



# U.S. DEPARTMENT OF HOMELAND SECURITY OFFICE OF INSPECTOR GENERAL

OIG-24-41

July 29, 2024

**FINAL REPORT**

## **FEMA Did Not Fully Implement the State-Administered Direct Housing Grant Program (REDACTED)**





## OFFICE OF INSPECTOR GENERAL

U.S. Department of Homeland Security

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

July 29, 2024

MEMORANDUM FOR: The Honorable Deanne Criswell  
Administrator  
Federal Emergency Management Agency

FROM: Joseph V. Cuffari, Ph.D. **JOSEPH V  
CUFFARI** Digitally signed by JOSEPH  
V CUFFARI  
Date: 2024.07.25 10:18:38  
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SUBJECT: *FEMA Did Not Fully Implement the State-Administered Direct Housing Grant Program – ~~Deliberative / For Official Use Only~~*

Attached for your action is our final report, *FEMA Did Not Fully Implement the State-Administered Direct Housing Grant Program – ~~Deliberative / For Official Use Only~~*. We incorporated the formal comments provided by your office.

The report contains four recommendations aimed at improving implementation of the State-Administered Direct Housing Grant Program. Your office concurred with all four recommendations. Based on information provided in your response to the draft report, we consider recommendations 1 and 4 open and unresolved. Although the planned corrective actions were responsive to the recommendations, we cannot consider the recommendations resolved until we receive a target completion date. As prescribed by Department of Homeland Security Directive 077-01, *Follow-Up and Resolutions for the Office of Inspector General Report Recommendations*, within 90 days of the date of this memorandum, please provide our office with a written response that includes the target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendations. Until your response is received and evaluated, the recommendations will be considered open and unresolved.

We consider recommendation 2 closed and resolved, and recommendation 3 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.

Please send your response or closure request to [OIGAuditsFollowup@oig.dhs.gov](mailto:OIGAuditsFollowup@oig.dhs.gov).

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our redacted report to congressional committees with oversight and appropriation responsibility

*OIG Project No. 23-038-AUD-FEMA*

over the Department of Homeland Security. We will post a redacted version of the report on our website.

Please contact me with any questions, or your staff may contact Kristen Bernard, Deputy Inspector General for Audits, at (202) 981-6000.

Attachment



# DHS OIG HIGHLIGHTS

## FEMA Did Not Fully Implement the State-Administered Direct Housing Grant Program

July 29, 2024

### Why We Did This Audit

Section 1211(a) of the DRRRA required FEMA to implement a State-Administered Direct Housing Grant Program by October 5, 2020, to provide grants to STT governments to administer direct housing assistance. The DRRRA directed the Department of Homeland Security Office of Inspector General to assess the effectiveness of the STT government's role in providing assistance. We conducted this audit to determine to what extent FEMA has implemented the State-Administered Direct Housing Grant Program authorized by Section 1211 of the DRRRA.

### What We Recommend

We made four recommendations to improve FEMA's implementation of the State-Administered Direct Housing Grant Program.

**For Further Information:**

Contact our Office of Public Affairs at (202) 981-6000, or email us at:

[DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov).

### What We Found

The Federal Emergency Management Agency (FEMA) did not fully implement the State-Administered Direct Housing Grant Program required by Section 1211(a) of the *Disaster Recovery Reform Act of 2018* (DRRA). Specifically, as of March 2024, FEMA had not issued final regulations to fully implement the program. This occurred because FEMA [REDACTED]. Additionally, FEMA did not implement an effective pilot program. The DRRRA had authorized FEMA to carry out a pilot program for up to 2 years until final regulations were issued. However, during the pilot period, FEMA only issued one narrowly focused grant award that did not authorize the recipient state to administer direct housing assistance on FEMA's behalf. This occurred because FEMA did not issue timely guidance for the pilot program, leaving only 10 weeks to implement the pilot program before it expired. As a result, FEMA missed opportunities for state, territorial, and tribal (STT) governments to play a greater role in identifying and implementing disaster housing solutions to best meet their communities' needs.

Finally, FEMA did not communicate timely information to Congress. Specifically, FEMA did not submit a required report to Congress identifying incentives to encourage STT participation in the program until 3 years after the mandated date. FEMA cited extensive review procedures and competing priorities as causes for the late report. FEMA also has not provided required quarterly briefings to the Appropriations Committees in Congress about the status of the component's DRRRA implementation efforts. According to FEMA, these briefings did not occur because of staffing challenges and scheduling conflicts. As a result, Congress is not fully aware of FEMA's efforts and challenges associated with implementing the State-Administered Direct Housing Grant Program.

### FEMA Response

FEMA concurred with all four recommendations. Appendix B contains FEMA's management response in its entirety.



**OFFICE OF INSPECTOR GENERAL**

*U.S. Department of Homeland Security*

**Table of Contents**

Background ..... 1

Results of Audit..... 3

    FEMA Did Not Issue Final Regulations to Implement the State-Administered Direct  
    Housing Grant Program ..... 3

    FEMA Did Not Implement an Effective Pilot Program..... 5

    FEMA Did Not Communicate Timely Information to Congress as Required by Law ..... 7

Recommendations..... 11

Management Comments and OIG Analysis..... 11

Appendix A: Objective, Scope, and Methodology ..... 13

    DHS OIG’s Access to DHS Information..... 14

Appendix B: FEMA Comments on the Draft Report..... 15

Appendix C: Report Distribution..... 19

**Abbreviations**

DRRA	<i>Disaster Recovery Reform Act of 2018</i>
FEMA	Federal Emergency Management Agency
HUD	U.S. Department of Housing and Urban Development
OMB	Office of Management and Budget
STT	state, territorial, and tribal



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### Background

Through its Individuals and Households Program, the Federal Emergency Management Agency (FEMA) provides direct housing assistance to eligible applicants displaced from their residences due to damage caused by a presidentially declared emergency or major disaster.<sup>1</sup> FEMA may only provide direct housing assistance when applicants cannot use FEMA’s rental assistance to secure housing due to a lack of available housing resources. Direct housing assistance includes the direct temporary housing and permanent housing construction options shown in Figure 1.

**Figure 1. FEMA Direct Housing Assistance Options**



Source: Department of Homeland Security Office of Inspector General analysis of FEMA guidance

Direct housing assistance is traditionally managed by FEMA, with support from state, territorial, and tribal (STT) governments. STT governments must request direct housing assistance from FEMA, and if approved, FEMA funds, manages, and executes the direct housing mission.

<sup>1</sup> The *Robert T. Stafford Disaster Relief and Emergency Assistance Act* (Stafford Act), Pub. L. No. 93-288, as amended, § 408 authorizes the Individuals and Households Program. In FEMA’s Office of Response and Recovery, the Individual Assistance Division coordinates the implementation of direct housing assistance through FEMA regional offices.



**OFFICE OF INSPECTOR GENERAL**

*U.S. Department of Homeland Security*

Based on lessons learned from the 2017 hurricane season, FEMA identified the need to build capability and enable federally supported, state-managed, locally executed housing solutions. In April 2018, the former FEMA Administrator asked Congress for greater granting authority to allow Governors to control what type of housing assistance meets their needs. According to the former FEMA Administrator, FEMA believes empowering states to provide scalable disaster housing solutions, tailored to the impacts of disasters and the needs of affected communities, is a vital component of ensuring a prepared and resilient Nation.<sup>2</sup>

In October 2018, Congress passed the *Disaster Recovery Reform Act of 2018* (DRRA)<sup>3</sup> representing the most comprehensive reform of FEMA’s disaster assistance programs since the *Sandy Recovery Improvement Act of 2013*<sup>4</sup> and the *Post-Katrina Emergency Management Reform Act of 2006*.<sup>5</sup> The DRRA amended the Stafford Act, including new standalone authorities that required FEMA to submit reports to Congress, update or issue new guidance, complete rulemaking efforts, and take other actions. The DRRA contained 56 provisions focused on improving pre-disaster planning and mitigation, response, and recovery, and increasing FEMA accountability. Section 1211(a) of the DRRA amended Section 408(f) of the Stafford Act authorizing FEMA to issue grants to STT governments to administer direct housing assistance on FEMA’s behalf. Among other things, Section 1211(a):

- established a permanent State-Administered Direct Housing Grant Program;
- required FEMA to publish final regulations to implement the program within 2 years, by October 5, 2020;
- authorized FEMA to carry out the authority as part of a pilot program for 2 years, or until final regulations were issued, whichever occurred sooner; and
- required FEMA to submit a report to Congress on a potential incentive structure for awards to encourage STT participation in the program by October 2019.

In House Report 117-87 accompanying the *Department of Homeland Security Appropriations Act, 2022*,<sup>6</sup> the House Committee on Appropriations directed FEMA to provide quarterly briefings to Congress on the component’s DRRA implementation efforts. The report noted that FEMA had previously provided quarterly briefings, and directed that FEMA resume those briefings until all DRRA requirements were met.

<sup>2</sup> *FEMA: Prioritizing A Culture of Preparedness: Hearing Before S. Comm. on Homeland Security and Governmental Affairs*, 115<sup>th</sup> Congress, p.78, (2018) (statement of Honorable William B. “Brock” Long, former FEMA Administrator).

<sup>3</sup> *Disaster Recovery Reform Act of 2018*, Division D of Pub. L. No. 115–254.

<sup>4</sup> *Sandy Recovery Improvement Act of 2013*, Division B of Pub. L. No. 113–2.

<sup>5</sup> *Post-Katrina Emergency Management Reform Act of 2006*, Title VI of Pub. L. No. 109–295.

<sup>6</sup> *Department of Homeland Security Appropriations Act, 2022*, Division F of Pub. L. No. 117–103.



**OFFICE OF INSPECTOR GENERAL**

*U.S. Department of Homeland Security*

Section 1211(a) of the DRRRA required DHS OIG to conduct periodic audits of programs administered by STT governments and submit a report to Congress on the effectiveness of the STT government’s role in providing direct housing assistance on FEMA’s behalf. The report shall assess whether the STT government’s role helped improve the general speed of disaster recovery, whether the STT government had the capacity to administer the assistance, and recommendations for changes to improve the program if the STT government’s role should continue in administering the programs. We conducted this audit to determine to what extent FEMA has implemented the State-Administered Direct Housing Grant Program authorized by Section 1211(a) of the DRRRA.

**Results of Audit**

FEMA did not fully implement the State-Administered Direct Housing Grant Program required by Section 1211(a) of the DRRRA. Specifically, as of March 2024, FEMA had not issued final regulations to fully implement the program. This occurred because FEMA [REDACTED]. Additionally, FEMA did not implement an effective pilot program. The DRRRA had authorized FEMA to carry out a pilot program for up to 2 years until final regulations were issued. However, during the pilot period, FEMA only issued one narrowly focused grant award that did not authorize the recipient state to administer direct housing assistance on FEMA’s behalf. This occurred because FEMA did not issue timely guidance for the pilot program, leaving only 10 weeks to implement the pilot program before it expired. As a result, FEMA missed opportunities for STT governments to play a greater role in identifying and implementing disaster housing solutions to best meet their communities’ needs.

Finally, FEMA did not communicate timely information to Congress. Specifically, FEMA did not submit a required report to Congress identifying incentives to encourage STT participation in the program until 3 years after the mandated date. FEMA cited extensive review procedures and competing priorities as causes for the late report. FEMA also has not provided required quarterly briefings to the Appropriations Committees in Congress about the status of the component’s DRRRA implementation efforts. According to FEMA, these briefings did not occur because of staffing challenges and scheduling conflicts. As a result, Congress is not fully aware of FEMA’s efforts and challenges associated with implementing the State-Administered Direct Housing Grant Program.

**FEMA Did Not Issue Final Regulations to Implement the State-Administered Direct Housing Grant Program**

As of March 2024, more than 3 years after the DRRRA-mandated date, FEMA had not issued final regulations to fully implement a permanent State-Administered Direct Housing Grant Program, as required by the DRRRA. [REDACTED]





**OFFICE OF INSPECTOR GENERAL**

*U.S. Department of Homeland Security*

[REDACTED] FEMA has not completed the Federal rulemaking process.

The DRRRA required FEMA to issue final regulations by October 5, 2020, to implement a permanent State-Administered Direct Housing Grant program. Under the *Administrative Procedure Act* and Section 4(b) of Executive Order 12866, *Regulatory Planning and Review*, the informal rulemaking process (notice and comment rulemaking) generally requires agencies to:<sup>7</sup>

- submit a plan of the most significant regulations under development or review in the current fiscal year or thereafter to the Office of Management and Budget (OMB) for publication in the *Unified Agenda of Federal Regulatory and Deregulatory Actions*;
- publish a Notice of Proposed Rulemaking, in coordination with OMB, in the *Federal Register*<sup>8</sup> to solicit public comments or information on a proposed regulatory action;
- analyze written public comments received on the Notice of Proposed Rulemaking and provide responses to significant issues; and
- develop and submit a final rule to OMB for review, address OMB’s concerns, respond to any interagency comments, and publish the final rule in the *Federal Register*.<sup>9</sup>

Although the DRRRA required the final regulations for the State-Administered Direct Housing Grant Program to be issued by October 5, 2020, these regulations had not yet been included in OMB’s *Unified Agenda of Federal Regulatory and Deregulatory Actions* as of March 2024. We attributed the lack of final regulations for the State-Administered Direct Housing Grant Program to competing priorities. In 2019, FEMA prioritized the implementation of other DRRRA provisions related to pre-disaster mitigation, workforce readiness, and the disaster declaration process.<sup>10</sup> [REDACTED]

[REDACTED] In April 2021, FEMA issued a

<sup>7</sup> FEMA’s general policy is to provide for public participation in rulemaking regarding its programs and functions, including matters related to public property, loans, grants, benefits, or contracts, even though these matters are not subject to the requirement for notice and public comment rulemaking under the *Administrative Procedure Act* (44 Code of Federal Regulations § 1.3(a) (2023)). FEMA may depart from such policy to ensure the component retains the flexibility to use a range of public engagement options in advance of rulemaking where appropriate (87 Fed. Reg. 11971, 11974, Mar. 3, 2022).

<sup>8</sup> The *Federal Register* is the official daily publication for rules, proposed rules, and notices of Federal agencies. See generally <https://www.federalregister.gov/> and <https://www.govinfo.gov/help/fr>.

<sup>9</sup> According to 5 United States Code § 551(4) (2024), a rule is designed to implement, interpret, or prescribe law or policy.

<sup>10</sup> FEMA *Disaster Recovery Reform Act (DRRA) Annual Report*, Oct. 2019, [https://www.fema.gov/sites/default/files/2020-07/fema\\_DRRRA-annual-report\\_2019.pdf](https://www.fema.gov/sites/default/files/2020-07/fema_DRRRA-annual-report_2019.pdf) (as of April 2024).



**OFFICE OF INSPECTOR GENERAL**

*U.S. Department of Homeland Security*

Request for Information<sup>11</sup> from the public on how the component’s programs, regulations, and policies could advance the goals of equity, environmental justice, and resilience to the impacts of climate change in response to Executive Order 13985<sup>12</sup> and other executive orders. [REDACTED]

In January 2024, FEMA published an interim final rule, effective March 22, 2024, amending its regulations governing the Individual Assistance program to increase equity by simplifying processes, removing barriers to entry, and increasing eligibility for certain types of assistance under the program.<sup>13</sup> [REDACTED]

Without final regulations, FEMA cannot issue grants empowering STT governments to provide scalable disaster housing solutions to best meet their communities’ needs. Until STT governments control what type of housing assistance meets their needs, FEMA cannot achieve the optimal disaster response, which is federally supported, state managed, and locally executed.

### **FEMA Did Not Implement an Effective Pilot Program**

FEMA did not implement an effective pilot program of the State-Administered Direct Housing Grant Program. In fact, only one state received a narrowly focused grant during the pilot that did not authorize the state to administer direct housing assistance on FEMA’s behalf, the main objective of the program.

The ineffective pilot resulted from FEMA not timely developing guidance to implement it. According to the DRRRA, before issuing grants under the pilot program, FEMA needed to develop guidance requiring STT governments to submit a disaster housing strategy<sup>14</sup> and an administrative plan<sup>15</sup> for approval that demonstrated their ability to administer direct housing assistance. However, FEMA did not issue the FEMA *State-Administered Direct Housing Grant Guide* until July 27, 2020, leaving only 10 weeks for STT governments to request and receive grants under the pilot program before it expired on October 5, 2020. To FEMA’s credit, it provided training and assistance

<sup>11</sup> 86 Fed. Reg. 21325, Apr. 22, 2021, <https://www.federalregister.gov/documents/2021/04/22/2021-08444/request-for-information-on-fema-programs-regulations-and-policies> (as of April 2024).

<sup>12</sup> Executive Order 13985, *Advancing Racial Equity and Support for Underserved Communities Through the Federal Government*, Jan. 20, 2021.

<sup>13</sup> FEMA Interim Final Rule, *Individual Assistance Program Equity*, 89 Fed. Reg. 3990, Jan. 22, 2024.

<sup>14</sup> A disaster housing strategy outlines how the STT government, in coordination with local, non-governmental organization, private sector, and Federal partners, will integrate recovery programs and resources to provide post-disaster housing solutions and promote timely, effective housing recovery outcomes for individuals and households.

<sup>15</sup> An administrative plan details the STT government’s organizational and management structures, roles and responsibilities, and methodology for executing the housing mission and capabilities outlined in the disaster housing strategy to comply with applicable Federal laws and regulations.



**OFFICE OF INSPECTOR GENERAL**

*U.S. Department of Homeland Security*

to Louisiana, Florida, and Texas during the pilot period through targeted engagements to help the states develop the disaster housing strategy and administrative plan required for a grant.

FEMA officials attributed the delay in issuing the pilot program guidance to operational challenges and [REDACTED]. According to FEMA, the DRRRA was enacted during the most active period of disaster recovery in the Nation’s history. The DRRRA contained 56 provisions amending the Stafford Act, which FEMA had to implement concurrently within existing component resources. [REDACTED]

[REDACTED] OMB is authorized to review agency guidance documents to ensure they are consistent with applicable law, the President’s priorities, and other principles.<sup>16</sup>

According to FEMA’s guidance issued in July 2020, STT governments could request a state-administered direct housing grant for major disaster declarations occurring during the pilot period, which was set to lapse in October 2020.<sup>17</sup> FEMA officials stated the component only authorized direct housing assistance for two major disasters declared in Louisiana and Oregon between July 2020 and October 2020, when the authority for the pilot program lapsed. Since the pilot program was limited to 10 weeks, only Louisiana requested and received a grant award under the pilot program. The limited timeframe also impacted Louisiana’s ability to use the grant to administer direct housing assistance on FEMA’s behalf — a key objective of the legislation. FEMA’s approximate \$9.3 million grant award to Louisiana was narrowly focused on the state supporting FEMA’s delivery of direct housing assistance by conducting joint recertification visits with FEMA.<sup>18</sup> FEMA and Louisiana officials held initial conversations with the intent of the state administering all forms of housing assistance. However, due to the limited time between when FEMA issued the pilot program guidance in July 2020 and when Hurricane Laura hit in August 2020, FEMA and Louisiana officials determined the best method for implementing a grant was a joint recertification grant.

Without an effective pilot program, FEMA missed opportunities for STT governments to play a greater role in identifying and implementing innovative, cost-effective, and locally tailored disaster housing solutions. Until FEMA implements the State-Administered Direct Housing Grant Program, we cannot assess the effectiveness of the STT government’s role in administering direct housing assistance on FEMA’s behalf, as required under Section 1211(a) of the DRRRA.

<sup>16</sup> Executive Order 12866, *Regulatory Planning and Review*, Sept. 30, 1993.

<sup>17</sup> FEMA *State-Administered Direct Housing Grant Guide*, Jul. 2020.

<sup>18</sup> Recertification is a process FEMA uses each month to monitor an occupant’s eligibility to remain in temporary housing based on the occupant’s continuing need and progress toward achieving a permanent housing plan.



**OFFICE OF INSPECTOR GENERAL**

*U.S. Department of Homeland Security*

In March 2023, a bipartisan bill was reintroduced in the House of Representatives to amend Section 408 of the Stafford Act.<sup>19</sup> If enacted, the bill would reauthorize the pilot authority under Section 1211(a) of the DRRRA and provide FEMA with up to 10 additional years to conduct a pilot program or issue final regulations, whichever occurs sooner.<sup>20</sup> However, Congress has not enacted this bill.

**FEMA Did Not Communicate Timely Information to Congress as Required by Law**

FEMA did not communicate timely information to Congress, including a DRRRA-mandated report on incentives and required quarterly briefings on the component’s DRRRA implementation efforts. Without timely information, Congress is not fully aware of FEMA’s efforts and challenges associated with implementing the State-Administered Direct Housing Grant Program.

**FEMA Did Not Submit the DRRRA Report on Incentives to Congress When Required**

FEMA did not submit a report to Congress by October 2019 identifying potential incentives to encourage STT participation in the State-Administered Direct Housing Grant Program, as required by the DRRRA. In February 2023, more than 3 years after the mandated date, FEMA provided its report to Congress.<sup>21</sup> The report identified two incentive proposals, both requiring a legislative change, to encourage STT participation in the program, including adjustments to the cost-share structure and the management cost cap. According to the report, the objectives of the incentive proposals are to help STT governments build, deploy, and maintain the capabilities necessary to effectively execute a direct housing mission on FEMA’s behalf for future disasters. Specifically, FEMA identified incentive proposals requiring legislative changes to the Stafford Act in two areas:

- Cost-Share Structure – Currently, the cost share for FEMA-administered direct housing assistance is 100 percent federally funded under the Stafford Act. Congress could amend the Stafford Act to introduce a Federal-STT cost share (75 percent Federal, 25 percent STT) for FEMA-administered direct housing and a non-Federal cost share (90 percent Federal, 10 percent STT) for state-administered direct housing. Introducing this new cost-share structure would encourage STT governments to invest in building their capacity to identify and implement innovative, cost-effective, and locally tailored housing solutions.
- Management Cost Cap – Currently, the total amount of STT management costs eligible for reimbursement on a state-administered direct housing grant is capped at 5 percent of the award amount under the Stafford Act. Congress could amend the Stafford Act to increase the management cost cap for state-administered direct housing grants from 5 percent to

<sup>19</sup> *Disaster Survivors Fairness Act of 2023*, H.R. 1796, 118<sup>th</sup> Congress, § 6 (2023).

<sup>20</sup> House Report 118-390, p.20, Feb. 14, 2024, accompanying the pending *Disaster Survivors Fairness Act of 2023*, H.R. 1796, 118<sup>th</sup> Congress, § 6 (2023).

<sup>21</sup> FEMA *State-Administered Housing Incentives: DRRRA Section 1211 Report on Incentives*, Feb. 13, 2023.



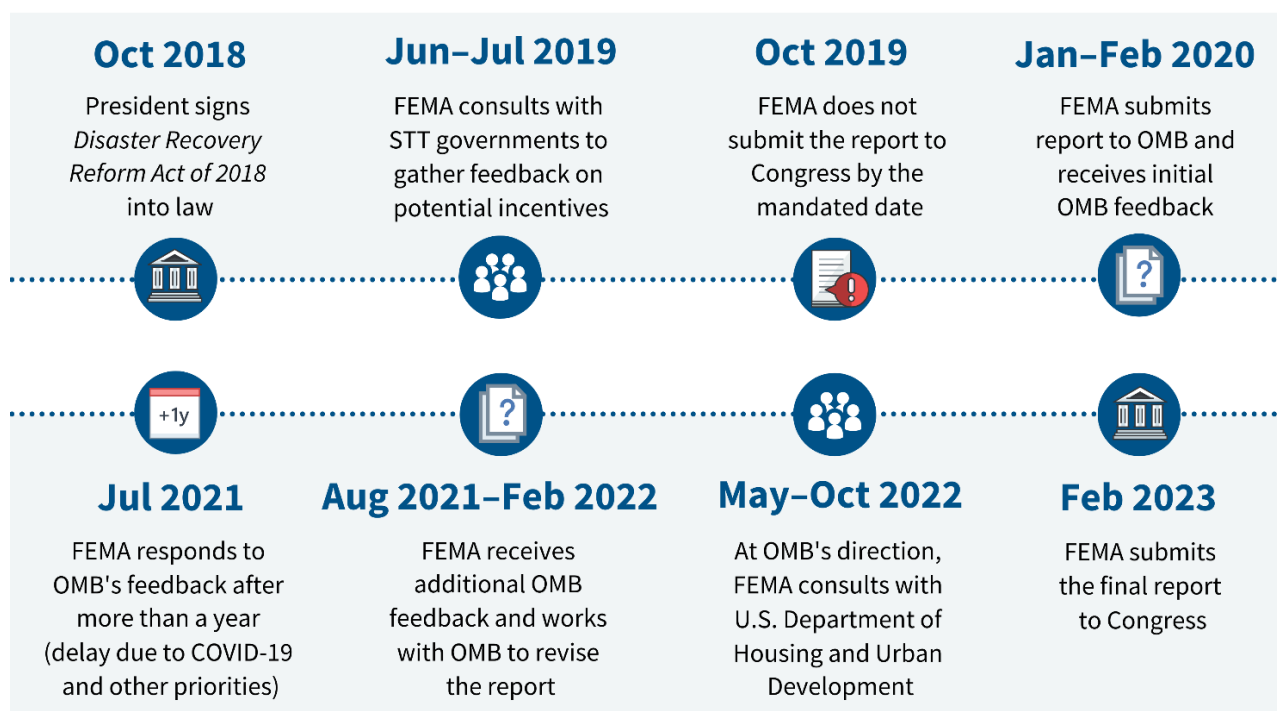
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12 percent. Increasing the management cost cap would provide STT governments more funds to pay for associated indirect and administrative costs.

According to FEMA officials, extensive review procedures and competing priorities affected FEMA’s ability to complete the report on incentives in a timely manner. These review procedures required FEMA to consider non-Federal feedback; coordinate DHS, interagency, and OMB reviews; and adjudicate comments from multiple organizations involved in disaster housing. FEMA consulted with STT governments<sup>22</sup> and coordinated DHS and OMB reviews, as required,<sup>23</sup> to develop the report on incentives. Due to COVID-19, other disaster priorities, and a change in the presidential administration, FEMA did not address OMB’s initial feedback for more than 1 year. Then, OMB officials said FEMA needed to engage with the U.S. Department of Housing and Urban Development (HUD) to discuss the incentive proposals. Therefore, FEMA did not complete and submit the report to Congress until February 2023, more than 3 years after the mandated date (see Figure 2 for a timeline associated with FEMA’s report on incentives to Congress).

Figure 2. Timeline for FEMA’s Report on Incentives to Congress



Source: DHS OIG analysis of FEMA documentation

<sup>22</sup> Per the DRRRA, in developing the report, FEMA needed to consult with STT governments to gain their input on any potential incentive structure for awards to encourage participation in the program (DRRA, § 1211(a)(3)(H)).

<sup>23</sup> DHS Management Directive 0420, *Legislative Procedures*, Feb. 28, 2005, and OMB Circular No. A-19, *Legislative Coordination and Clearance*, Sept. 20, 1979.



**OFFICE OF INSPECTOR GENERAL**

*U.S. Department of Homeland Security*

In FY 2022, the House Committee on Transportation and Infrastructure drafted an Individual Assistance reform package and FEMA provided written feedback at the committee’s request. Notably, FEMA’s written feedback resulted in proposed language to change the Federal cost share for direct housing assistance from 100 percent to 75 percent and increase the management cost cap from 5 percent to 12 percent.<sup>24</sup> If enacted, the bill would amend the Stafford Act to implement one of the two proposals from FEMA’s report on incentives to Congress and partially implement the other proposal.

**FEMA Has Not Provided Congress with Required Quarterly Briefings**

FEMA has not provided required quarterly briefings to the Appropriations Committees in Congress about the status of the component’s DRRRA implementation efforts. In July 2021, the House Committee on Appropriations reported that FEMA had previously provided quarterly briefings on DRRRA implementation efforts and directed FEMA to resume the quarterly briefings until it had fully implemented all DRRRA requirements.<sup>25</sup> In July 2022, the Committee reminded FEMA about the required quarterly briefings and directed FEMA to include updates on the status of required rulemakings and the expected timeline for issuing final rules.<sup>26</sup>

According to a FEMA official, these briefings did not occur because FEMA’s External Coordination Branch was short staffed and experienced scheduling conflicts with congressional stakeholders. To its credit, FEMA provided Congress with information and assistance in other ways related to the implementation of Section 1211(a) of the DRRRA. As discussed previously, FEMA provided the House Committee on Transportation and Infrastructure with written feedback on an Individual Assistance reform package to ensure the committee included language related to proposals from FEMA’s report on incentives to Congress. Additionally, FEMA’s report on incentives informed Congress about the component’s implementation efforts including the issuance of pilot program guidance, the grant award under the pilot program, and consultation with STT and HUD officials on incentives to encourage participation in the program. Although the report identified final regulations as a component priority, FEMA did not provide the status of the required rulemaking or the expected timeline for issuing the final rule.

As a result, Congress is not fully aware of FEMA’s implementation efforts, including challenges and actions taken, ongoing, or planned to address those challenges. Specifically, Congress was unaware of the implementation challenges FEMA and Louisiana experienced with the pilot program

<sup>24</sup> *Disaster Survivors Fairness Act of 2023*, H.R. 1796, 118<sup>th</sup> Congress, §§ 6–7 (2023).

<sup>25</sup> House Report 117-87, p.87, Jul. 15, 2021, accompanying the *Department of Homeland Security Appropriations Act, 2022*, Division F of Pub. L. No. 117–103 (“Previously, FEMA had been providing quarterly briefings on the status of the implementation of the Disaster Recovery Reform Act; the Committee directs FEMA to resume those briefings until all requirements have been implemented.”)

<sup>26</sup> House Report 117-396, p.75, Jul. 1, 2022, accompanying the *Department of Homeland Security Appropriations Act, 2023*, Division F of Pub. L. No. 117–328 (“The briefings shall include updates on the status of required rulemakings and the expected timeline for issuing final rules.”)



**OFFICE OF INSPECTOR GENERAL**

*U.S. Department of Homeland Security*

grant. FEMA and Louisiana officials informed us that pre-disaster funding was an implementation challenge. Officials said STT governments did not have the resources necessary to complete required preparedness and planning activities, before a disaster or emergency occurs, to build and maintain their housing capabilities. These activities include developing a disaster housing strategy, creating an administrative plan, training staff, establishing contracts, and more. STT governments must expend resources for these planning activities to prepare for a potential direct housing mission, assuming financial risk while awaiting FEMA's grant determination.

According to FEMA officials, the component has completed, ongoing, or planned actions to help build STT governments' housing capabilities and capacity for future disasters. Specifically:

- FEMA recently established a Survivor Experience Section in the Individual Assistance Division to develop proposals for new authorities and program changes to re-imagine direct housing. The proposals may include establishing a Direct Housing Preparedness Grant Program to provide resources to help STT governments with pre-disaster planning. FEMA continues to recruit staff and develop the plan and timeframes for this proposal.
- In 2023, FEMA and HUD collaborated with Louisiana, Montana, New Jersey, and Washington on a Pre-Disaster Housing Initiative with the goal of improving state capacity to expedite and manage housing recovery after a disaster. FEMA and HUD provided direct assistance to support each State's pre-disaster housing strategy development. States worked on existing plans, partnerships, and authorities to strengthen coordination between the emergency management, housing, and community development agencies. FEMA and HUD are also developing a guide to assist all states in future housing planning efforts.
- FEMA is exploring the ability to continue supporting future initiatives focused on providing direct assistance to STT governments associated with developing their housing recovery plans and establishing state-level housing recovery support functions. FEMA's ability to provide direct assistance is dependent on budget priorities and allocations. FEMA has proposed establishing a standing program as part of its Resource Allocation Plan for FY 2026 through FY 2030.

Although these actions are positive steps, more work is needed to ensure FEMA continues to evaluate implementation challenges, develop proposals for new authorities or program changes, and determine whether any proposals require a budgetary request. In addition, providing quarterly updates to Congress on the status of FEMA's DRRA implementation efforts, including any related challenges, will ensure Congress has reliable information to make informed oversight, policy, and funding decisions.



## **OFFICE OF INSPECTOR GENERAL**

*U.S. Department of Homeland Security*

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### **Recommendations**

**Recommendation 1:** We recommend the FEMA Administrator, in coordination with DHS and OMB, take action to issue final regulations implementing the State-Administered Direct Housing Grant Program authorized by Section 1211(a) of the *Disaster Recovery Reform Act of 2018*.

**Recommendation 2:** We recommend the FEMA Administrator, in coordination with DHS and OMB, make a determination whether to seek authority from Congress to extend the pilot program for the State-Administered Direct Housing Grant Program while FEMA develops and finalizes the regulations.

**Recommendation 3:** We recommend the FEMA Administrator provide quarterly briefings, consistent with House Report 117-87, to congressional Appropriations Committees on the status of the component's DRRRA implementation efforts, including the State-Administered Direct Housing Grant Program.

**Recommendation 4:** We recommend the FEMA Administrator continue to evaluate challenges associated with implementing the State-Administered Direct Housing Grant Program, and then develop and implement new authorities or program changes to address those challenges.

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

FEMA provided written comments on a draft of this report. A copy of FEMA's response is included in Appendix B. FEMA concurred with all four recommendations. We consider recommendations 1 and 4 open and unresolved. We consider recommendation 2 closed and resolved. We consider recommendation 3 open and resolved. FEMA also submitted technical comments separately, which we addressed as appropriate. A summary of FEMA's response and our analysis follows.

**FEMA's Response to Recommendation 1:** Concur. FEMA's Office of Policy and Program Analysis will follow the component's general policy for public participation in rulemaking regarding its programs and functions, including matters related to public property, loans, grants, benefits, or contracts, even though these matters are not subject to the requirement for notice and public comment rulemaking by law. FEMA may depart from such policies in its absolute discretion, including for its annual grant programs and in other cases as circumstances warrant. FEMA requests that OIG consider this recommendation closed and resolved.

**OIG Analysis of FEMA's Comments:** FEMA's planned corrective actions are responsive to the recommendation. The recommendation will remain unresolved until FEMA provides an estimated completion date for these corrective actions. We will close this recommendation when we receive documentation showing FEMA has published final regulations.





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*U.S. Department of Homeland Security*

**FEMA's Response to Recommendation 2:** Concur. FEMA's Administrator made a determination regarding this matter, and relevant corroborating documentation has been sent to the OIG. FEMA requests that OIG consider this recommendation closed and resolved, as implemented.

**OIG Analysis of FEMA's Comments:** FEMA's corrective actions are responsive to the recommendation. FEMA provided documentation showing the component has implemented the recommendation. We consider the recommendation closed and resolved.

**FEMA's Response to Recommendation 3:** Concur. FEMA's External Coordination Branch will coordinate with the respective FEMA program offices and other external stakeholders to prepare and schedule an update briefing for the House and Senate Appropriations Committees by September 30, 2024. During this briefing, FEMA will coordinate with congressional stakeholders and identify a quarterly briefing timeline for FY 2025 and beyond. FEMA's estimated completion date for these actions is June 30, 2025.

**OIG Analysis of FEMA's Comments:** FEMA's planned corrective actions are responsive to the recommendation. The recommendation will remain open and resolved until FEMA provides documentation showing the completion of these corrective actions.

**FEMA's Response to Recommendation 4:** Concur. FEMA's Recovery Directorate, Individual Assistance Division is considering potential changes and improvements to include updated guidance. Individual Assistance Division staff will identify proposed changes and improvements, share them with other FEMA stakeholders, and document them in a memorandum to the Assistant Administrator for Recovery for consideration. The Individual Assistance Division anticipates documenting proposed changes and improvements to the State-Administered Direct Housing Program guidance by December 15, 2024. FEMA will update related guidance when Congress passes legislation to reinstate the authority for the pilot program. FEMA's estimated completion date for these actions was to be determined.

**OIG Analysis of FEMA's Comments:** FEMA's planned corrective actions are responsive to the recommendation. The recommendation will remain unresolved until FEMA provides an estimated completion date for these corrective actions. We will close this recommendation when we receive documentation showing the completion of these corrective actions.



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## **Appendix A: Objective, Scope, and Methodology**

The Department of Homeland Security Office of Inspector General was established by the *Homeland Security Act of 2002* (Pub. L. No. 107–296) by amendment to the *Inspector General Act of 1978*.

Our audit objective was to determine to what extent FEMA has implemented the State-Administered Direct Housing Grant Program authorized by Section 1211 of the DRRRA. To answer our objective, we reviewed Federal laws, regulations, program guidance, and program documentation associated with FEMA’s implementation efforts. We also reviewed and analyzed prior audits and reports, testimonies, and congressional hearings related to the audit objective.

We conducted interviews with FEMA officials from the Office of the Executive Secretariat; Office of Response and Recovery, including the Recovery Directorate, Individual Assistance Division, and Interagency Coordination Division; Office of External Affairs’ Congressional Affairs Division; Office of the Chief Financial Officer’s External Coordination Branch; Office of Chief Counsel; and Region 6. We also interviewed officials from the Louisiana Governor’s Office of Homeland Security and Emergency Preparedness and a DHS official from the Office of General Counsel.

Section 1211(a) of the DRRRA required DHS OIG to submit a report to Congress on the effectiveness of the STT government’s role in providing direct housing assistance, including whether the STT government’s role helped improve the general speed of disaster recovery, whether the STT government had the capacity to administer the assistance, and recommendations for changes to improve the program if the STT government’s role should continue in administering the programs. Due to the limited STT participation in the pilot program and the narrow scope of FEMA’s grant to Louisiana, we determined there was not sufficient evidence to make a conclusion about the overall effectiveness of the STT government’s role in the program. Therefore, we conducted limited testing on FEMA’s grant to Louisiana and refocused the audit on analyzing FEMA’s efforts to implement Section 1211(a) of the DRRRA. Our limited testing included steps to verify that FEMA’s grant award was supported by the required documents, approvals, and monitoring activities. Based on our limited testing, we did not identify any reportable issues. Until FEMA implements the State-Administered Direct Housing Grant Program, we cannot assess the effectiveness of the STT government’s role in administering direct housing assistance on FEMA’s behalf, as required under Section 1211(a) of the DRRRA.

We did not rely on any computer-processed data or evaluate any information systems controls to support our audit conclusions, findings, and recommendations. We assessed internal controls relevant to the audit objective. This included FEMA’s control environment, risk assessment, control activities, information and communication, and monitoring controls. We designed our audit procedures including steps to mitigate risks identified. We identified weaknesses in FEMA’s



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*U.S. Department of Homeland Security*

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control environment, control activities, information and communication, and monitoring controls. However, because we conducted a limited review of internal controls relevant to the audit objective, other deficiencies may have existed at the time of our audit.

We conducted this audit from July 2023 through April 2024 pursuant to the *Inspector General Act of 1978*, 5 U.S.C. §§ 401–424, 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 on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objective.

### **DHS OIG’s Access to DHS Information**

During this audit, FEMA did not always provide timely responses to DHS OIG’s requests for information. According to FEMA officials, disaster response operations contributed to their delayed responses. After we elevated the requests, FEMA provided the required information.



**OFFICE OF INSPECTOR GENERAL**

*U.S. Department of Homeland Security*

**Appendix B:  
FEMA Comments on the Draft Report**

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



**FEMA**

June 25, 2024

MEMORANDUM FOR: Joseph V. Cuffari, Ph.D.  
Inspector General

FROM: Cynthia Spishak                      CYNTHIA  
Associate Administrator      SPISHAK  
Office of Policy and Program Analysis

SUBJECT: Management Response to Draft Report: “FEMA Did Not Fully Implement the State-Administered Direct Housing Grant Program” (Project No. 23-038-AUD-FEMA)

Digitally signed by CYNTHIA SPISHAK  
Date: 2024.06.25 20:19:28 -04'00'

Thank you for the opportunity to comment on this draft report. The Federal Emergency Management Agency (FEMA) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

FEMA leadership is pleased to note OIG’s recognition of FEMA’s actions to help build state, territorial, and tribal (STT) governments’ housing capabilities and capacity for future disasters. Specifically, the agency recently:

- Established a Survivor Experience Section in the Individual Assistance Division to develop proposals for new authorities and program changes to re-imagine Direct Housing, which provided training and assistance to Louisiana, Florida, and Texas during the pilot period through targeted engagements to help the states develop the disaster housing strategy and administrative plan required for a grant;
- Collaborated with the U.S. Department of Housing and Urban Development (HUD) and Louisiana, Montana, New Jersey, and Washington on a Pre-Disaster Housing Initiative to improve state capacity for expediting and managing housing recovery after a disaster which provided direct assistance to support each state’s pre-disaster housing strategy development enabling the states to work on existing plans, partnerships, and authorities to strengthen coordination between the emergency management, housing, and community development agencies; and
- Continues to collaborate with HUD to develop a guide to assist all states in future housing planning efforts.

In addition, FEMA also provided Congress with information and other assistance related to the implementation of Section 1211(a) of the *Disaster Recovery Reform Act of 2018*



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(DRRA), to include providing the House Committee on Transportation and Infrastructure written feedback on an Individual Assistance reform package related to proposals from FEMA's report on incentives, which informed Congress about the agency's implementation efforts, including the issuance of pilot program guidance, the grant award under the pilot program, and consultation with STT and HUD officials on incentives to encourage participation in the program.

FEMA leadership, however, is concerned with the OIG's assertion that FEMA did not always provide timely responses to OIG's requests for information (RFI). Specifically, the assertion does not provide adequate insights about FEMA efforts to be responsive to OIG RFI while at the same time dealing with extremely challenging mission-driven circumstances in multiple locations. For example, on July 24, 2023, OIG sent FEMA 21 separate RFI for guidance documents, historical communication, briefings to Congress, surveys, all pre-award, award, and post-award documents, interviews, written responses to questions, and asked for responses within 10 business days. On August 9, 2024, FEMA informed the OIG that due to the agency's operational tempo and mission-essential functions related to the Maui wildfires (the largest natural disaster in Hawaii's state history), flooding in Vermont, and preparation activities in anticipation of landfall of Hurricane Hilary in California, deployed staff would be unable to quickly respond to their requests and additional time was needed to provide the requested information. On August 22, 2023, FEMA sent the requested information to OIG.

FEMA remains committed to providing direct assistance to disaster survivors following a major disaster declaration where disaster survivors are unable to make use of financial assistance because of a lack of available housing resources and based on the needs of the affected communities.

The draft report contained four recommendations with which FEMA concurs. Enclosed find our detailed response to each recommendation. FEMA previously submitted technical comments addressing several accuracy, contextual, and other issues under a separate cover for OIG's consideration.

Thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions.

Enclosure



**OFFICE OF INSPECTOR GENERAL**

*U.S. Department of Homeland Security*

**Enclosure: Management Response to Recommendations  
Contained in OIG 23-038-AUD-FEMA**

OIG recommended the FEMA Administrator:

**Recommendation 1:** In coordination with DHS and OMB, take action to issue final regulations implementing the State-Administered Direct Housing Grant Program authorized by Section 1211(a) of the DRRA.

**Response:** Concur. FEMA's Office of Policy and Program Analysis (OPPA) will follow the agency's general policy to provide for public participation in rulemaking regarding its programs and functions, including matters related to public property, loans, grants, benefits, or contracts, even though these matters are not subject to the requirement for notice and public comment rulemaking by law. (44 C.F.R. § 1.3(a)). FEMA OPPA may depart from such policies in its absolute discretion, including for its annual grant programs and in other cases as circumstances warrant. (44 C.F.R. § 1.3(c)). FEMA requests that OIG consider this recommendation resolved and closed.

**Recommendation 2:** In coordination with DHS and OMB, make a determination whether to seek authority from Congress to extend the pilot program for the State-Administered Direct Housing Grant Program while FEMA develops and finalizes the regulations.

**Response:** Concur. FEMA's Administrator made a determination regarding this matter and relevant corroborating documentation has been sent to the OIG. As previously discussed, and agreed with OIG staff, FEMA requests that the OIG consider this recommendation resolved and closed, as implemented.

**Recommendation 3:** Provide quarterly briefings, consistent with House Report 117-87, to Congressional Appropriations Committees on the status of the agency's DRRA implementation efforts, including the State-Administered Direct Housing Grant Program.

**Response:** Concur. FEMA External Coordination (ExCo) will continue to collaborate with the respective program offices in fiscal year (FY) 2024 and beyond until the congressional briefing requirement to prepare an update and brief the House and Senate Appropriations Committees-Subcommittees on Homeland Security rescinded. FEMA ExCo will coordinate with its Office of Response and Recovery, Mission Support, Office of Chief Counsel, Office of Policy and Program Analysis, and Resilience Directorate to prepare the internal briefing. Concurrently, FEMA ExCo will notify the Department of Homeland Security Budget Office, Office of Management and Budget, and congressional Appropriations staffs of the proposed briefing timeline and ensure briefing materials are reviewed and cleared ahead of the first briefing date, which will be tentatively scheduled for no later than September 30, 2024. During the first briefing, FEMA ExCo will



**OFFICE OF INSPECTOR GENERAL**

*U.S. Department of Homeland Security*

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coordinate with Congressional stakeholders and identify a quarterly briefing timeline for FY 2025 and beyond. ECD: June 30, 2025.

**Recommendation 4:** Continue to evaluate challenges associated with implementing the State-Administered Direct Housing Grant Program, and then develop and implement new authorities or program changes to address those challenges.

**Response:** Concur. FEMA’s Recovery Directorate, Individual Assistance (IA) is considering potential changes and improvements to include updated guidance. IA staff will identify proposed changes and improvements, share them with other FEMA stakeholders, and document them in a memorandum to the Assistant Administrator for Recovery for consideration. IA anticipates documenting proposed changes and improvements to the State-Administered Direct Housing Program guidance by December 15, 2024, and will update related guidance when Congress passes legislation to reinstate the authority for the pilot program. ECD: To be determined.



## **Appendix C: Report Distribution**

### **Department of Homeland Security**

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### **Office of Management and Budget**

Chief, Homeland Security Branch  
DHS OIG Budget Examiner

### **Congress**

Congressional Oversight and Appropriations Committees  
House Committee on Transportation and Infrastructure



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