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*DHS OIG's Approach to
Proactively Auditing
Public Assistance Grants*



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- Inspectors General's role
- OIG Disaster Grant Audit Organizations
- Need for Change
- Life Cycle Audit Approach
- Miscellaneous Issues
- Questions
- OIG Contacts



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- Inspectors General's role
 - ✓ Conduct audits and investigations of agency programs and operations
 - ✓ Provide leadership recommendations
 - ✓ Keep the agency and Congress fully informed
- Disaster assistance programs have high inherent risks
- OIG and GAO audits confirmed those inherent risks



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OIG Disaster Grant Audit Organizations

- FEMA OIG
- DHS OIG 2003
 - Florida Four 2004
 - Katrina/Rita 2005
- Office of Emergency Management Oversight (EMO) 2006



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➤ Need for Change

✓ Our mission

- Conduct audits to ensure disaster relief funds are spent appropriately
- Identify fraud, waste, and abuse as early as possible
- Keep the stakeholders informed concerning disaster operations and progress regarding corrective actions
- Focus on prevention and monitoring
- Advise on subgrantee contracting/financial management activities
- Advise on internal controls and precedent-setting decisions



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➤ Need for Change (Continued)

✓ Historical audit approach

- Good at detection
- Not good at prevention

✓ Traditional audits

- Report problems exist
- Result in little change

✓ Historical audit approach

- Has not adequately improved compliance
- OIG needed to modify its audit approach



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➤ Need for Change (Continued)

✓ Five Years of Capping Reports Show:

- \$300 million to \$500 million misspent
- 25 – 30% misspent

✓ Definition of insanity

- Doing the same thing over and over again, and
- Expecting different results



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➤ Proactive Life Cycle Audit Approach

- ✓ Focuses on Public Assistance Grant phases
 - Response,
 - Recovery, and
 - Close Out.
- ✓ Proactive approach includes 4 types of audits
 - Deployment audits,
 - Capacity audits,
 - Early warning audits, and
 - Traditional audits after project completion.



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➤ Life Cycle Audit Approach (Continued)

✓ Deployment Audits

- Occur during response to a disaster
- FEMA averages 50 to 60 disasters each year
- Audit teams will deploy to about 5 disaster each year
- Do not have sufficient resources to do more



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➤ Life Cycle Audit Approach (Continued)

✓ Capacity Audits

- Occur during the recovery phase
- About 20 audits annually
- Shortly after subgrantees selections
- Focus on subgrantee capacity to
 - Account for FEMA funds
 - Procure contracts properly
 - Comply with insurance requirements



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- Life Cycle Audit Approach (Continued)
 - ✓ Capacity Audit Recommendations
 - Provide subgrantee greater oversight
 - Seldom question costs

 - ✓ States have the primary responsibility for day to day oversight of subgrantees



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➤ Life Cycle Audit Approach (Continued)

✓ Early Warning Audits

- During the recovery phase
- About 20 audits early in recovery process
- Focus on subgrantee
 - Initial compliance with CFRs
 - Early detection of non compliance should enable subgrantees to get into compliance



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- Life Cycle Audit Approach (Continued)
 - ✓ Early Warning Audits Recommendations
 - Address deficiencies while they can be corrected
 - Provide subgrantee greater oversight
 - ✓ Again, States have the primary responsibility for day to day oversight of subgrantees



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➤ Life Cycle Audit Approach (Continued)

✓ Traditional Disaster Grant Audits

- During the close out/completion phase
- About 20 audits after project completion, perhaps closed
- Gauge the effectiveness of grantee and subgrantee compliance



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Questions?

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