Written Statement of
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“Accountability at FEMA: Is Quality Job #1?”

Before the
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Government Affairs’ Ad Hoc Subcommittee on Disaster
Recovery and Intergovernmental Affairs

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I. Introduction

Chairman Pryor, Ranking Member Paul, and distinguished Members of the Subcommittee. My name is Richard Serino and I am the Deputy Administrator of the Federal Emergency Management Agency (FEMA). It is an honor to appear before you today on behalf of the Department of Homeland Security and FEMA to discuss our quality assurance processes and internal financial controls.

In my testimony today, I will describe FEMA’s successes in improving the accountability and performance of our disaster-related programs. In particular, we have made it a priority to combat waste, fraud, and abuse and pursue cost-cutting opportunities wherever possible. We have worked hard to improve management performance and accountability and increased internal controls through program evaluations and process improvement initiatives. Recent improvements to our technology systems, acquisition management, and financial management have reduced errors and increased efficiency.

In addition, we have increased coordination both inside and outside the agency by institutionalizing our lessons-learned from past disasters. And we are now better prepared to provide disaster survivors with the assistance they need, when they need it, in an efficient and cost-effective manner.

II. Efforts to Prevent Waste, Fraud and Abuse in the Provision of Disaster Assistance

FEMA is aware of recent DHS Office of Inspector General (OIG) investigations into waste, fraud and abuse in providing disaster assistance. Their most recent report in this area, “Assessment of FEMA’s Fraud Prevention Efforts,” presents an opportunity to discuss some of the Agency’s recent controls and processes implemented to prevent fraud.

FEMA uses a commercial data service provider to verify the identity of all disaster assistance applicants by matching names and Social Security numbers within and outside of the existing applicant databases in order to determine if a social security number was used by multiple individuals or if it belonged to an individual who is deceased. Other internal controls block the use of automated payments to possible “high risk” addresses; such as check cashing stores, mail drops, cemeteries, and jails.

To assure the validity of the applicant and the damage to the applicant’s permanent residence, on-site inspections are performed prior to providing financial assistance. An on-site inspector must validate in person that the home is the primary residence of the applicant, and that the damages claimed are accurate and the responsibility of the person applying for federal disaster assistance. The resulting inspection data is combined with the identity verification and other relevant records such as personal insurance coverage, and processed through an extensively tested set of business rules to determine individual eligibility.

Additional measures have been implemented to prevent duplicative payments for rental assistance, including analysis of overlapping time periods, and preventing disbursements in excess of the maximum allowed by the Stafford Act. Business rules were also improved to flag
for manual review payments to more than one applicant living at the same address and to prevent individuals provided with federally-supplied disaster housing from also receiving rental assistance.

Internally, FEMA also conducts audits to assess the effectiveness of our controls, identify improper payments or risk areas, and consider new procedures to reduce risk. This continued self-assessment and vigilance has significantly reduced the improper payment error rate 14 percent following Hurricane Katrina in 2005, to less than one percent in FY2010. In instances of improper payments, new procedures implemented in 2011 allow FEMA to request the return of any improperly awarded disaster assistance payments while maintaining each disaster survivor’s due process rights and offering opportunities to appeal, which may include the opportunity for an oral hearing.

III. Improvements in Acquisitions Management

FEMA made significant improvements in its acquisition management processes, due, in part, to the recommendations in the DHS OIG’s report dated February 3, 2010, “Improvements Needed in FEMA’s Disaster Contract Management.” One recommendation was to create pre-positioned contracts for common acquisition items that would be in place long before a disaster struck. These pre-existing contracts would increase the speed of delivery and cut the costs of providing supplies during a disaster response. The report also recommended increased controls in the management and monitoring of all contracts.

FEMA now has 59 pre-positioned contracts in place to provide supplies and services as needed in the days immediately following a disaster. These pre-existing contracts have resulted in a significant reduction in the use of urgent contracting procedures, which are often very costly, and help to ensure that products and services are deployed to disaster areas in a timely manner.

FEMA’s Office of the Chief Procurement Officer (OCPO) reorganized internally and developed a new branch office to provide administrative supervision and operational support for Contracting Officers working out of the ten FEMA Regions. This new office has helped increase awareness and use of local sources for disaster contract support.

Another significant improvement in acquisition management had been the use of Disaster Acquisition Response Teams (DARTs). The DARTs provide contract administration and oversight for large disaster contracts in the field. The use of DARTs has resulted in increased efficiency during recent disaster response and recovery acquisition activities. For example, in Minot, N.D., DART members helped identify potential housing options for disaster responders and provided recommendations for vendors, contract type, and solicitation procedures to streamline the procurement process. After Hurricane Irene, DART members were prepositioned with Recovery staff to provide administrative contracting support for housing and inspection missions as they occurred.

The FEMA Acquisitions team was also expanded by transferring qualified Disaster Assistance Employees into contract specialist positions (1102 series). These new positions allowed individuals with the appropriate certifications to have greater purchasing power in the field.
during disasters, enabling the contracting decisions and purchases to be made quickly and more efficiently. This conversion also created the option for these acquisitions specialists to be deployed in the field for a longer period of time after a disaster, increasing stability in contract administration.

IV. Financial Management Reform

FEMA’s financial management controls also have been strengthened in recent years. From 2007 to 2010, the agency reduced the number of material weaknesses identified by external auditors in the area of financial management from six to two. We have successfully eliminated material weaknesses in the areas of Entity Level Controls, Financial Reporting, Budgetary Resources Management, and Property Management. This was accomplished through the Office of Chief Financial Officer’s (CFO) efforts to increase internal controls across all directorates, including agency-wide use of a risk assessment tool that has substantially increased the reliability of FEMA’s financial information. DHS recognized these successes in 2010 when it awarded FEMA’s CFO, “The DHS CFO Award for Excellence in Financial Management Keystone Award for FEMA Financial Management Reporting Remediation Team for Superior Mission Achievement.”

We are also making progress in addressing our two remaining material weaknesses: Financial System Security and Grants Management. In the area of Grants Management specifically, FEMA intends to focus on post-award activity to achieve the following outcomes in FY 2012: 1) close 80 percent of OIG findings within 12 months of final report, 2) recoup 85 percent of known disallowed costs, and 3) reduce improper payment error rate to less than 1.5 percent.

FEMA also worked hard to improve the efficiency and effectiveness of the Disaster Relief Fund (DRF). Beginning in 2009, FEMA implemented additional controls to reduce costs and identify those funds that could be de-obligated and returned to the DRF. By de-obligating mission assignments and disaster contracts in 2010 and de-obligating funds from completed projects in 2011, FEMA returned over 4.7 billion dollars (as of September 30, 2011) to the DRF since the beginning of FY2010.

In addition, there has been an agency-wide effort to reduce administrative costs associated with all aspects of disaster response and recovery activities. Examples of cost reduction in these areas include establishing right-sizing plans to strategically determine the number of personnel needed in a Joint Field Office (JFO); co-locating disaster recovery efforts with geographically close disaster offices; or creating “virtual” JFOs that are run out of the Regional Offices.

V. Disaster Program Improvements in Accountability and Performance

When Administrator Fugate arrived at FEMA, he recognized the need to change the culture of the agency. In his first year, he created a new FEMA Mission Statement, began reorganizing program offices and management structures, and asked staff to establish priorities, define outcomes, and develop strategies towards improving performance. Administrator Fugate had a central goal in mind: Focusing the Agency on the needs of disaster survivors.
To memorialize this new direction at FEMA, the Administrator led the development of two key documents. First, he asked all employees to participate in the development and drafting of an agency Capstone Doctrine. This document is entitled *FEMA Publication One* and it encompasses eight guiding principles that all FEMA employees must follow: Teamwork, Engagement, Getting Results, Preparation, Empowerment, Flexibility, Accountability, and Stewardship. It also identifies FEMA’s four core values: compassion, fairness, integrity, and respect. Second, in February of this year, the Administrator released the 2011-2014 Strategic Plan, which establishes a renewed agency emphasis on accountability and performance. The Plan builds upon the progress FEMA has already made to create a stronger organization, a more capable workforce, and a better prepared emergency management community. The success of the Strategic Plan is dependent upon the full engagement and support of individuals, as well as of the entire emergency management community.

FEMA’s progress in implementing the Strategic Plan will be tracked, managed, and assessed using performance metrics and program milestone schedules. One of the ways the Plan’s implementation will be monitored is through a new initiative I am leading that uses the FEMAStat management tool. FEMAStat is a performance accountability program influenced by successful statistics-based policy development programs created by the New York City Police Department in the 1990s, the City of Baltimore, and the U.S. Treasury Department.

FEMAStat is a process of collecting data points and program outcomes across the agency. This information is used by all levels of management to ensure alignment with the Administrator’s priorities, to monitor FEMA’s readiness posture, and to identify opportunities to improve performance. The FEMAStat process allows managers to meet and discuss identified performance gaps based on real data and to take actions to address those gaps. It provides a platform to assess and implement lessons-learned from previous policy decisions and disaster responses. Since the inception of this new initiative, we have realized many achievements, including:

- The identification of opportunities to build internal expertise and save costs by converting contracts and contractor positions to full-time employees.
- The adoption of regular metric or milestone-based reviews with components, such as the Mission Support Bureau’s weekly briefing to senior staff on their performance measures.
- The establishment of the OCPO as the responsible party for FEMA’s acquisitions process, from start to finish. By reorganizing and assigning this role to the OCPO, a single office will track the entire process and identify inefficiencies and bottlenecks along the way.
- The refocusing of resources on Individual and Community Preparedness, following discovery that only a small percentage of the preparedness budget was currently spent in this area.

Today, as FEMA works to respond to the impacts from Hurricane Irene and Tropical Storm Lee, the Response Directorate is collecting, tracking, and reporting data in order to evaluate the effectiveness of the Strategic Plan and to identify areas for improvement. This approach ensures that we are prepared for future disasters and that our efforts are aligned with the Administrator’s priorities. The success of the Strategic Plan is dependent upon the full engagement and support of individuals, as well as of the entire emergency management community.
maintaining the best possible customer service for disaster assistance applicants and accountability for government funds.

The Response Directorate is analyzing core activities and identifying key metrics that could best be used to measure effectiveness in the areas of preparedness and response. Today, as this and other programs incorporate FEMAStat into the most current disaster response, new data is being collected that FEMA management will use to better measure success and improve program accountability. The tracking and reporting of pre-identified and meaningful performance metrics is providing a new opportunity to test the accuracy and relevance of the outcome measures that inform policy decisions.

VI. Improving Coordination Strategies and Developing Doctrine

FEMAStat is only one of the recent policy changes at FEMA designed to improve accountability. FEMA has been working to develop accepted written guidance materials that still allow for the inherent flexibility required to respond to the many new and often changing situations and issues that arise during a disaster response. These doctrines will help us identify successes and increase accountability throughout all layers of emergency management. FEMA is completing a series of new guidance documents that will become the standard by which accountability in disaster response and recovery can be measured. Some of the new documents, which were released earlier this year, include: the FEMA Incident Management and Support Keystone document, the National Incident Support Manual, the Functional Needs Support Services Integration Guide to States, the Incident Action Plan, and the Regional Planning Guide.

The intent of each of these documents is to standardize procedures, institutionalize best practices, and guide planning, training, equipping, and staffing. Each document focuses on a different aspect of accountability, but they all describe the implementation of procedures through clear and decisive initial actions, creative solutions to problems, outcome-based objectives, elimination of redundancies, and examples of best practices and techniques that others have found to be successful.

As part of the overall emergency management team, FEMA works with many different groups and partners, from individuals, to governments to private sector companies and organizations. In 2006, the Post-Katrina Emergency Management Reform Act (Post-Katrina Act) gave FEMA the authority to lean forward early in a disaster in order to leverage the entire emergency management team and ensure the Nation is positioned to handle complex and catastrophic disasters. This guidance, together with the National Response Framework served to define coordination structures, roles and responsibilities for FEMA and other federal agencies.

The Post-Katrina Act also required FEMA to develop a comprehensive document identifying the specific roles of partner agencies during the Recovery process. This document, the National Disaster Recovery Framework (NDRF), was recently released by the Administration. The NDRF introduces six new Recovery Support Functions and identifies key recovery staff positions designed to support community recovery efforts.
One such new position is the Federal Disaster Recovery Coordinator (FDRC). The FDRC will be deployed when a Federal role is necessary and significant interagency resource coordination is required due to the large-scale, unique or catastrophic nature of the disaster. The FDRC’s sole focus would be to coordinate interagency, local, state, and federal resources to assist the community with rebuilding and recovering. FEMA tested the concept of an FDRC during the response to the spring tornados in Alabama. The FDRC worked closely with Alabama state officials to develop a recovery strategy that emphasized coordination with all available partners.

To further integrate the NDRF into our on-going operations, we conducted a National Table Top Exercise in September that focused strictly on recovery efforts. This exercise was the first opportunity to explore the application of the NDRF using a large-scale, multi-state catastrophic disaster. As was demonstrated during the exercise, the NDRF recognizes the importance of engaging and utilizing the entire team, including federal, state and local governments, non-profit organizations, businesses, and the community at large, in order to maximize available resources as an area recovers from disaster.

**VII. Conclusion**

FEMA recognizes the need to balance quality customer service in providing disaster assistance to individuals and communities quickly, with the responsibility to be a good steward of the taxpayers’ money. To that end, we are continually using the tools provided by the Post Katrina Act, the findings of external audits, and lessons learned from previous experiences to improve our performance and accountability and strengthen our internal controls. Thank you again for the opportunity to appear before you today. I am happy to answer any questions the Subcommittee may have.