDOH's internal controls over payroll need improvement to ensure compliance with policies and procedures for adequate review of timesheets, including required signatures, certification of hours, and certification of completeness before submitting to FEMA for reimbursement. During our testing of force account labor, we sampled 19 employees from a population of 123 for the eight pay periods in September 2017 to December 2017. We noted the following exceptions for 15 employees:

- Overtime reported to FEMA did not agree with the timesheets provided to auditors for review as part of supporting documentation.
- Payments to employees were not always in accordance with timesheets.
- Fringe benefits were calculated incorrectly.

PRDOH did not correctly enter its employees' timesheets into the payroll system. Differences in clock-in and clock-out times as recorded within the payroll system, and hours worked according to timesheets, caused salaries and

⁷ 44 CFR 206.207.

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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fringe benefits for some employees to be incorrect. In addition, PRDOH incorrectly recorded regular hours as overtime hours in the payroll system.

Six employees were underpaid and nine employees were overpaid, for a net amount of \$196.33 in payroll costs underpaid, as shown in table 1.

Table 1: Payroll Errors Related to Force Account Labor – Overtime Pay

Sample #	Overtime Pay Per Hours Worked (per auditor calculation)	Overtime Amount Paid (per employee file)	Overtime Pay Difference
1	\$3,413.92	\$432.68	\$(2,981.24)
2	\$12,537.35	\$13,335.50	\$798.15
4	\$4,962.20	\$5,142.47	\$180.27
5	\$405.54	\$371.75	\$(33.80)
6	\$1,994.86	\$1,453.20	\$(541.66)
8	\$175.67	\$28.19	\$(147.49)
9	\$125.02	\$170.48	\$45.46
10	\$4,012.80	\$5,803.20	\$1,790.40
12	\$1,482.17	\$1,822.53	\$340.36
13	\$277.92	\$486.36	\$208.44
15	\$3,930.15	\$3,963.24	\$33.09
16	\$698.78	\$880.28	\$181.50
17	\$1,539.53	\$1,407.79	\$(131.74)
18	\$400.01	\$389.34	\$(10.67)
19	\$871.20	\$943.80	\$72.60
		Total Difference	\$(196.33)

Source: Timesheets and force account labor documentation provided by PRDOH

The six underpaid employees and nine overpaid employees resulted in a net amount of \$3.89 in fringe benefits underpaid, as shown in table 2.



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Table 2: Payroll Errors Related to Force Account Labor - Fringe Benefits

Sample #	Fringe Benefits (per auditor calculation)	Fringe Benefits (per employee file)	Difference in Fringe Benefits
1	\$68.28	\$8.65	(\$59.63)
2	\$250.75	\$266.76	\$16.01
4	\$99.24	\$102.88	\$3.64
5	\$8.11	\$7.43	(\$0.68)
6	\$39.90	\$29.05	(\$10.85)
8	\$3.51	\$0.56	(\$2.95)
9	\$2.50	\$3.40	\$0.90
10	\$80.26	\$116.06	\$35.80
12	\$29.64	\$36.45	\$6.81
13	\$5.56	\$9.72	\$4.16
15	\$78.60	\$79.28	\$0.68
16	\$13.98	\$17.61	\$3.63
17	\$30.79	\$28.14	(\$2.65)
18	\$8.00	\$7.79	(\$0.21)
19	\$17.42	\$18.87	\$1.45
Total Difference			\$(3.89)

Source: Timesheets and force account labor documentation provided by PRDOH

PRDOH did not adhere to policies and procedures for the review of hours worked (PRDOH Executive Order 17-59), which increases the risk of inaccurate payroll and fringe benefits (underpayment and overpayment). Although the net error noted in our sample was not monetarily significant, PRDOH is at risk for legal claims from employees for underpayment of wages and fringe benefits, improper payments, and claims for reimbursement from FEMA for unallowable costs related to overpayment of payroll and fringe benefits. Furthermore, failure to comply with controls over payroll increases the risk fraudulent activities may occur and not be detected.

According to FEMA’s *Public Assistance Program and Policy Guide*, April 2018, Section V, Cost Eligibility, “For Emergency Work, only overtime labor is eligible for budgeted employees.” Table 3 shows the emergency work eligibility for both overtime and regular pay by employee categories.



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Table 3: Emergency Work Labor Eligibility

Emergency Work Labor Eligibility		
Budgeted Employees	Overtime	Straight-Time
Permanent employee	☑	
Seasonal employee working during normal season of employment	☑	
Unbudgeted Employees	Overtime	Straight-Time
Essential employee called back from administrative leave	☑	☑
Permanent employee funded from external source	☑	☑
Temporary employee hired to perform eligible work	☑	☑
Seasonal employee working outside normal season of employment	☑	☑

Source: FEMA's *Public Assistance Program and Policy Guide*, FP 104-009-2, April 2018

Further, according to Housing Administrative Order 17-59, April 2017,¹¹ payment for extra hours requires compliance with the following:

- The Daily Assistance During Emergency Service (DVOSCE-6) sheet for career and trusted personnel must clearly specify the work or task performed during the emergency. This should be evaluated by the Secretary of Human Resources, for the determination of the exclusion or not.
- All attendance sheets must be duly signed, evaluated, and certified before being sent to FEMA for refund.

¹¹ Administrative Order 17-59, April 2017, *Authorization to grant differential employees of the housing department and the administration of Public housing for the coordination of functions in emergency management*, Section V, *Payment rules for overtime work in cases of emergencies when a Presidential Order is signed*.



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Recommendations

Recommendation 1: We recommend the Regional Administrator, FEMA Region II, direct COR3 to monitor PRDOH in the adequate review of hours worked, including controls for accuracy, completion, and entry into the payroll system, prior to submitting related costs to FEMA for reimbursement.

FEMA Comments

Concur. The FEMA Region II Regional Administrator will direct COR3 to monitor PRDOH, consistent with the Government of Puerto Rico's April 1, 2019 agreement with FEMA. ECD: February 28, 2021.

OIG Analysis

FEMA's corrective action is responsive to the recommendation. However, the recommendation will remain resolved and open until we have received and reviewed evidence COR3 is monitoring the accuracy and completeness of hours worked by PRDOH before submitting this information to FEMA for reimbursement.

Recommendation 2: We recommend the Regional Administrator, FEMA Region II, direct COR3 to require PRDOH to review payroll costs for the remainder of the population of 123 employees tested for the eight pay periods in September 2017 to December 2017 to determine if additional payroll errors exist and to take appropriate action to correct errors.

FEMA Comments

Concur. The FEMA Region II Regional Administrator will direct COR3 to require PRDOH to review the payroll costs and take appropriate action to correct any errors. ECD: February 28, 2021.

OIG Analysis

FEMA's corrective action is responsive to the recommendation. However, the recommendation will remain resolved and open until we have received and reviewed evidence that COR3 required PRDOH to review payroll costs for the remainder of the population of 123 employees tested for the eight pay periods, September 2017 to December 2017, determine if additional payroll errors exist, and take appropriate corrective action.



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Appendix A

Objective, Scope, and Methodology

We audited the capacity of PRDOH to manage FEMA PA grant funds. Our audit objective was to determine whether FEMA ensured COR3 and PRDOH established and implemented policies, procedures, and practices to ensure PA grant funds awarded to disaster areas are accounted for and expended in accordance with Federal regulations and FEMA guidance. We conducted this audit early in the grant process to identify areas in which PRDOH may need additional technical assistance or monitoring to ensure compliance with Federal procurement regulations.

To answer the objective, we:

- reviewed FEMA, COR3, and PRDOH 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 related to claimed costs for Force Account Labor. See finding Lack of Adherence to Controls over Payroll on page 4 of this report.

We found policies and procedures were established and working in the areas of accounting system, insurance, and procurement; we 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

Below is a summary of the samples selected:



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Amount of Contracts Tested

	Contracts	Contract Costs	DAC¹²
Population	\$1,416,762,853	\$552,990,222	\$936,942
Sample	\$1,408,921,050	\$358,557,043	\$936,942
Percent (%) Tested	99%	65%	100%

Source: PRDOH Contract Data

We assessed the reliability of procurement and cost 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 PRDOH personnel; reviewed and gained an understanding of the policies, procedures, and practices PRDOH 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 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.

¹² Direct Administrative Cost



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Appendix B
FEMA Comments to the Draft Report

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



FEMA

March 5, 2020

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

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

SUBJECT: Management Response to Draft Report: "Capacity Audit of
FEMA Grant Funds Awarded to the Puerto Rico Department of
Housing"
(Project No. 19-015-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 hurricane season occurred during a time of great 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 are 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 funding.

In November 2017, FEMA implemented a manual reimbursement process for eligible projects under the Public Assistance Grant Program. As a 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



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levels, 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 Department of Housing (PRDOH) is in need of additional support to ensure it reviews and claims its force account labor accurately.

The draft report contained two recommendations with which the Department concurs. Attached find our detailed response to each recommendation. DHS previously submitted technical comments under a separate cover.

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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**Attachment: Management Response to Recommendations
Contained in OIG 19-015-AUD-FEMA**

OIG recommended that the Regional Administrator, FEMA Region II:

Recommendation 1: Direct COR3 to monitor PRDOH in the adequate review of hours worked, including controls for accuracy, completion, and entry into the payroll system, prior to submitting related costs to FEMA for reimbursement.

Response: Concur. The FEMA Region II Regional Administrator will direct COR3 to monitor PRDOH, consistent with the Government of Puerto Rico's April 1, 2019 agreement with FEMA. Estimated Completion Date (ECD): February 28, 2021.

Recommendation 2: Direct COR3 to require PRDOH to review payroll costs for the remainder of the population of 123 employees tested for the eight pay periods in September 2017 to December 2017 to determine if additional payroll errors exist and to take appropriate action to correct errors.

Response: Concur. The FEMA Region II Regional Administrator will direct COR3 to require PRDOH to review the payroll costs and take appropriate action to correct any errors. ECD: 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 Board¹³ to review any federal funds exceeding \$10 million that are designated for recovery from Hurricanes Irma and Maria.

¹³ 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
Report Distribution

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