



Working with FEMA

An Extension of What We Do

By Michael Genito

The role of the government finance officer in dealing with disasters requires preparation before the event, support and direction during the event, and a strategy for maximizing the opportunities for recovery after the event.

Whether you blame it on global warming, a large hole in the ozone layer above Antarctica, short-term meteorological weather patterns, or increasing sunspot activity, the fact remains that the last few years have brought some of the most extreme weather in history. The area where you live or work may be susceptible to one or more natural disasters such as hurricanes, tornados, floods, earthquakes, wildfires, snow and ice storms, and we are all vulnerable to man-made disasters such as chemical spills, terrorist attacks, and the like. The role of the government finance officer in dealing with disasters requires preparation before the event, support and direction during the event, and a strategy for maximizing the opportunities for recovery after the event. Thankfully, FEMA's Public Assistance Program offers a rich set of resources to assist government officials in preparing, addressing, and recovering from disasters.¹

As this article shows, working with the Federal Emergency Management Agency is merely an extension of what we already do. And in addition to FEMA resources, we have the resources of the GFOA to get the job done.

UNDERSTANDING THE FEMA PUBLIC ASSISTANCE PROCESS

First and foremost, finance officers need a clear understanding of the FEMA reimbursement process, which involves several steps:

1. A disaster event occurs.
2. Local officials conduct a preliminary damage assessment.
3. The governor requests FEMA to conduct joint preliminary damage assessments.
4. The president issues a declaration of emergency.
5. FEMA representatives hold an applicants' briefing.
6. The local government (applicant) submits a request for public assistance.
7. FEMA representatives hold a kick-off meeting with applicants.
8. Applicants formulate their projects.
9. FEMA reviews the applicants' projects.
10. FEMA approves the applicants' projects.
11. The federal government funds approved projects.
12. Applicants receive funding as grantees.

Documentation is the key throughout the entire public assistance process — documenting what existed prior to the event, what was done during the event, and what served as the evidence of eligibility through to the end point of receiving funding from FEMA. All types of documentation, including letters, memos, invoices, receiving slips, property records, photographs, maps, plans, and audio recordings, help tell

the jurisdiction's story and support its need and eligibility for reimbursement.

SIZING YOUR PROJECTS

The time and effort involved in obtaining funding may be minimized if you are able to classify the required work as a "small project," rather than a "large project" (and have FEMA approve that designation). Under the Stafford Act, FEMA must annually adjust the maximum grant amount for small projects made under section 422, Simplified Procedures, relating to the Public Assistance program, to reflect changes in the Consumer Price Index for All Urban Consumers published by the Department of Labor. The maximum grant amount allowed for a small project was recently nearly doubled to \$120,000 as a result of the Sandy Recovery Improvement Act of 2013. (See Exhibit 1 for information defining small versus large projects.)

The key advantage to a small project is that the local government receives its funding for the estimated project amount when FEMA approves the project, whether the actual costs are below or above the initial estimate. If the actual costs are below the project estimate, the local government can keep the balance of funds to spend in any way it desires. Unfortunately, the opposite is also true: the local government must absorb costs that exceed the original project estimate.

If possible, governments might want to consider dividing large projects into several small projects to expedite processing and funding streams. For instance, consider a project involving damage to a municipal building and grounds that is estimated at \$150,000, of which \$90,000 is estimated for building reconstruction and the remaining \$60,000 for reconstruction of landscaping. It would be better to break this out into two projects, one for the building and one for the grounds. FEMA representatives will help local officials in developing their project submissions.

BEFORE THE EVENT

A number of steps need to be taken before any major event. The finance officer needs to understand the jurisdiction's exposure, its risk, and the levels of governmental authority. Your financial management system must be designed to be efficient and effective, and all systems must be tested to ensure that they perform as expected.

EXPOSURE

Essentially, most of us are subject to three types of disasters: natural disasters, industrial/commercial disasters, and terrorist attacks. We are generally familiar with the most common natural disasters our communities are exposed to, but with today's changing weather patterns (and possibly changing climate patterns), we must prepare for

natural disasters that have not been common to our area. For instance, New York has always been susceptible to hurricanes, snowstorms, and coastal and riverine floods, but in recent years has seen an increase in tornados and small-magnitude earthquakes.

Many of our communities are home to major industrial and/or commercial areas, and the implementation and enforcement of modern building and safety codes has dramatically reduced the likelihood of an emergency disaster in these areas. However, accidents and intentional damages do occur, and they can have disastrous results. Major fires and explosions, chemical spills, and nuclear leaks are just some of the challenges we face.

Certainly not least is our exposure to terrorist attacks, both domestic and foreign in origin. Generally, what come to mind first are attacks on air travel and other public transportation systems. Terrorists seek to induce fear and panic by disrupting the normal flow of everyday life for as large a group of people as possible. They can attack water, wastewater, communications, and other public systems. Terrorist tactics continue to evolve, and their means of attack include chemical, biological, radiological, nuclear, and other explosive weapons, and cyber-attacks.²

RISK

The first step in evaluating your risk is to compile and review the jurisdiction's insurance policies. Whether the organization is fully insured or self-insured, your broker can assist you in developing a chart that shows what is covered, coverage limits, and deductibles or self-insured retention. You should of

Exhibit I: Small Projects versus Large Projects

	Small Project	Large Project
Project Amount (10/1/2012)	<=\$120,000	>\$120,000
Federal Cost Share Paid	Upon Project Approval	As Work Is Accomplished
Funding Based On	Initial Cost Estimate	Actual Costs or CEF

course have an inventory of insured capital assets, including the original acquisition cost or estimated value at acquisition (if donated or transferred to your government) and the estimated replacement cost. A contact list of firms, names, e-mail addresses, and telephone numbers for anyone involved in your risk management/insurance program should include insurance brokers and agents, claims adjusters, insurance consultants, and your municipal risk management staff. Finally, a user-friendly manual of policies and procedures should be available to all key personnel as to the procedures for filing claims, documentation required, and processes to be followed.

GOVERNMENTAL AUTHORITY

Key to maximizing your efforts in the application for emergency funding is an understanding that one federal agency cannot supersede the jurisdiction of another federal agency. For instance, many bridges and major roads fall under the jurisdiction of the Federal Highway Administration, either directly or through a state department of transportation. As such, any application for reimbursement would be applied for and processed through the Federal Highway Administration (or state Department of Transit), even if the damage was the result of an emergency disaster where FEMA's Public Assistance Program was activated to assist local governments. Another federal agency that may supersede FEMA in an emergency disaster (especially involving national waterways) is the Army Corps of Engineers. Your department of transportation, highways, and/or public works can often provide the information you need. Understanding which federal agency has oversight

and jurisdiction can save you significant time and effort when applying for assistance.

The list of federal agencies is extensive,³ and other state and local agencies (such as public authorities, counties, etc.) may also have oversight or jurisdiction over a local government when applying for assistance.

SETTING UP YOUR FINANCIAL SYSTEM

Many of the financial management systems currently in place were designed to facilitate reporting to management, elected/appointed officials, and state and federal government. Generally, these systems readily report both on a program level (general government, public safety, public works, recreation, etc.) and on an object of expenditure/source of funding level (salaries, benefits, materials and supplies, categories of revenue, etc.).

Most systems can be easily modified by adding a cost or activity center to the general fund, a special revenue fund, or a capital projects fund to facilitate capturing, analyzing, and reporting costs associated with emergency disasters. Finance and budget staff, as well as departments submitting payroll and claims to the finance department, should be made aware of these cost or activity centers with written policies and procedures as well as information and training sessions. The finance department should also make vendors aware and seek their cooperation. Federal and state representatives involved in the recovery process should be provided with a copy of these policies and procedures, to emphasize the fact that the local government is prepared for disasters. The financial

management system and its database should be duplicated off-site so work can continue if a disaster immobilizes or destroys the home site.

REVIEW AND TEST SYSTEMS

All of the systems in place to harden a community to disaster should be reviewed and tested periodically, at least once a year. This includes the backup and restoration of records and the functioning of both on-site and off-site systems. "Tabletop" exercises — simulated interactive exercises that help to test the capability of an organization to respond to a simulated event — should involve all departments and be conducted at least annually for the types of emergencies a community might expect to experience. (See Exhibit 2 for a diagram of the Homeland Security Exercise and Evaluation Program.) This is also a good time to review any policies, procedures, or manuals you would use when preparing for or responding to an emergency disaster.

DURING THE EVENT

A disaster in progress tests the mettle of all responders, including those who must maintain financial order amongst the chaos. All of the preparation and training prior to the event must now be put into place, and those in the finance department must make sure that all of the costs associated with the event — salaries, benefits, materials and supplies, equipment, etc., are captured appropriately and in a manner that will facilitate reporting on those costs.

While FEMA will not allow a reimbursement for volunteer time spent responding to an event, it will often allow the equivalent value in profes-

Exhibit 2: Homeland Security Exercise and Evaluation Program



sional services to count toward the local share of costs. For instance, while FEMA will not allow a reimbursement of the value of a volunteer firefighter's time, it will allow the value of that volunteer firefighter's time, in terms of the equivalent average salary and benefits paid to a career firefighter, to count towards a local government's 25 percent share of costs when calculating total reimbursement.

FEMA also reimburses for heavy equipment very specifically, to the type of equipment as identified in federal schedules and *actual* hours of run time responding to an event. For instance, there is a difference in rates between a 70 horsepower backhoe and a 90 horsepower backhoe, and you can only claim reimbursement for actual machine hours used — standby time does not count.

Invoices and contracts must be very specific and itemized as to labor and

materials. For instance, to be reimbursed for the reconstruction of a brick walk, FEMA may demand documentation showing how many bricks were used, the square footage of bricks laid, or both.

AFTER THE EVENT

After compiling all of the records, generating initial reports, and ensuring that all documentation is sufficient, a meeting should be held with departments (and vendors, if necessary) to review the materials before submitting them to FEMA. FEMA has been improving its reporting and submission processes over the years, and the process is now mostly electronic. Follow instructions on completing the necessary forms and documentation required. FEMA representatives appreciate receiving complete and accurate submissions, and such submissions increase your chances of a timely reimbursement of project costs.

GFOA BEST PRACTICE

On February 22, 2008, the GFOA Executive Board approved a best practice developed by the Committee on Accounting, Auditing and Financial Reporting, *Ensuring Adequate Documentation of Costs to Support Claims for Disaster Recovery Assistance* (available at www.gofa.org). This document identified several steps the finance department should take before, during, and after a disaster, many of which have already been cited in this article.

Before the event, finance officers should establish formal policies and procedures; train both financial and nonfinancial staff; add emergency disaster clauses to contracts; review bids and contracts to ensure they will be in effect during an emergency; maintain inventories of emergency supplies; review employee compensation policies to determine if there should be any special compensation to non-hourly employees who may have to spend continuous days responding to an event; determine the roles, if any, of non-governmental organizations (both private sector and not-for-profit) in an emergency disaster, and document pre-event conditions.

During the event, it is critical to track employees' and volunteers' hours; the use of materials and supplies, and the use of equipment and other costs (such as meals, lodging, etc.). It is also important to track and manage contractors and other organizations assisting in the response effort.

After the event, agency audits should be sought as soon as possible. Projects should be classified (small or large) to maximize benefits and should be tracked at the project detail level (detailed staff and volunteer time and

costs; detailed materials, supplies and equipment usage). Non-financial information (photos and maps, before and after the event) and correspondence (letters, memos, e-mails, transmissions, etc.) should be compiled and sorted for documentation in support of claims.

CONCLUSIONS

Working with FEMA can be both instructional and rewarding, and the process for seeking recovery of costs associated with an emergency disaster need not be onerous. As finance officers, we have all been trained and have had experience in sound accounting and financial reporting practices — the need to be prepared, the importance of establishing a practical and responsive chart of accounts and financial management system, the critical role that

sound documentation plays in verifying and supporting transactions and reported amounts, and the ever-present need to ensure that systems are duplicated and restorable if lost or destroyed.

In short, the requirements of FEMA, or for that matter, any other federal agency, regarding recoveries and reimbursements, are merely an extension of what we already do for our organizations. And as with everything else we do as government finance officers, the GFOA provides its best practices and advisories, and other resources we need to do our job to the best of our ability. ■

Notes

1. "Public Assistance: Local, State, Tribal and Non-Profit," Federal Emergency Management Agency, <http://www.fema.gov/public-assistance-local-state-tribal-and-non-profit>.

2. "Preventing Terrorism Overview," Department of Homeland Security, <http://www.dhs.gov/topic/preventing-terrorism-overview>.
3. See <http://www.usa.gov/directory/federal/index.shtml>.

MICHAEL A. GENITO is the commissioner of finance for the City of White Plains, New York. He has served as a member of the GFOA's Executive Board and as chair of the GFOA's Committee on Accounting, Auditing, and Financial Reporting, and is a reviewer in the GFOA's Certificate of Achievement for Excellence in Financial Reporting program, the GFOA's Distinguished Budget Presentation Award program, and the GFOA's Popular Annual Financial Reports program. Genito was among the first to receive the GFOA's Certified Public Finance Officer designation and is a regular presenter at GFOA annual conferences.

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