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Fingers Point as FEMA Responds to Housing Finance Authority's Criticism: USVI Faced 'Challenges' Attempting to Manage Federal Funds

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Damage from Hurricane Maria in 2017 on St. Croix. By. IRENE ALI

The Federal Emergency Management Agency has responded to criticism that it was slow in responding to the territory's needs following Hurricanes Irma and Maria in 2017, and that it underfunded the Sheltering & Temporary Essential Power (STEP) program. The criticism [was levied](#) by the V.I. Housing Finance Authority following an audit report performed by the Dept. of Homeland Security, Office of the Inspector General and published by the Consortium Monday. The audit found that V.I.H.F.A. [mismanaged federal funds](#) leading to \$296 million in cost overruns.

"With regards to cost overruns mentioned in the report, FEMA originally estimated an approximate cost of \$600 million for the STEP program. However, FEMA only obligated \$222 million, leaving an almost \$300 million shortfall in the actual cost. By its own estimates, FEMA only partially funded the projects, but the OIG report castigated V.I.H.F.A. for overruns," V.I.H.F.A. said in a statement late Monday.

FEMA, however, sought to clear itself from blame, and said it agreed with the O.I.G.'s findings that the territory indeed struggled to manage federal dollars, leading to a number of problems, among them cost overruns, potential conflict of interest scenarios with contracts, and an insufficient financial system "to verify completeness of costs on a project-by-project basis, or enough staff to adequately manage FEMA funding," among other issues.

The activities of the V.I. Housing Finance Authority, which administers the \$766 million Sheltering & Temporary Essential Power (STEP) Program, was the main focus of the audit, as a great portion of FEMA funding related to Hurricanes Irma and Maria is managed through V.I.H.F.A.

Along with the lack of a sufficient financial system, according to the audit, V.I.H.F.A. did not have:

- Sufficient oversight of contractors and subcontractors and any requirement for supporting documentation for all costs incurred
- Policies and procedures to ensure accurate recording of management costs
- Adequate procurement policies, procedures, and business practices to comply with Federal procurement regulations

FEMA responds

In a statement provided to the Consortium Tuesday, FEMA said it "agrees with the challenges the U.S. Virgin Islands government faced in the aftermath of hurricanes Irma and Maria cited in the OIG's audit. These included developing policies and procedures for managing federal funds, while also implementing programs to address the severe damage to homes and a lack of sheltering options."

The agency said in the statement that throughout the duration of the STEP program, it collaborated with the territory, including V.I.H.F.A., and at times, its contractors. "As such, FEMA regularly addressed issues such as questionable work, eligibility of registrants, line items, reasonableness of cost, and complaints received by homeowners and residents," the federal agency said.

Additionally, FEMA said it has been "responsive and flexible regarding STEP program policy changes requested by territorial officials to improve the program's capacity to meet the unique geographic and economic challenges to completing home repairs in the Virgin Islands."

Program amendments have included:

- Extending deadlines to complete repairs from six months to 19 months
- Extending the time FEMA will pay 100 percent of eligible STEP program costs by 120 days
- Raising the cap on the cost of repairs per home from \$20,000 to \$25,000
- Giving the FEMA federal coordinating officer flexibility to waive the \$25,000 cap on a case-by-case basis.

"As of today, \$511 million in funding has been obligated to the Territory for the STEP program. Funds are made available to the Territory upon receipt of appropriate documentation that demonstrates costs are allowable, eligible and reasonable. FEMA is working as expeditiously as possible to review documentation as the territory submits it," FEMA said.

FEMA also reminded that it obligates funds on a reimbursement basis for all projects — including the STEP program — which means the government must first pay the bill and be reimbursed by FEMA thereafter. "FEMA does not directly pay sub-recipients or its contractors. The territory manages the distribution of funds to the sub-recipient. For the STEP program the sub-recipient is the Virgin Island Housing and Finance Authority," the statement said.