Maximizing Your Disaster Cost Recovery

Mike Martinet, MS, CEM
U.S. Annual Disaster Losses: 1950 to 2011

Source: Munich Re
Department of Homeland Security
Office of Inspector General

The California Department of Parks and Recreation Did Not Account for or Expend $1.8 Million in FEMA Grant Funds According to Federal Regulations and FEMA Guidelines

DS-13-05
March 2013
Top 5 Audit Problems

1. Purchasing
2. Documentation
3. Ineligible work
4. Insurance
5. Project Management
Where Are We Spending Public Assistance Dollars?

2 Year Average – FFY 2011 & 2012

Cat D - Water Control Facilities

1.37
Where Are We Spending Public Assistance Dollars?

2 Year Average – FFY 2011 & 2012

- Cat D - Water Control Facilities: 1.37%
- Cat Z - State Management: 2.96%
Where Are We Spending Public Assistance Dollars?

2 Year Average – FFY 2011 & 2012

- Cat D - Water Control Facilities: 1.37%
- Cat Z - State Management: 2.96%
- Cat G - Recreation or Other: 3.12%
Where Are We Spending Public Assistance Dollars?

2 Year Average – FFY 2011 & 2012

- Cat D - Water Control Facilities: 1.37%
- Cat Z - State Management: 2.96%
- Cat G - Recreation or Other: 3.12%
- Cat A - Debris Removal: 8.19%
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- Cat D - Water Control Facilities: 1.37%
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- Cat F - Public Utilities: 17.8%
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- Cal D - Water Control Facilities: 1.37%
- Cal Z - State Management: 2.96%
- Cal G - Recreation or Other: 3.12%
- Cal A - Debris Removal: 8.19%
- Cal F - Public Utilities: 17.8%
- Cal B - Protective Measures: 18.43%
Where Are We Spending Public Assistance Dollars?

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- Cat D - Water Control Facilities: 1.37%
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- Cat F - Public Utilities: 17.8%
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- Cat E - Public Buildings: 21.4%
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- Cat C - Roads & Bridges: 26.72%
Where Are We Spending Public Assistance Dollars?

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- Cat D - Water Control Facilities: 1.37%
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Where Are We Spending Public Assistance Dollars?

2 Year Average – FFY 2011 & 2012

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cat D - Water Control Facilities</td>
<td>1.37</td>
</tr>
<tr>
<td>Cat Z - State Management</td>
<td>2.44</td>
</tr>
<tr>
<td>Cat G - Recreation or Other</td>
<td>3.12</td>
</tr>
<tr>
<td>Cat A - Debris Removal</td>
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</tr>
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<tr>
<td>Cat B - Protective Measures</td>
<td>18.43</td>
</tr>
<tr>
<td>Cat E - Public Buildings</td>
<td>21.4</td>
</tr>
<tr>
<td>Cat C - Roads &amp; Bridges</td>
<td>26.72</td>
</tr>
</tbody>
</table>
Where Are We Spending Public Assistance Dollars?

2 Year Average – FFY 2011 & 2012

79% is purchased!
Disaster Purchasing
Disaster Purchasing

We must follow our rules...
Disaster Purchasing

We must follow our rules...

AND
Disaster Purchasing

We must follow our rules…
AND
We must follow Federal rules!

Code of Federal Regulations, Title 44 Section 13.36
and
2 CFR Section 215, 220, 225, or 230
Purchasing

- Day-to-day purchasing rules
- Construction
- Consulting Services
- Equipment
- Materials & Supplies
- I.T. Purchasing
Disaster Related Purchasing

Day-to-day purchasing rules

Construction

Consulting Services

Equipment

Materials & Supplies

I.T. Purchasing

Disaster Purchasing

Exigent* Circumstances

- Must address life safety, threat to health or improved property

- Support with “sole-source” documentation; 70 hour limit, etc.

Disaster Related, Non-emergency

- Must comply with 44 CFR § 13.36
Disaster Related Purchasing

Day-to-day purchasing rules

Construction

Consulting Services

Equipment

Materials & Supplies

I.T. Purchasing

Exigent* Circumstances

Disaster Purchasing

Must address life safety, threat to health or improved property

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Disaster Related Purchasing

Exigent* Circumstances
- Must address life safety, threat to health or improved property
  - Support with “sole-source” documentation; 70 hour limit, etc.

Disaster Related, Non-emergency
- Must comply with 44 CFR § 13.36

Day-to-day purchasing rules

Construction (Permanent)

I.T. Equipment (Replacement)

Equipment (Purchases)

Equipment (Rentals)

Materials & Supplies

Debris Management

Services (Emergency Construction and Consulting)
Disaster Related Purchasing

Day-to-day purchasing rules

Construction

Consulting Services

Equipment

Materials & Supplies

I.T. Purchasing

Construction (Permanent)

I.T. Equipment (Replacement)

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Disaster Purchasing

Exigent* Circumstances

Disaster Related, Non-emergency

Must address life safety, threat to health or improved property

Support with "sole-source" documentation; 70 hour limit, etc.

Must comply with 44 CFR § 13.36
# The Dirty Dozen

## Most Common Audit Findings for Purchasing

<table>
<thead>
<tr>
<th>Qty</th>
<th>Section</th>
<th>Violation</th>
</tr>
</thead>
<tbody>
<tr>
<td>58</td>
<td>13.36 (f) (1)</td>
<td>Cost/price analysis</td>
</tr>
<tr>
<td>42</td>
<td>13.36 (c) (1)</td>
<td>Unreasonable req's</td>
</tr>
<tr>
<td>26</td>
<td>13.36 (b) (9)</td>
<td>Maintain procurement records</td>
</tr>
<tr>
<td>26</td>
<td>13.36 (d) (4) (i)</td>
<td>Sole Source purchases</td>
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<tr>
<td>25</td>
<td>13.36 (f) (4)</td>
<td>Cost plus contracts</td>
</tr>
<tr>
<td>24</td>
<td>13.36 (b) (2)</td>
<td>Contract administration system</td>
</tr>
<tr>
<td>23</td>
<td>13.36 (e)</td>
<td>Minority/women's/labor surplus firms.</td>
</tr>
<tr>
<td>22</td>
<td>13.36 (d) (4) (i) (B)</td>
<td>Lack of true emergency</td>
</tr>
<tr>
<td>21</td>
<td>13.36 (b) (10)</td>
<td>Time and material contracts</td>
</tr>
<tr>
<td>18</td>
<td>13.36 (f) (2)</td>
<td>Profit as a separate element</td>
</tr>
<tr>
<td>18</td>
<td>13.36 (i)</td>
<td>11 contract provisions</td>
</tr>
<tr>
<td>11</td>
<td>13.36 (c)</td>
<td>Open competition required</td>
</tr>
</tbody>
</table>
Take Away #1

Does my agency’s purchasing system meet Federal requirements?
Supporting Documentation

33% Failure
Take Away #2

Understand the breadth and depth of documentation requirements.
Eligibility
Ineligible Work
Ineligible Expenses Can Still Be Valuable!
Take Away #3

Understand eligibility requirements.

Avoid big surprises later.
Insurance
24% Failure
Insurance
Protecting Agency Assets
Take Away #4

Make risk management a part of our disaster cost recovery plan.
Project Management & Accounting
18% Failure
Words Are Everything
Take Away #5

Are we integrating project management and accounting into the disaster cost recovery plan?
Take Away #6

Disaster cost recovery is a team sport...

We can’t do it alone.
Disaster Cost Recovery is all about good communication, with all parties involved.
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mike_martinet@yahoo.com