

**FEMA Has No Assurance that  
Only Designated Recipients  
Received \$6.37 Million in Fuel**





# DHS OIG HIGHLIGHTS

## *FEMA Has No Assurance that Only Designated Recipients Received \$6.37 Million in Fuel*

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November 2, 2015

### Why We Did This Audit

After Hurricane Sandy, New York needed substantial amounts of fuel for critical power restoration and emergency public transportation work. The Federal Emergency Management Agency (FEMA) issued two mission assignments to the Defense Logistics Agency for this fuel, resulting in fuel deliveries of more than 3.48 million gallons. FEMA subsequently determined that it had requested only 1.7 million gallons of fuel. Ultimately, FEMA paid the Defense Logistics Agency \$6.37 million for 1.7 million gallons of fuel.

### What We Recommend

We recommended that FEMA account properly for \$332,520 paid to the Defense Logistics Agency for fuel delivered to New Jersey and take steps to improve the effectiveness of FEMA's mission assignments.

#### **For Further Information:**

Contact our Office of Public Affairs at (202) 254-4100, or email us at [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

### What We Found

FEMA has no assurance that mission-assigned fuel deliveries for New York went only to FEMA-designated recipients. We reviewed the \$6.37 million FEMA paid the Defense Logistics Agency for 1.7 million gallons of fuel. However, of this amount, we found incomplete and questionable supporting documentation for \$4.56 million in fuel deliveries. Therefore, we could not verify the eligibility of the recipients that received this fuel. In addition, the Defense Logistics Agency delivered \$1.81 million of fuel to recipients outside the mission assignment's scope of work. As a result, FEMA cannot be sure that any of the fuel went to approved power restoration or emergency public transportation work in New York, as FEMA intended.

This occurred because FEMA did not comply with certain Federal regulations and internal control standards. When we ended field work, FEMA had recognized these challenges and was working to address them. For example, FEMA had started to develop procedures to account for large-scale, disaster fuel support. FEMA also began efforts to improve its mission assignment process.

### FEMA Response

FEMA concurred with all five recommendations.




**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

November 2, 2015

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



FROM: John V. Kelly  
Assistant Inspector General  
Office of Emergency Management Oversight

SUBJECT: *FEMA Has No Assurance that Only Designated  
Recipients Received \$6.37 Million in Fuel*

For your action is our final report, *FEMA Has No Assurance that Only Designated Recipients Received \$6.37 Million in Fuel*. We incorporated the formal comments provided by your office.

The report contains five recommendations aimed at improving FEMA mission assignments. Your office concurred with the five recommendations. Based on information provided in your response to the draft report, we consider recommendations 2 through 5 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. Recommendation 1 is closed.

Please send your response or closure request to [OIGEMOFollowup@oig.dhs.gov](mailto:OIGEMOFollowup@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, or your staff may contact Kaye McTighe, Director, National Capital Regional Office, at (202) 254-4216.



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### Background

Hurricane Sandy, the second-largest Atlantic storm on record, made landfall on October 29, 2012. The President authorized major disaster declarations for New York and New Jersey shortly after midnight on October 30, 2012. The hurricane left more than 8.5 million people without power because of heavy rain, strong winds, and record storm surges. With widespread flooding throughout the region and blocked transportation corridors, severe fuel shortages started to occur in the New York metropolitan area.

New York needed substantial amounts of fuel for critical power restoration and emergency public transportation work. The Federal Emergency Management Agency (FEMA) issued two mission assignments to the Defense Logistics Agency, resulting in the Defense Logistics Agency reporting fuel deliveries of more than 3.48 million gallons, totaling \$11.8 million. However, when the Defense Logistics Agency requested reimbursement from FEMA for the deliveries, FEMA subsequently determined that it had requested only 1.7 million gallons of fuel. Ultimately, FEMA paid the Defense Logistics Agency \$6.37 million for 1.7 million gallons of unleaded gasoline and diesel fuel under one mission assignment and canceled the other mission assignment.

Federal rules at 44 Code of Federal Regulations (CFR) 206.208 allow state and local governments to request direct Federal assistance from FEMA when they lack the capability to perform or to contract for eligible emergency work. If FEMA approves the request, it will issue a written mission assignment to the appropriate Federal agency (with or without compensation) identifying the specific task to perform and the requirements or criteria to follow. The assigned Federal agency will then begin the execution of the mission assignment. When work is completed, the assigned Federal agency may submit a reimbursement request to FEMA for costs incurred in providing the requested assistance.<sup>1</sup>

### Results of Audit

FEMA has no assurance that mission-assigned fuel deliveries for New York went only to FEMA-designated recipients. We reviewed the \$6.37 million FEMA paid the Defense Logistics Agency for 1.7 million gallons of fuel. However, of this amount, we found incomplete and questionable supporting documentation for \$4.56 million in fuel deliveries. Therefore, we could not verify the eligibility of the recipients that received this \$4.56 million in fuel. In addition, the Defense Logistics Agency delivered \$1.81 million of fuel to recipients outside

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<sup>1</sup> Federal rules at 44 CFR 206.8 identify the costs FEMA may and may not reimburse. For example, FEMA may reimburse costs for work, services, and materials procured under contract for the purposes of providing assistance as FEMA directs.



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Department of Homeland Security

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the mission assignment's scope of work. As a result, FEMA cannot be sure that any of the fuel went to approved power restoration or emergency public transportation work in New York, as FEMA intended.

This occurred because FEMA did not comply with certain Federal regulations and internal control standards. Specifically, FEMA did not (1) require the Defense Logistics Agency to provide adequate documentation to support its billings or ensure fuel went to designated recipients, or (2) provide the Defense Logistics Agency with a clear, well-defined scope of work before fuel deliveries commenced.

FEMA had recognized these challenges and was working to address them when we ended field work. For example, FEMA had started to develop procedures to account for large-scale, disaster fuel support. FEMA also began efforts to improve its mission assignment process.

### **Incomplete and Questionable Supporting Documentation**

Records documenting fuel delivered in New York were incomplete or questionable because FEMA had not implemented an effective process to account for large-scale, mission-assigned fuel deliveries. As a result, FEMA had little to no assurance that those receiving 1.1 million gallons of fuel valued at \$4.56 million had a FEMA-defined power restoration or emergency public transportation work need. This occurred despite the requirements set forth in 44 CFR 206.208(e)(1) and internal control standards.

FEMA officials relied on incomplete and inconsistent Defense Logistics Agency records when validating fuel deliveries. For example, the Defense Logistics Agency's contractors did not always have fuel log forms to complete or require recipients to sign for fuel received. These shortcomings, combined with the urgency to provide immediate support and the large number of contractors<sup>2</sup> providing support, resulted in poor recordkeeping. We determined that for 1.1 million gallons of fuel the Defense Logistics Agency delivered under the mission assignment—

- FEMA officials accepted as valid 464,385 gallons of fuel the Defense Logistics Agency delivered. They did so based on a spreadsheet FEMA prepared identifying daily Defense Logistics Agency fuel deliveries at various locations.<sup>3</sup> However, FEMA officials did not sufficiently verify the accuracy or completeness of that information. For example:

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<sup>2</sup> The Defense Logistics Agency, FEMA, and New York City each had fuel support contractors (along with subcontractors) working in the disaster area.

<sup>3</sup> FEMA did not rely on Defense Logistics Agency invoices to reimburse fuel delivered because the invoices included fuel that FEMA did not request.



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- For November 8, 2012, FEMA paid the Defense Logistics Agency for delivering 51,000 gallons of gasoline to a location whereas the unverified delivery tickets<sup>4</sup> show that the Defense Logistics Agency delivered 30,100 gallons.
- For November 9, 2012, FEMA paid the Defense Logistics Agency for delivering 8,000 gallons of diesel fuel to a second location whereas the unverified delivery tickets show that the Defense Logistics Agency delivered 6,700 gallons.
- For November 12, 2012, FEMA paid the Defense Logistics Agency for delivering 2,800 gallons of gasoline to a third location whereas the unverified delivery ticket shows that the Defense Logistics Agency delivered 4,000 gallons.
- FEMA Headquarters considered the deliveries of an additional 681,862 gallons of fuel valid based on a FEMA field official's assertion that "the correlation of the vendor invoices to the task order dates substantiates validation of the shipments of fuels." FEMA Headquarters accepted the assertion without corroborating it or resolving concerns about incomplete and questionable documentation. According to FEMA's Assistant Administrator for Logistics Management, he was "willing to bend a little on fuel we know we requested, know DLA delivered...." However, FEMA was unable to provide us the records for the fuel deliveries substantiating whether the Defense Logistics Agency had delivered it to recipients with a FEMA-defined power restoration or emergency public transportation need.

Furthermore, FEMA officials relied on incomplete and inconsistent logs to account for an unknown amount of fuel the Defense Logistics Agency dispensed to individuals. None of the logs indicated whether those receiving the fuel had a FEMA-defined power restoration or emergency public transportation need. For example, only 2,837 of 15,272 fuel log entries included the amount of fuel distributed as well as the fuel recipient's license or vehicle/unit number, name, and signature. More than 400 entries listed only the type of vehicle receiving fuel (e.g., car or truck) and the amount of fuel dispensed. In one log, the Defense Logistics Agency contractor wrote the following:

"Filled vehicles for doctors, nurses, - EMT, NYPD, & FDNY. Filled around 2,100 vehicles in 3 days with just 2 people there was not time to write down anything just to check credentials."

<sup>4</sup> Documents prepared by the Defense Logistics Agency contractor showing how much fuel they delivered to a specific location on a given date.



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In addition, we were unable to locate final inspection reports signed by the Defense Logistics Agency and New York indicating acceptance of the work. According to 44 CFR 206.208(e)(1), “A final inspection report will be completed upon termination of all direct Federal assistance work. Final inspection reports shall be signed by a representative of the performing Federal agency and the State.” Further, 44 CFR 206.8(d)(5) requires a Federal agency requesting reimbursement to “retain all financial records, supporting documents, statistical records, and other records pertinent to the provision of services or use of resources by that agency.”

According to the Government Accountability Office’s *Standards for Internal Control in the Federal Government*, the accurate and timely recording of transactions and events is a key internal control activity. The prompt recording of a transaction, through its entire life cycle, is critical in maintaining its relevance and value to management in controlling operations. This includes clearly documenting all transactions and ensuring that the documentation is readily available for examination. This was not the case with fuel FEMA paid for under the mission assignment.

FEMA asserts that for fuel it requested, it had no reports that the Defense Logistics Agency did not deliver the fuel. As one FEMA official noted, “at this point there is really no way of knowing if deliveries were not received...given the confusion many locations had no idea they were to receive fuel...if a contractor does not obtain a signature proving delivery, it is really impossible after the fact to make up for this deficiency.” When we ended field work, FEMA had disallowed more claimed Defense Logistics Agency fuel costs than what we determined to be unsupported. Therefore, we consider the matter closed.

### **Ineligible Costs Paid to the Defense Logistics Agency**

FEMA did not provide the Defense Logistics Agency with a clear, specific scope of work as 44 CFR 206.7 requires. In fact, FEMA did not clarify who should receive the fuel until after the Defense Logistics Agency had delivered all the fuel. The magnitude of the disaster and inefficiencies in FEMA’s mission assignment procedures caused the delay. The delay resulted in recipients outside the mission assignment’s scope of work receiving 557,534 gallons of fuel valued at \$1.81 million.

On November 1, 2012, FEMA issued a \$20 million mission assignment to the Defense Logistics Agency for direct Federal assistance that included supplying up to 250,000 gallons of fuel and 5 million meals to New York (4085DR-NY-DOD-10). FEMA’s broad statement of work did not include specifics regarding who should receive the fuel or for what purposes recipients could use the fuel. The following day, FEMA’s Office of Chief Counsel issued “business rules” for



## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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implementing the 100 percent Federal cost share for emergency power restoration and emergency public transportation assistance, including direct Federal assistance. On November 23, 2012, FEMA retroactively cancelled 4085DR-NY-DOD-10 and replaced it with 4085DR-NY-DOD-31. Under 4085DR-NY-DOD-31, FEMA reduced the scope of work to \$10 million; established a 13-day performance period, November 2–14, 2012; and limited fuel distribution to power restoration teams, temporary power generation (e.g., 50–850 kilowatt generators), and emergency public transportation work involving the dewatering and clearing of tunnels.

According to 44 CFR 206.7, a mission assignment will define the scope of eligible work by identifying (in writing) the specific task to perform and the requirements or criteria to follow. A mission assignment’s statement of work should clearly convey what work the performing Federal agency should accomplish. FEMA guidance stipulates that changes to the scope of work, other than funding or performance period adjustments, require a new mission assignment.<sup>5</sup>

The magnitude of Hurricane Sandy and inefficiencies in FEMA’s mission assignment procedures delayed FEMA’s efforts to clarify the scope of work through a new mission assignment to the Defense Logistics Agency. New York’s Regional Response Coordination Center struggled to process mission assignments and resource requests as quickly and effectively as needed. FEMA Headquarters’ efforts to expedite mission assignment processing added to the confusion among some staff and resulted in additional delays. Despite the fact that FEMA often uses mission assignments to get resources into disaster areas quickly, FEMA’s *Hurricane Sandy FEMA After-Action Report* (July 2013) described the mission assignment process as “not optimally set up to quickly surge resources to the field in a large-scale incident.”

FEMA reimbursed the Defense Logistics Agency \$6.37 million for fuel delivered under 4085DR-NY-DOD-31. Of this amount, it appears that New York retail gas stations received approximately \$1.48 million of the fuel for public distribution, and New Jersey received more than \$332,000 of the fuel. However, the mission assignment authorized the fuel for power restoration needs and emergency public transportation work in New York, not delivery to retail gas stations or to New Jersey recipients.

Federal regulations require Federal agencies to, among other things, complete mission assignments according to FEMA’s scope of work (44 CFR 206.208(e)) and generally prohibit them, for billing purposes, from combining costs they

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<sup>5</sup> FEMA guidance includes standard operating procedures (e.g., FEMA FM 104-010-R7 (January 2012) and FEMA 2600-007 (March 2012)).





## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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incurred under more than one mission assignment (44 CFR 206.8(d)(3)). Furthermore, according to 44 CFR 206.8(c), FEMA may only reimburse the costs a performing Federal agency incurs in providing FEMA-requested assistance.

Under these circumstances, our general practice would be to consider the \$1.48 million paid to the Defense Logistics Agency for retail gas station fuel deliveries as ineligible. However, FEMA had recovered these costs (including interest) under an agreement with New York. Therefore, we consider the matter involving fuel deliveries to retail gas stations in New York closed.

With regard to the more than \$332,000 paid to the Defense Logistics Agency for fuel it delivered to New Jersey (Met Life Stadium in East Rutherford, New Jersey), FEMA should account properly for it. The extent that New York first responders and emergency workers were the sole recipients of the fuel was unclear. However, any fuel that the Defense Logistics Agency provided to New Jersey first responders at the Met Life Stadium falls under the New Jersey disaster declaration and mission assignments. When we ended field work, FEMA had not provided us with documentation showing whether it had accounted properly for \$332,520 paid to the Defense Logistics Agency for fuel delivered to the Met Life Stadium in East Rutherford, New Jersey. Therefore, we consider this matter open.

### **FEMA's Efforts to Address Challenges**

FEMA is developing procedures for the entire life cycle of fuel support to better account for large-scale fuel assistance. According to FEMA, these procedures will address how fuel is requested, sourced, ordered, delivered, and accounted for. In addition, FEMA is creating a prescribed mission assignment with the Defense Logistics Agency to support petroleum efforts during disasters. FEMA's Assistant Administrator for Logistics Management is overseeing these efforts.

FEMA also began efforts to improve its mission assignment process by addressing issues that its Hurricane Sandy FEMA After-Action Report identified. These issues ranged from unclear or conflicting mission assignment requirements to processing delays spanning several days. A FEMA Executive Steering Committee is leading these efforts.

When we ended field work, FEMA had drafted an operational guide for creating, issuing, and tracking mission assignments consistently. FEMA had also taken steps to improve the coordination of mission assignments through better transparency of Federal assistance requests. FEMA increased the number of trained mission assignment staff and started to update its prescribed mission



## OFFICE OF INSPECTOR GENERAL

### Department of Homeland Security

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assignment library to help address mission assignment processing delays. However, work remains.

### **Conclusion**

FEMA's efforts to ensure that \$6.37 million of mission-assigned fuel went to only FEMA-designated recipients were not adequate. Of this amount, FEMA could not ensure how much went to approved power restoration or emergency public transportation work in New York. FEMA had not implemented an effective process to account for large-scale, mission-assigned fuel deliveries. Furthermore, FEMA's mission assignment procedures were unnecessarily complex and time-consuming given New York's urgent, large-scale fuel needs. When we ended field work, FEMA had recognized these challenges and was working to address them.

### **Recommendations**

We recommend that the Associate Administrator for Response and Recovery, FEMA:

**Recommendation 1:** Disallow and recover \$4,558,969 of unsupported costs paid to the Defense Logistics Agency unless the Defense Logistics Agency provides documentation adequate to prove that the costs were valid and were for fuel delivered to recipients within the mission assignment's scope of work.

Although we recommend that FEMA disallow and recover the \$4.56 million of unsupported costs, FEMA asserts that for fuel requested, it had no reports that the Defense Logistics Agency did not deliver the fuel. As one FEMA official noted, "at this point there is really no way of knowing if deliveries were not received...given the confusion many locations had no idea they were to receive fuel...if a contractor does not obtain a signature proving delivery, it is really impossible after the fact to make up for this deficiency." When we ended field work, FEMA had disallowed more claimed Defense Logistics Agency fuel costs than what we determined to be unsupported. Therefore, we consider the matter closed.

**Recommendation 2:** Disallow and recover \$1,811,840 of ineligible costs paid to the Defense Logistics Agency for fuel that the Defense Logistics Agency delivered to unauthorized recipients outside the mission assignment's scope of work.

Under these circumstances, our general practice would be to consider the \$1.48 million paid to the Defense Logistics Agency for retail gas station fuel deliveries as ineligible. However, FEMA had recovered these costs (including



## OFFICE OF INSPECTOR GENERAL

### Department of Homeland Security

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interest) under an agreement with New York. Therefore, we consider the matter involving fuel deliveries to retail gas stations in New York closed.

With regard to the more than \$332,000 paid to the Defense Logistics Agency for fuel it delivered to New Jersey (Met Life Stadium in East Rutherford, New Jersey), FEMA should account properly for it. The extent that New York first responders and emergency workers were the sole recipients of the fuel was unclear. However, any fuel that the Defense Logistics Agency provided to New Jersey first responders at the Met Life Stadium falls under the New Jersey disaster declaration and mission assignments. When we ended field work, FEMA had not provided us with documentation showing whether it had accounted properly for \$332,520 paid to the Defense Logistics Agency for fuel delivered to the Met Life Stadium in East Rutherford, New Jersey. Therefore, we consider this matter open.

**Recommendation 3:** Implement procedures to quickly deliver and properly account for large-scale, disaster fuel support to first responders and States using private-sector resources such as retail gas stations for the public distribution of fuel. These procedures should ensure (1) that fuel deliveries only go to authorized recipients, (2) the accurate and timely recording of transactions and events through the entire fuel support life cycle, and (3) that transaction documentation is readily available for examination.

**Recommendation 4:** Establish procedures for ensuring (1) mission assignments' statements of work clearly convey the tasks to accomplish, and (2) Federal agencies complete mission assignments according to FEMA's scope of work. This includes timely FEMA monitoring and follow-up on mission assigned work.

**Recommendation 5:** Implement procedures for ensuring the timely issuance of mission assignments.

### **Management Comments and OIG Analysis**

We obtained written comments on the draft report from FEMA's Acting Associate Administrator for Policy and Program Analysis. We have included FEMA's comments, in their entirety, in appendix A. FEMA concurred with all of the recommendations and has developed an internal corrective action plan.

**Management Comments to Recommendation 1:** FEMA concurs with recommendation 1. FEMA officials said they also considered the matter closed.

**OIG Analysis:** We consider the recommendation closed.



## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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**Management Comments to Recommendation 2:** FEMA concurs with recommendation 2. FEMA officials said they also considered the matter involving fuel deliveries to retail gas stations resolved and closed. Furthermore, FEMA officials said they would account properly for \$332,520 paid to the Defense Logistics Agency for fuel it delivered to New Jersey first responders.

**OIG Analysis:** We consider the actions FEMA has completed and proposed responsive to the intent of the recommendation, which is resolved and open. We will close this recommendation when we receive and have reviewed documentation showing FEMA accounting properly for the \$332,520 paid to the Defense Logistics Agency for fuel it delivered to the Met Life Stadium in East Rutherford, New Jersey.

**Management Comments to Recommendation 3:** FEMA concurs with recommendation 3. FEMA officials said they have updated their Interagency Agreement with the Defense Logistics Agency for fuel support and are developing a Fuel Services Guide outlining procedures and guidance as recommendations. Additionally, FEMA and the Defense Logistics Agency are working on a prescribed mission assignment for petroleum support efforts during disaster operations. Efforts are also underway to capture and display accountability processes in WebEOC. FEMA estimates it will complete these actions by August 1, 2015.

**OIG Analysis:** We consider the actions FEMA has completed and proposed responsive to the intent of the recommendation, which is resolved and open. We will close this recommendation when we receive and have reviewed documentation showing FEMA has implemented procedures to quickly deliver and properly account for large-scale, disaster fuel support to first responders and States using private-sector resources such as retail gas stations for the public distribution of fuel. These procedures should ensure (1) that fuel deliveries only go to authorized recipients, (2) the accurate and timely recording of transactions and events through the entire fuel support life cycle, and (3) that transaction documentation is readily available for examination.

**Management Comments to Recommendation 4:** FEMA concurs with and requests closure of recommendation 4. FEMA officials said they have developed and are using a draft operational Mission Assignment Guide that outlines the process and procedures for creating clear and accurate statements of work. Additionally, FEMA is in the final stages of drafting the "Mission Assignment Policy" which further outlines the mission assignment process and addresses the development of statements of work. FEMA also has ongoing efforts to coordinate prescribed mission assignments and to standardize and update relevant statements of work. Furthermore, through annual mission assignment training, which includes interactive group exercises on statements of work



## OFFICE OF INSPECTOR GENERAL

### Department of Homeland Security

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writing, FEMA continues to educate relevant personnel on the FEMA mission assignment process.

**OIG Analysis:** We consider the actions FEMA has completed and proposed responsive to the intent of the recommendation, which is resolved and open. We will close this recommendation when we receive and have reviewed documentation showing FEMA has established procedures for ensuring (1) mission assignments' statements of work clearly convey the tasks to accomplish, and (2) Federal agencies complete mission assignments according to FEMA's scope of work. These procedures should ensure timely FEMA monitoring and follow-up on mission assigned work.

**Management Comments to Recommendation 5:** FEMA concurs with recommendation 5. FEMA officials said they have developed and are using a draft operational *Mission Assignment Guide* to aid FEMA staff on issuing mission assignments. Additionally, in coordination with other Federal partners, FEMA developed and currently uses prescribed mission assignments to expedite the issuance of mission assignments. FEMA also uses the WebEOC tool to streamline and aid in the completion of mission assignments, including timely issuance. Lastly, FEMA continues to hold annual training to address the process and procedures for the timely issuance of mission assignments.

**OIG Analysis:** We consider the actions FEMA has completed and proposed responsive to the intent of the recommendation, which is resolved and open. We will close this recommendation when we receive and have reviewed documentation showing FEMA has implemented finalized guidance for ensuring the timely issuance of mission assignments according to internal control standards and FEMA policies.

### Objective, 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*.

Our objective was to assess the adequacy of FEMA's efforts to ensure that mission-assigned fuel deliveries went only to FEMA-designated recipients. The scope of our audit covered the period October 30, 2012, to January 20, 2015; and included analyses of two mission assignments to the Defense Logistics Agency: 4085DR-NY-DOD-10 (\$20 million in direct Federal assistance with a 25 percent State cost share) and 4085DR-NY-DOD-31 (\$10 million in direct Federal assistance with no State cost share). Since FEMA expended no funds under 4085DR-NY-DOD-10, our audit focused on the \$6.37 million FEMA expended under 4085DR-NY-DOD-31. We did not review FEMA disallowed fuel



## OFFICE OF INSPECTOR GENERAL

### Department of Homeland Security

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costs to determine whether FEMA should have allowed them. Before we ended field work, FEMA deobligated all remaining funds from the two mission assignments and closed out the mission assignments.

Because FEMA's assertions regarding the amount fuel it requested from the Defense Logistics Agency for critical power restoration and emergency public transportation work was not an objective of our audit, we do not express an opinion or provide any assurance on the assertions.

We reviewed applicable Federal statutes and regulations; evaluated FEMA policies and procedures; reviewed the major disaster declaration and amendments; examined prior audit reports and the *Hurricane Sandy FEMA After-Action Report*; analyzed mission assignments and FEMA's obligations, deobligations, and expenditures under those mission assignments; interviewed FEMA officials responsible for directing, overseeing, and paying for mission-assigned fuel deliveries; inspected fuel dispatch tickets, fuel distribution log entries, material inspection and receiving reports, FEMA fuel validation worksheets, and email correspondence for more than 1.7 million gallons of fuel (totaling over \$6.37 million) the Defense Logistics Agency delivered under 4085DR-NY-DOD-31; and performed other procedures considered necessary to accomplish our objective. In conducting this audit, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster. We did not assess the adequacy of the agency's internal controls applicable to information systems and the financial processing of mission assignments because it was not necessary to accomplish our audit objective.

We conducted this performance audit between November 2013 and November 2014 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.

The Office of Emergency Management Oversight major contributors to this report are Kaye McTighe, Director; Adrian Dupree, Audit Manager; John Woo, Auditor-in-Charge; Stuart Josephs, Senior Auditor; Elizabeth Finn, Program Analyst; and Kenneth Valrance, Auditor.

The Office of Information Technology Audits major contributor to this report is Joshua Wilshere, Forensics Specialist.



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Department of Homeland Security


**Appendix A**  
**FEMA Comments to the Draft Report**

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



**FEMA**

MEMORANDUM FOR: John V. Kelly  
Assistant Inspector General  
Office of Emergency Management

FROM: David Bibo   
Associate Administrator (Acting)  
Office of Policy and Program Analysis

SUBJECT: FEMA Has No Assurance that Only Designated  
Recipients Received \$6.37 Million in Fuel – FEMA Response to Draft  
Report (OIG Project No. 13-035-EMO-FEMA)

Thank you for the opportunity to review and comment on the subject draft report. FEMA appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report. Several of the findings in the report will be used to strengthen the effectiveness and efficiency of the mission assignment process.

Before addressing each recommendation, the Federal Emergency Management Agency (FEMA) would like to highlight the following actions it has taken to address the issues identified in the OIG draft report:

- Developed an internal Corrective Action Plan (CAP) to address the OIG's findings and recommendations;
- Developing a *Fuel Services Guide* to establish formal processes and procedures for fuel orders and distribution; and
- Developed a *Mission Assignment Guide* to provide clear and comprehensive processes and procedures for mission assignments.

FEMA concurs with the draft report's five recommendations. The following are FEMA's responses for implementation.

**Recommendation 1:** Disallow and recover \$4,558,969 of unsupported costs paid to the Defense Logistics Agency unless the Defense Logistics Agency provides documentation adequate to prove that the costs were valid and were for fuel delivered to recipients within the mission assignment's scope of work. When we ended our fieldwork, FEMA had disallowed more than \$4.65 million in Defense Logistics Agency requested billings for fuel delivered to New York. The disallowed costs were more than what we determined to be unreportable. In addition, we believe at FEMA's request, that the Defense Logistics

[www.fema.gov](http://www.fema.gov)



## OFFICE OF INSPECTOR GENERAL

### Department of Homeland Security

Agency delivered a substantial amount of fuel to New York recipients in response to Hurricane Sandy. Therefore, we consider the matter resolved and closed.

**Response:** Concur. FEMA also considers this matter resolved and closed.

**Recommendation 2:** Disallow and recover \$1,811,840 of ineligible costs paid to the Defense Logistics Agency for fuel that the Defense Logistics Agency delivered to unauthorized recipients outside the mission assignment's scope of work.

Under these circumstances, our general practice would be to consider the \$1,479,320 paid to the Defense Logistics Agency as ineligible. However, when we ended fieldwork, New York had reimbursed FEMA more than \$2.1 million for fuel the agency supplied to retail gas stations, which accounts for more than what we determined to be ineligible. In addition, it is within FEMA's authority under 44 CFR 206.8(c) (7) to allow all or a portion of these costs. Therefore, we consider the matter involving fuel deliveries to retail gas stations resolved and closed. However, FEMA needs to account properly for \$332,520 paid to the Defense Logistics Agency for fuel it delivered to New Jersey first responders since the costs were incurred under a different disaster declaration.

**Response:** Concur. FEMA will account properly for \$332,520 paid to the Defense Logistics Agency for fuel it delivered to New Jersey first responders. FEMA also considers the matter involving fuel deliveries to retail gas stations resolved and closed.

**Recommendation 3:** Implement procedures to quickly deliver and properly account for large-scale, disaster fuel support.

**Response:** Concur. The report correctly noted that FEMA recognized the challenges and was working to address them by developing procedures to account for large-scale, disaster fuel support. In May of 2013, the FEMA Logistics Management Directorate (LMD), Logistics Plans and Exercises Division began development of a Fuel Services Pre-scripted Mission Assignment (PSMA) with Department of Defense/Defense Logistics Agency. An Interagency Agreement was updated in 2014 between FEMA/Defense Logistics Agency to expand beyond the hurricane states and also provide fuel support along with training in the continental United States. In May of 2014, the FEMA LMD Fuel Services Steering Committee and (4) Fuels Sub-Working Groups were established to address concerns with our Fueling Concept, Mission Assignment/Distribution Order Process, Accountability, and Delivery Integration.

Currently, the Draft Fuels PSMA is being staffed with Department of Defense/Defense Logistics Agency to support petroleum efforts during disaster operations. The Fuels Working Groups have been developing draft products for inclusion into a single *Fuel Services Guide* outlining procedures and guidance as recommendations. FEMA is targeting July 1 for a complete working draft to address: (1) criteria for States to request fuel; (2) Resource Request Form (RRF) guidance; (3) a Draft Fuels Reporting Board; (4) Planning Considerations, along with the Fuels Management Officer (formally the Fuels Ordering Officer); and (5) Fuels Task Monitor roles/responsibilities. Training opportunities are being considered to





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### Department of Homeland Security

assist the Fuels Management Officer and Fuels Task Monitor functioning in support of a fuel services mission.

Efforts are ongoing for the development of flow charts and other tools to guide the process from receipt of a RRF to the input of a Logistics Supply Chain Management System (LSCMS) order and final reconciliation of payment with DLA (pages 16-17 of the Draft Fuel Services Guide). The process flow diagram and attendant instructions are under further revision based on field input (accountability processes will be captured and displayed in WebEOC).

**Estimated Completion Date:** August 1, 2015

**Recommendation 4:** Establish procedures for ensuring mission assignments' statements of work clearly convey the tasks to accomplish.

**Response:** Concur. FEMA recognizes the need to establish procedures for ensuring mission assignments' statements of work clearly convey the tasks to accomplish. FEMA has addressed the intent of the recommendation by the development and implementation of several initiatives. FEMA developed and currently utilizes a draft operational Mission Assignment Guide that outlines the process and procedures for creating clear and accurate statements of work. Additionally, FEMA is currently in the final stages of drafting the Mission Assignment Policy which further outlines the mission assignment process and addresses the development of statements of work. Several FEMA offices, in coordination with other Federal partners, continue to coordinate Pre-scripted Mission Assignments and to standardize and update relevant statements of work. Specifically, FEMA continues to develop and maintain Pre-scripted Mission Assignments for ensuring statements of work clearly convey the tasks to accomplish. Lastly, through annual mission assignment training, which includes interactive group exercises on statements of work writing, FEMA continues to educate relevant personnel on the FEMA mission assignments process.

Given the implementations addressed above, FEMA requests closure of the recommendation.

**Recommendation 5:** Implement procedures for ensuring the timely issuance of mission assignments.

**Response:** Concur. FEMA recognizes the need to implement procedures for ensuring the timely issuance of mission assignments. FEMA offices continue to coordinate, develop, and implement internal procedures for ensuring timely issuance procedures. FEMA developed and currently utilizes a draft operational Mission Assignment Guide to aid FEMA staff on issuing mission assignments. Additionally, in coordination with other Federal partners, FEMA developed and currently uses Pre-scripted Mission Assignments to expedite the issuance of mission assignments. FEMA also uses the WebEOC tool to streamline and aid in the completion of mission assignments, including timely issuance. Lastly, FEMA continues to hold annual training to address the process and procedures for the timely issuance of mission assignments.

Given the implementations addressed above, FEMA requests closure of the recommendation.



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Again, we thank you for the work that you and your team did to inform us of measures we can take to enhance the program's overall effectiveness. We look forward to OIG's final report for "FEMA Has No Assurance that Only Designated Recipients Received \$6.37 Million in Fuel Draft Report," OIG Project No. OIG-13-035-EMO-FEMA. Please direct any questions regarding this response to Gary McKeon, FEMA Audit Liaison Office Director, at 202-646-1308.



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**Appendix B**  
**Potential Monetary Benefits**

**Table 1: Summary of Potential Monetary Benefits**

<b>Type of Potential Monetary Benefit</b>	<b>Total</b>	<b>Federal Share</b>
Questioned Costs – Ineligible	\$ 1,811,840	\$ 1,811,840
Questioned Costs – Unsupported	4,558,969	4,558,969
Funds Put to Better Use	0	0
<b>Totals</b>	<b>\$6,370,809</b>	<b>\$6,370,809</b>

*Source: FEMA and Office of Inspector General Analysis.*



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**Appendix C**  
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