



Key considerations for hurricane and disaster recovery

KPMG Government Institute

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As the full devastation and cost of hurricanes Harvey, Irma, and Maria are being assessed, these hurricanes will rank among the costliest in U.S. history. As of October 11, 2017, according to the Federal Emergency Management Agency (FEMA), over 1.09 million Texas, Florida, and Puerto Rico residents have applied for financial assistance and over \$1.8 billion in aid has been approved. On September 11, 2017, President Trump signed a law that provides over \$15 billion in supplemental appropriations to FEMA, the Small Business Administration (SBA), and the Department of Housing and Urban Development (HUD) for relief efforts. While state and local governments are currently focused on essential response needs, over the coming months, decisions will need to be made concerning the use of multiple funding sources to meet long-term recovery and rebuilding needs. The results of these decisions will be monitored for years to come throughout the rebuilding process.

KPMG LLP offers five questions for consideration as state and local government officials proceed with the recovery process.

1. Once the emergency response phase is underway and nearing completion, what is the next priority?

The emergency response phase is crucial during a natural disaster. Establishing priorities for recovery afterwards is just as critical. The first priority is to conduct a comprehensive needs assessment for the affected area. This assessment is essential to determine what types of resources are needed, where they are needed, and when to deploy resources for the greatest impact. A comprehensive assessment will help the most severely affected areas receive the most immediate and appropriate assistance. Consideration should be given to the types of damage, the economic drivers of the area affected, and the population. For

example, is the local area populated with homeowners or renters, single or multifamily housing, or insured, uninsured, or underinsured dwellings? Identify what is needed to revitalize the community in the shortest time frame, i.e., public infrastructure, bricks and mortar, or perhaps government services. Identify any barriers to recovery such as hazard or flooding mitigation requirements and affordability of insurance and utilities. This information will be part of the government's recovery plan and will serve as a road map throughout the rebuilding process.

2. What are the federal programmatic requirements to consider while developing recovery programs?

There are general, federally mandated requirements to consider with the implementation of federally funded disaster rebuilding and recovery programs. The Davis-Bacon Act applies to labor-related wages paid by private contractors for federally funded projects and monitoring for compliance with the federally identified prevailing wage rates in the area. As a large portion of recovery includes rebuilding efforts, attention should be paid to informing contractors of these requirements, monitoring for compliance, and maintaining adequate documentation. Similarly, the Stafford Act applies to all disaster assistance funding and requires, among other things, prevention of duplication of benefits. Assistance benefits to be considered when identifying duplication include any federal funds, SBA loans, and insurance proceeds. Other requirements, which may require additional time in the rebuilding process, are those associated with environmental laws and those pertaining to historical properties. Individual federal programs may also have requirements that pertain specifically to rebuilding activities. For instance, HUD has additional environmental-related requirements associated with concerns such as lead-based paint, noise, and hazardous materials.

3. What lessons have been learned from other recent similar events?

One critical lesson learned from 9/11, Hurricane Katrina, and Superstorm Sandy is the need for additional oversight of the distribution and use of public funds to reduce fraud, waste, and abuse. As referenced in the GAO report on “Expedited Assistance for Victims of Hurricanes Katrina and Rita – FEMA’s Control Weaknesses Exposed the Government to Significant Fraud and Abuse,” prevention is the most cost-efficient method for reducing fraud, waste, and abuse. Preventative controls should address the eligibility of the recipient or project, procurement processes, and vendor performance. A second critical lesson learned is to create a multifaceted team to simultaneously focus on essential response, recovery planning, and rebuilding efforts. This provides for government officials to coordinate funding sources, leverage all available resources, and operate an efficient rebuilding effort.

4. How do we address fraud, waste, and abuse?

Fraud, waste, and abuse can be mitigated through the implementation of a fraud oversight function, effective internal controls, and deterrence procedures. Proper oversight for programmatic fraud as mentioned in the GAO report may include effective controls to validate social security numbers or other identifiers for potential program beneficiaries or on-site visits to validate damage in eligible areas. Another control may include confirming that potential contractors have not been disbarred from federal participation. In addition, deterrence mechanisms should be implemented such as prosecuting those who fraudulently receive disaster assistance funds to make an example of wrongdoers. Other measures to prevent or detect fraud, waste, and abuse include setting up fraud abuse hotlines to alert appropriate officials of potential fraud in a timely manner. It is important that mechanisms are

in place to share this information among all programs as often those fraudulently applying for one program will do so for another. Two additional aspects of fraud, waste, and abuse commonly associated with disaster recovery include price gouging and contractor fraud. It is important that monitoring, public awareness, and reporting functions are in place to deter these types of exploitive crimes.

5. How can you promote transparency?

Recovery and rebuilding funds are public monies, and their use or misuse will face scrutiny for years to come. Transparency allows for state and local governments to manage the expectations of stakeholders. Considering who your stakeholders will be—citizens, residents, or small businesses with direct losses anticipating assistance; affected governments; state legislators; Congress; federal program officials; and the public in general—will help focus the need for transparent and accountable decision making and spending. Communicating the purposes of programs established, eligibility to participate, and realistic anticipated delivery dates will help to manage expectations of all those affected. Developing reporting mechanisms and controls to meet requirements of both state and federal officials will allow for efficient distribution of consistent funding and related information. Establishing monitoring protocols for both financial and programmatic requirements of your recovery or rebuilding programs will be required for federal awards received and will provide you the opportunity to identify problem areas and the potential need for program changes before Inspector General or government auditors assess or review programs months or even years later and can mitigate the possibility of future audit findings and related disallowance or clawbacks of prior funding.

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