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1 - Executive Summary

This is the 20th semiannual report issued by the Office of Inspector General (OIG), Federal Emergency Management Agency (FEMA), since becoming a statutory Inspector General office in April 1989. It is issued pursuant to the provisions of the Inspector General Act of 1978 (Public Law 95-452), as amended, and covers the period from October 1, 1998, through March 31, 1999. All activities and results reported fall within the reporting period unless otherwise noted.

At the request of Congress, we updated our list of the 10 most serious management challenges facing FEMA. We performed several reviews to address many of those issues. We evaluated FEMA's compliance with year 2000 requirements, the cooperative agreements with State emergency management agencies, and FEMA's past practices for making disaster declaration decisions. We also evaluated FEMA's administration of the Federal Employment Compensation Act, audited FEMA's fiscal year 1998 financial statements, and conducted a follow-up audit of FEMA's telecommunication services and equipment. We re-viewed the State of Georgia's administration of the disaster relief program as part of a new OIG initiative to improve the grants management capabilities of States receiving Federal disaster funds. Our office devoted significant resources to (1) reviewing disaster costs and subgrant recipients' compliance with applicable laws and regulations, and (2) investigating allegations of fraud and abuse by disaster recipients. We continued to support FEMA managers in improving the overall operations of FEMA through participation on task forces, working groups, and committees responsible for enhancing FEMA's business practices.

Our audits, inspections, and investigations were instrumental in FEMA management's deobligating and recovering \$8.4 million, and in agreements to recover and deobligate an additional \$152 million. We issued 58 audit and inspection reports; processed an additional 40 reports issued by non-FEMA auditors; closed 60 investigations; arrested and indicted 41 individuals or companies; convicted 22 individuals; and closed 1,126 hotline complaints.

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2 - Federal Emergency Management Agency

FEMA is the Federal agency charged with building and supporting the Nation's emergency management system. It works in partnership with groups such as State and local emergency management agencies, fire departments, other Federal agencies, the American Red Cross and other volunteer organizations. FEMA is authorized 2,409 full-time employ-ees, who assist individuals, families, communities, and States through-out the disaster cycle. They help to plan for disasters, develop mitiga-tion programs, and meet human and infrastructure needs when major disasters occur. They work at FEMA headquarters in Washington, D.C.; 10 regional offices and facilities around the country and in the Caribbean Basin and Pacific Rim; FEMA's National Emergency Training Center in Emmitsburg, Maryland; National Teleregistration and Processing Cen-ters in Hyattsville, Maryland, and Denton, Texas; and Mt. Weather Emergency Assistance Center in Berryville, Virginia. FEMA also maintains a cadre of temporary disaster em-ployees ready to help when disasters occur.

The U.S. Fire Administration and the Federal Insurance Administration (FIA) also are under FEMA's jurisdiction. The Fire Administration supports the Nation's fire services and emergency medical services communities with training, public education, and research in fire protection technologies and emergency response procedures. The FIA makes flood insurance available to residents and businesses in communities that agree to enforce flood-plain management practices. More than 19,000 communities participate in the National Flood Insurance Program (NFIP), which has more than 4.1 million home and business policies in effect.

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3 - Office of Inspector General

Congress enacted the Inspector General Act in 1978 to ensure integrity and efficiency in Government. A 1988 amendment to the Act (Public Law 100-504) created the position of Inspector General in FEMA, subject to presidential appointment and senatorial confirmation. Before April 16, 1989, when the law became effective, the OIG was established administratively and the Inspector General was appointed by the Director of FEMA.

The statute conferred new authorities and responsibilities on the OIG, including the power to issue subpoenas; responsibility for various reports, such as this semiannual report; and authority to review relevant proposed laws and regulations to determine their potential impact on FEMA programs and operations. The law also mandated that the OIG audit and investigate FEMA programs.

Our office has three divisions - Audit, Inspections, and Investigations -and was authorized 60 full-time equivalent positions during this semiannual period. We also engage disaster employees on temporary appointments to audit or investigate disaster-related matters.

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4 - Summary of Significant OIG Activity

We completed reviews that addressed issues identified in our Fiscal Years 1998 and 1999 Annual Performance Plans. Particular emphasis was placed on issues we had identified as the 10 most serious management challenges facing FEMA. The top 10 challenges were identified in response to an inquiry by the Chairman, House Committee on Government Reform and Oversight, and were based on the OIG's general knowledge of FEMA operations; input from emergency management officials within and outside the agency; and through information obtained from audits, inspections, and investigations. Those challenges included: (1) containing disaster costs; (2) clarifying disaster declaration criteria; (3) sustaining the national mitigation program; (4) assessing State and local preparedness; (5) enhancing the National Flood Insurance Program's financial soundness and equity; (6) updating flood maps; (7) developing reliable procedures for complying with the Government Performance and Results Act; (8) enhancing financial management operations; (9) developing a viable grants management program; and (10) implementing and maintaining information management systems.

We issued 10 internal management reports of FEMA operations and 48 external reports of Federal fund recipients. Those reports questioned \$18.2 million and identified an additional \$1.5 million that could be put to better use.

We dedicated significant resources to validating and containing disaster assistance costs and clarifying disaster declaration criteria. We also focused on State and local preparedness within FEMA's National Mitigation Program, enhancement of the NFIP's financial soundness and equity, and FEMA's financial management operations. Particular emphasis was placed on completing the fiscal year 1998 financial statements and evaluating FEMA's information management systems.

The following are summaries of some significant audits, inspections, and investigations completed by the OIG during the reporting period relating to the administration of programs and operations of FEMA.

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Response and Recovery

Governors' Disaster Declaration Requests

At the request of the Senate Appropriations Subcommittee staff, we evaluated FEMA's past practices in reviewing Governors' requests for federally declared disasters to provide a framework for evaluating FEMA's proposed disaster declaration criteria.

We reviewed 247 Governors' requests that resulted in 192 disaster declarations and 55 denials made during October 1988 through September 1998. Our analysis revealed that:

- Forty percent of the 192 declarations examined were declared with a State per capita figure under \$1.00 while only 4 percent of the declarations fell under the \$1 million Public Assistance threshold.
- The most common factors used for recommending a declaration where the State per capita figure was under \$1.00 were: (1) number of low income elderly in the affected area; (2) ongoing preliminary damage assessments; (3) heavy damage to one particular city or county; and (4) a lack of State assistance programs.
- Of the 192 declarations, damage to critical facilities was a key factor in 48 percent, lack of insurance coverage in 27 percent, and a repetitive disaster history in 42 percent.

Hurricane Georges

We performed a limited review of FEMA's response to Hurricane Georges in Puerto Rico and identified the following issues requiring management attention:

- FEMA issued a mission assignment to the U.S. Department of Energy to fund 100 percent of the cost of permanently restoring the electrical distribution system of Puerto Rico. We pointed out that this type of work should have been funded under the public assistance program, which requires a 10 percent cost share. Disaster program personnel cancelled the mission assignment and placed the project under the public assistance program.
- Debris removal was authorized under both mission assignments and the public assistance program, which lead to confusion among the various municipalities. We recommended that FEMA improve its procedures for determining when the debris removal function should be handled under a mission assignment versus the public assistance program.
- The government of Puerto Rico imposes a special business tax on companies that are not registered to do business in Puerto Rico, including companies that are assisting with the disaster response effort. The business tax, which amounts to 29 percent of the gross revenues earned in the territory, is passed on to FEMA as a cost of responding to the disaster. We questioned the Puerto Rican government's imposition of a tax ultimately paid by FEMA and recommended that FEMA pursue an agreement with the government of Puerto Rico to waive the tax as a condition of receiving disaster funding.

Georgia's Administration of Disaster Assistance Funds

We reviewed the State of Georgia's administration of disaster assistance activities under 12 disaster

declarations. Our objective was to determine whether the State of Georgia administered FEMA Disaster Assistance Grants according to Federal regulations, and properly accounted for and used FEMA funds. The review included the Public Assistance Grant Program, Individual & Family Grant Program, and the Hazard Mitigation Grant Program.

The State of Georgia adequately administered \$500 million in disaster assistance funds awarded by FEMA under 12 disaster declarations. However, some improvements were needed. The State's administrative plans had sections missing and did not contain actual procedures that described how the programs were being administered. The review also disclosed that the State did not maintain a systematic, consistent, and complete program filing system to ensure the availability of pertinent program documents. Finally, the State was not preparing and periodically submitting to FEMA the required program progress reports summarizing activities under the programs. Noncompliance with this requirement contributed to the untimely closeout of completed subgrants, programs, and disaster declarations.

Virgin Islands Water and Power Authority

FEMA awarded the Virgin Islands Water and Power Authority \$44.6 million to repair and restore the electrical distribution system damaged as a result of Hurricane Marilyn. The Authority claimed \$41.1 million. We questioned \$8.9 million (Federal share \$8 million) attributable to weak contracting and cost control practices, and charges for materials and other items that were unsupported, duplicative, excessive, and unrelated to the FEMA project. The Authority also earned interest income of \$66,000 on FEMA funds advanced, but had not remitted the interest to FEMA. We recommended that FEMA disallow the questioned costs and recover the interest earned on FEMA funds. We also recommended that FEMA instruct the Authority to comply with FEMA procurement standards and to use its established material inventory control system to account for material usage under future FEMA projects.

Pennsylvania Department of Transportation

FEMA awarded the Pennsylvania Department of Transportation (PENNDOT) \$29.6 million for the emergency removal of snow from winter blizzards in 1994 and 1996. PENNDOT claimed \$36.4 million. We questioned \$8.2 million (Federal share \$6.2 million) in excessive, unauthorized, and unsupported costs. Moreover, we found that PENNDOT did not have adequate documentation to justify its request for \$1.7 million of additional FEMA funding. We recommended that FEMA disallow the questioned costs, and deny PENNDOT's additional funding request.

North Coast Railroad Authority, California

FEMA awarded the North Coast Railroad Authority \$13.9 million for emergency repairs and restoration after three major disasters. The Authority claimed \$10.2 million. An interim audit from a prior period questioned \$2.3 million due to unsupported and ineligible claims. This final audit questioned an additional \$681,000 (Federal share \$511,000) in unsupported costs after allowing for adjustments to our previous report. The total questioned costs for both reports after the adjustments was \$2.4 million. We recommended that FEMA disallow the questioned costs.

False Claim in Boise, Idaho

A man was arrested after being charged in Boise, Idaho, with making a \$13,400 false claim to FEMA for individual assistance. The man claimed that he lived in a dilapidated trailer during the 1997 winter storms when he was actually living with a friend in another town. He pleaded guilty to the charge and is awaiting sentencing in Federal court.

Conspiracy to Defraud FEMA

A married couple conspired to submit fictitious rental assistance payment certifications to obtain rental assistance from FEMA. They forged the name of their landlord on the receipts and inflated rental payment figures on the certifications. Each was indicted on 8 counts of conspiring to file false claims, filing false claims, and making false statements. Additionally, both were charged with concealing assets in a bankruptcy proceeding. They pleaded guilty to filing a false claim and concealing assets in relation to a bankruptcy proceeding. Each was sentenced to 9 months confinement and 60 months probation, and was required to pay \$3,600 in restitution.

Debris Removal Contractor Fraud

A subcontractor hired to remove snowrelated debris in Omaha, Nebraska, cut trees from ineligible sites and commingled them with storm debris to increase his truck loadweights. The scheme illegally increased his gross profit under his federally funded contract with the City. The subcontractor pleaded guilty in federal court to one count of fraud. The overcharge to his contract totaled \$67,000. In January 1999, the FEMA debarment committee suspended the contractor from participating in contracts funded by FEMA. He will be sentenced in May 1999.

Public Assistance Fraud

The mayor of a municipality in Puerto Rico and a local contractor conspired to defraud FEMA of disaster funds for debris removal after Hurricane Georges. The mayor asked the contractor, who was responsible for debris removal and disposal in the municipality, for a \$2.5 million bribe, a large pickup truck, a three-wheeled motorcycle, and other small items. The scheme called for the primary contractor to hire a local subcontractor on the project. The contractor was to make payments to his subcontractor who, in turn, would transfer the money to the mayor. A controlled partial payment was made to the local subcontractor that he gave to the mayor. The mayor was arrested at his office with the money in his desk. The mayor and the contractor were found guilty on 2 counts of conspiracy and defrauding FEMA of disaster funds. They will be sentenced in May 1999.

OIG Law Enforcement Task Force Activities

OIG special agents organized multijurisdictional task forces that conducted several successful investigations under the auspices of the United States Attorney's Office. Other agencies participating in these task forces include the Federal Bureau of Investigation, the Small Business AdministrationOIG, the Department of TransportationOIG, the Postal Inspection Service, and other Federal agencies involved with disaster programs. A disaster assistance fraud investigation in Guam resulted in 3 indictments and 2 convictions. A complex debris removal fraud investigation in the Virgin Islands, to date, has resulted in a variety of guilty pleas by individuals associated with a contractor or his corporation. In Puerto Rico, sensitive investigations of government officials continue, and a theft and forgery ring investigation culminated with a guilty plea and an order to pay \$7,854 in restitution.

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4 - Federal Insurance Administration

National Flood Insurance Program (NFIP)

A review of a major insurance company revealed that it applied inappropriate cash management procedures for collecting premiums and owed \$146,000 to FEMA for interest earned on collections. Because of the problems noted, an investigation of the insurance company was conducted. The investigation found that, in addition to the cash management problems, the company reported inaccurate "effective dates" of policies resulting in payment of NFIP claims when policies were not in effect. Although the company denied any wrongdoing, it paid \$665,112 to resolve the allegations and interest issue.

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Preparedness, Training and Exercises

FEMA's Cooperative Agreement Process

We issued two reports in 1994 and 1995 examining FEMA's comprehensive cooperative agreement (CCA) process. This process is the primary mechanism for providing funds and technical assistance to help State and local governments develop and maintain an allhazard emergency management system. In 1998, we revisited the issue to determine how the process has been working for the past several years.

Under the Performance Partnership Agreement/Cooperative Agreement (PPA/CA) process, States have significantly greater flexibility in determining how allocated funds are administered and spent as compared with the old CCA process. FEMA, however, has not been able to demonstrate increased accountability for emergency preparedness funding. FEMA also has not adequately integrated hazard identification and risk assessment information into the PPA/CA process. Although FEMA developed a prototype readiness and capability assessment instrument for State and local emergency managers, called the Capability Assessment for Readiness (CAR), the instrument does not elicit empirical data about State capability. It elicits only the States' subjective opinions of how they are doing.

We recommended that FEMA: (1) develop performance measures that will provide increased program accountability; (2) develop guidelines for use by State and local governments in conducting thorough and consistent hazard identification and risk analyses; and (3) ensure that CAR identifies all State disaster assistance programs and resources to respond and recover from disasters without Federal assistance.

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Financial Management

Auditors' Report on FEMA's Fiscal Year 1998 Financial Statements

We directed the audit of the Fiscal Year 1998 FEMAwide financial statements as required by the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act (GMRA) of 1994. Fiscal Year 1998 was the first year FEMA prepared agencywide financial statements, including the first complete set of statements for the Disaster Relief Fund. The financial statements received an unqualified opinion, meaning that they were fairly presented and free of material misstatements. In addition, we noted improvement in the agency's ability to comply with laws and regulations, most notably in meeting the statutory deadline of March 1, 1999, for the Fiscal Year 1998 agencywide financial statements. However, we noted material weaknesses that prevent FEMA's full compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996.

The Fiscal Year 1998 financial statements were the culmination of a threeyear plan developed by the Office of Financial Management to implement GMRA requirements for agencywide financial statements. In Fiscal Year 1998, FEMA accomplished its goal of producing auditable, agencywide financial statements. We will continue to work with FEMA's Office of Financial Management to improve internal controls in order to meet the objectives of FFMIA.

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Information Technology Services

Compliance with Year 2000 Requirements

We reviewed FEMA's process for evaluating hardware, software, and building infrastructure equipment to determine whether computers and other equipment will continue to function properly in the year 2000.

We determined that as of December 31, 1998, FEMA was making progress in its year 2000 compliance efforts by developing a Program Management Plan that provided the framework for meeting year 2000 compliance requirements. FEMA also established: (1) a process for reviewing building infrastructure equipment in FEMA owned buildings; (2) a project management structure that assigns responsibilities for each information system, software application, data exchange, and network server; (3) an independent validation process by which to verify the system administrators' test results; and (4) a centralized process for coordinating and preparing year 2000 reports for internal and external distribution.

Although FEMA was making progress in its year 2000 compliance efforts, we identified other actions that were needed to lessen FEMA's vulnerability to year 2000 problems. Specifically, FEMA needed to ensure that: (1) missioncritical systems are corrected and tested before March 31, 1999; (2) Commercial Off-the-Shelf software and computers are evaluated prop-erly; (3) FEMA building infrastructure equipment is year 2000 compliant; and (4) adequate plans are developed to address system contingencies and business continuity. FEMA agreed with our conclusions and corrective actions are underway.

Telecommunication Services and Equipment

We assessed FEMA's progress in implementing recommendations made in our 1997 audit of telecommunication services and equipment. That audit disclosed that: (1) two telecommunication contractors were repeatedly awarded contracts with-out competition; (2) services and equipment valued at \$7.1 million were ordered from the contractors but were not covered by the contracts' scopes of work; and (3) the contracts' spending limits were ex-ceeded and the contractors were paid late.

FEMA is taking steps to improve the contract award and management processes. One contract was competitively awarded. Additional staff was assigned to manage the contracts and standard operating procedures were developed. Nevertheless, more needs to be done to promote competition, improve the overall procurement process, and better monitor contract spending and bill payment. We recommended that FEMA: (1) state contract requirements in functional terms; (2) complete the strategic plan for moving unclassified work from the remaining non-competitive contract; (3) modify contract language to more clearly and accurately describe requirements; (4) develop reliable cost estimates; (5) establish procedures and controls to ensure that orders are processed, funded, and monitored in accordance with contract terms and conditions and standard operating procedures; and (6) pay bills on time.

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Other Support Activities

Theft of Government Property

Our investigation of a FEMA employee disclosed falsification of billing records and the theft of \$30,000 of government equipment and materials. We recovered the property at the employee's residence. The employee was indicted and subsequently found guilty of felony theft of government property, and sentenced to 3 years probation, a \$1,000 fine, and one hundred hours of community service. FEMA terminated the individual's employment.

Property Management

We reviewed the policies, procedures, and practices of the Atlanta Regional Office for obtaining, accounting for, and disposing of property acquired with disaster relief funds. We concluded that Regional officials did not inquire about the availability of property from FEMA's central inventory prior to purchasing property and, once acquired, did not properly account for such property according to FEMA's property management requirements the Logistics Information Management System (LIMS). Moreover, upon closure of the Disaster Field Office, Region officials shipped the property valued at \$169,600 to the Regional Office rather than to the central site maintained for disaster operations property. As a result of these conditions, disaster relief funds may have been spent needlessly, and property acquired with such funds was not safeguarded against pilferage or other improper use.

We recommended that the Regional Director: (1) enforce the LIMS requirements for obtaining, accounting for, and disposing of property acquired for disaster purposes; (2) return the property, valued at \$169,600, to FEMA's Disaster Information System Clearinghouse; and (3) take action to locate and account for any missing equipment.

FEMA's Administration of the Federal Employees Compensation Act Program

We reviewed FEMA's administration of the Federal Employees Compensation Act (FECA) to determine whether FEMA was correctly charging the appropriate funds for FECA and whether controls over the FECA claims payment process were adequate. We found that FEMA charged the Disaster Relief Fund for all FECA claims regardless of the nature of the injury, including nondisaster related claims. We could not determine, however, the extent to which nondisaster related claims were paid from the Disaster Relief Fund because neither FEMA nor the Department of Labor maintained records of disasterrelated claims. We recommended that FEMA: (1) review active FECA payments and charge them to the correct appropriation; (2) make any required adjustments to FEMA's funds for FECA payments erroneously charged to the Disaster Relief Fund; and (3) maintain files showing the correct appropriation to charge FECA claims.

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5 - Prevention Activities

Hotline Complaints

The OIG continues to promote and publish the number of the Fraud Hotline as a tool to prevent and deter crime. Hotline posters in both English and Spanish languages are displayed in locations frequented by the general public to encourage the reporting of crimes.

During this reporting period we received 1,576 hotline complaints. The majority of the complaints were from the Southeastern United States and associated with Hurricane Georges. Allegations of fraud associated with the floods and tornadoes in the midwest also accounted for many of the complaints. We continue to receive allegations associated with Hurricanes Fran and Andrew, Super Typhoon Paka, and the Northridge Earthquake. Allegations include:

- Applicants used false names and multiple and/or fictitious addresses.
- Applicants claimed losses that they did not incur or they were not entitled to claim.
- Applicants did not use FEMA funds for its intended purposes.
- Township officials used FEMA money for their own benefit.
- FEMA checks were stolen.
- Applicants received duplicate payments from FEMA and their insurance companies.

Disaster Fraud Training

Recently proposed legislation seeks to make the defrauding of victims of federally declared disasters a Federal crime. It also calls for the "Director of the Federal Emergency Management Agency to develop information materials to advise disaster victims about ways to detect and avoid fraud." To that end, the OIG has partnered with the Small Business Administration, the National Insurance Crime Bureau, and the National White Collar Crime Center to develop the Disaster Fraud Training course.

During this reporting period, we hosted 3 developmental conferences with "subject matter experts" from around the country to help us design the training program. The program will address issues such as looking for fraud indicators, price gouging, contractor and vendor fraud, and insurance and loan fraud. We anticipate sponsoring 6 Disaster Fraud Training courses this fiscal year.

Integrity Awareness

Fraud prevention presentations are made regularly at FEMA regional and field offices in an effort to inform employees about the importance of fraud prevention. The OIG also participated in radio and television interviews to educate the public about potential fraud schemes. During this reporting period we presented 6 briefings attended by 117 employees, inspectors, and contract supervisory inspectors.

OIG's Advisory Function

The OIG continues to act in an advisory capacity by participating on various FEMA oversight boards, action committees, and working groups that are involved in developing program regulations, systems, and business reengineering projects. Participation on those groups add opportunities for the OIG to convey an independent perspective to FEMA managers on ways to improve program integrity and accountability. In particular, we were active on the National Emergency Management Information System steering group, the repetitive flood loss task force, the Information Resources Board, the Year 2000 Senior Management Board, the Public Assistance Insurance task force, and the FEMA/State Agreements working group. We also continue to provide assistance to FEMA managers by participating in training sessions aimed at new FEMA personnel who will be actively involved in responding to federally declared disasters. In addition, OIG personnel provide briefings on the role of the Inspector General to State and local governments that will be recipients of disaster assistance. Those briefings provide guidance pertaining to recordkeeping requirements, cost eligibility, and future audits.

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6 - Other OIG Activities

Oversight of Non-FEMA Audits

We processed 40 audit reports prepared by non-FEMA auditors on FEMA programs and activities. Thirty (30) reports were prepared pursuant to OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"; 6 were prepared pursuant to OMB Circular A-128, "Audits of State and Local Governments"; 3 were prepared by the Defense Contract Audit Agency pursuant to Federal Acquisition Regulations; and 1 was prepared by State auditors. Four reports identified \$206,200 in questioned costs, and one reported \$205,400 in funds to be put to better use.

Audit Reports Unresolved Over Six Months

Timely resolution of outstanding audit recommendations continues to be a priority at FEMA. As of this report date, there were 25 audit reports that contained recommendations that were unresolved for more than 6 months.

Additional time was needed to develop management decisions for the following reports. Further explanations follow each audit report.

- Audit of the Accuracy of Flood-Zone Ratings, Audit Report H-01-95, Issued January 6, 1995.
A Federal Insurance Administration (FIA) working group is currently reviewing the recommendations and anticipates resolution by September 1999.
- Review of FEMA's Implementation of Insurance Requirements of the Public Assistance Program, Audit Report H-02-98, Issued March 30, 1998.
Management is currently reviewing the report and anticipates resolving the recommendations by April 30, 1999.
- Audit of Flood Insurance ReInspection Activities, Audit Report H-03-93, Issued February 23, 1993.
An FIA working group is currently reviewing the recommendations and anticipates resolution by September 1999.
- Audit of Florida's Administration of Disaster Assistance Funds for Hurricane Opal, Audit Report H-12-98, Issued July 30, 1998.
Management is currently reviewing the recommendations and anticipates resolution by September 1999.
- Audit of Property Management Systems and Controls, Audit Report H-19-98, Issued September 28, 1998.
Management is currently reviewing the recommendations and anticipates resolution by September 1999.
- Audit of FEMA's Grantee Compliance with Selected Grants Management Requirements, Audit Report H-C- 4-98, Issued May 1, 1998.

Management is currently reviewing the recommendations and anticipates resolution by September 1999.

- Review of Interest Earned by Bankers Insurance Company, Audit Report H-C-05-98, Issued March 26, 1998.

FEMA OIG referred the case to the Department of Justice for review. We anticipate resolution by July 1999.

- Review of Interest Earned by State Farm Insurance Company, Audit Report H-C-06-98, Issued March 26, 1998.

FEMA management is currently reviewing the insurance company response and anticipates resolution by September 1999.

- Audit of Vulcan Services, Inc., FEMA Contract EMW-92-C-3857, Audit Reports E-7-95, Issued December 13, 1994; and E-26-95, Issued March 31, 1995.

FEMA's Office of General Counsel referred the case to the Department of Justice for review. They anticipate resolving the reports by August 31, 1999.

- Audit of Commonwealth of Puerto Rico, FEMA 1136-IFG-PR, Audit Report E-24-98, Issued March 24, 1998.

The OIG is currently working with the Caribbean Division Office to resolve the recommendations. We anticipate resolution in May 1999.

- Single Audit Report on the State of Pennsylvania for Fiscal Year Ended June 30, 1996, Audit Report E-S-06-98, Issued January 14, 1998.

Management is currently reviewing the recommendations. They anticipate resolving the reports by September 30, 1999.

- Single Audit Report of Illinois Department of Natural Resources for Fiscal Year Ended June 30, 1995, Audit Report E-S-27-98, Issued January 27, 1998.

Management is currently reviewing the recommendations. They anticipate resolving the reports by September 30, 1999.

Single Audit Report of Illinois Department of Natural Resources for Fiscal Year Ended June 30, 1996, Audit Report E-S-28-98, Issued January 27, 1998.

Management is currently reviewing the recommendations. They anticipate resolving the report by September 30, 1999.

- Audit of County of Orange, California, FEMA Disaster No. 935-DR-CA, Audit Report W-02-98, Issued December 1, 1997.

FEMA officials are reviewing the County's response. They anticipate resolution by June 1999.

- National Urban Search and Rescue Response System, Pierce County Department of Emergency Management, Washington, Audit Report W-04-98, Issued January 20, 1998.

FEMA Headquarters management is reviewing the County's response. They anticipate resolution by September 1999.

- Fort Totten Indian Reservation, Devil's Lake, North Dakota, FEMA Disaster Nos. 1001, 1032, 1050, 1118- DR-ND, Audit Report W-07-98, Issued February 2, 1998.

FEMA regional officials are working together with the Sprit Lake Tribal Organization to resolve the recommendations. They anticipate resolution by September 1999.

- Audit of City of Oceanside, California, FEMA Disaster No. 979-DR-CA, Audit Report W-10-98, Issued March 5, 1998.

FEMA officials are reviewing the City's response. They anticipate resolution by June 1999.

- Audit of County of Kauai, Hawaii, Audit of Operation Garden Sweep, FEMA Disaster No. 961-DR-HI, Audit Report W-11-98, Issued March 5, 1998.

FEMA officials are reviewing the County's response. They anticipate resolution by June 1999.

- Audit of Santa Cruz Metro Transit District, Santa Cruz, California, FEMA Disaster No. 845-DR-CA, Audit Report W-18-98, Issued April 23, 1998.

FEMA officials are reviewing the District's response. They anticipate resolution by June 1999.

- National Urban Search and Rescue Response System, Virginia Beach Department of Fire, Virginia, Audit Report W-22-98, Issued May 28, 1998.

Headquarters management is reviewing the Department's response. They anticipate resolution by September 1999.

- National Urban Search and Rescue Response System, Phoenix Fire Department, Arizona, Audit Report W-23-98, Issued May 28, 1998.

Headquarters management is reviewing the Department's response. They anticipate resolution by September 1999.

- National Urban Search and Rescue Response System, New York City Office of Emergency Management, New York, Audit Report W-24-98, Issued May 29, 1998.

Headquarters management is reviewing the City's response. They anticipate resolution by September 1999.

- National Urban Search and Rescue Response System, Los Angeles County Fire Department, California, Audit Report W-25-98, Issued June 10, 1998.

Headquarters management is reviewing the County's response. They anticipate resolution by September 1999.

- Audit of City of Santa Clarita, California, Audit Report W-33-98, Issued August 14, 1998.

The Northridge Federal Coordinating Officer is reviewing the City's response, and anticipates resolution by June 1999.

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7 - Legislative and Regulatory Reviews

Section 4(a) of the Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of FEMA and to make recommendations concerning their impact. In reviewing regulations and legislative proposals, the primary basis for our comments are our audit, inspection, investigation, and legislative experience. We also participate in the President's Council on Integrity and Efficiency, which provides a mechanism by which to comment on existing and proposed legislation and regulations that have a government-wide impact.

During this reporting period, we reviewed 33 proposed changes to legislation, and regulations, and internal directives that could affect FEMA. Most notable were FEMA's proposed changes to the Stafford Act, the enabling legislation for FEMA's disaster response and recovery program, and FEMA's proposed regulation govern-ing the disaster declaration process.

With regard to the proposed changes to the Stafford Act, we commented that the proposed changes would streamline the delivery of critical services and at the same time reduce or at least curb the cost of disaster assistance.

With regard to FEMA's proposed rule governing disaster declarations, we commented that the primary factors used to evaluate requests for major disaster declarations continue to lack clarity needed to provide reasonable assurance that State requests are treated in an equitable and consistent manner. We also commented that the proposed rule does not contain capability thresholds that States are expected to meet before requesting Federal disaster assistance. Without measuring State and local capability, FEMA is severely hampered in determining when Federal disaster assistance is supplemental, as required by the Stafford Act.

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9 - Index of Reporting Requirements

The specific reporting requirements prescribed in the Inspector General Act of 1978, as amended in 1988, are listed below with a reference to the pages on which they are addressed.

Requirements		Pages
Section 4(a)(2)	Review of Legislation and Regulations	21
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	7-14
Section 5(a)(2)	Recommendations with Significant Problems	7-14
Section 5(a)(3)	Prior Recommendations Not Yet Implemented	1/
Section 5(a)(4)	Prosecutive Referrals	None
Section 5(a)(5) & Section 6(b)(2)	Summary of Instances Where Information Was Refused	None
Section 5(a)(6)	Listing of Audit Reports	27-32
Section 5(a)(7)	Summary of Significant Audits	7-14
Section 5(a)(8)	Reports with Questioned Costs	24, 29-32
Section 5(a)(9)	Reports Recommending That Funds Be Put to Better Use	25, 27-32
Section 5(a)(10)	Summary of Reports Where No Management Decision Was Made	27-32
Section 5(a)(11)	Revised Management Decisions	None
Section 5(a)(12)	Management Decision Disagreements	None

1/ In FEMA's audit follow-up process, the Office of Financial Management monitors and reports on corrective actions after a decision has been reached. Corrective action information is transmitted in the Director's Report to Congress.

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10 - Customer Survey

The Office of Inspector General has a continuing interest in providing informative semi-annual reports to its customers. In this regard, we are soliciting your suggestions to improve the report. We ask that you complete and return this survey sheet to:

Federal Emergency Management Agency
Office of Inspector General
500 C Street, S. W., Room 506
Washington, D.C. 20472

Attention: James Daniels

Your name:

Your daytime telephone number:

Your suggestion(s) for improvement: (please include additional sheets if needed)

If you would like to discuss your suggestion(s) with a staff member of the Office of Inspector General or would like more information, please call Mr. Daniels at (202) 646-3221, or contact him on the internet at james.daniels@fema.gov.

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