



TEXAS GENERAL LAND OFFICE  
GEORGE P. BUSH, COMMISSIONER

**REPORT ON THE AUDIT OF THE  
PROGRAM VENDOR MANAGEMENT FOR  
FEMA INDIVIDUAL ASSISTANCE PROGRAMS**

August 2020

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## **OVERALL CONCLUSION**

The General Land Office's Community Development and Revitalization (GLO-CDR) program has established policies and Standard Operating Guidelines (SOG) to govern the monitoring of third-party operations of the Direct Assistance for Limited Home Repair (DALHR) and Temporary Housing Programs. Each program generally provided reasonable assurance of compliance with federal and state laws and regulations, as well as with agency contract management and vendor monitoring policies.

While there are controls in place, the audit identified certain gaps in policies and procedures that contributed to control weaknesses in both the design and effectiveness of operations. Specifically, the areas identified and discussed are associated with:

1. Ensuring contractual agreements include necessary terms and conditions for the Safeguarding of Personal Identifiable Information (PII) and Data Governance.
2. Revising policies and procedures to document critical vendor management processes.
3. Revising procedures to enable the identification and analysis of substantive changes to contracts and agreements.
4. Revising contracts to include monitoring activities and performance reporting for subcontractors.
5. Establishing metrics for monitoring contract costs.
6. Reviewing and revising risk criteria used to identify contracts to be included in the annual contract monitoring plan.

During the audit, there were additional areas of consideration identified as opportunities for improvement, in which the agency could strengthen its internal controls associated with vendor management processes but were not deemed as significant. These areas were presented to management in a separate communication.

## **MANAGEMENT'S SUMMARY RESPONSE**

*The Texas General Land Office's Community Development and Revitalization, Contract Management, and Enterprise Technology Solutions (ETS), generally concurs with the recommendations, particularly with recommendations that will enhance program operations.*

*The FEMA Individual Assistance (IA) pilot program was quickly and aggressively developed and implemented by GLO-CDR with little to no precedence or established guidance from FEMA. The result*

*was a program that required agility and quick responsiveness when direction was provided by FEMA, as challenges were identified, and services were provided to applicants impacted by Hurricane Harvey. Cognizant that the FEMA IA program was being developed, implemented, and administered at times simultaneously, the recommendations noted in this report will be incorporated into the current program where still possible.*

*The program is in the pre-closeout phase with the program ending on August 25, 2020, and the administrative contract closeout of the Inter-governmental Service Agreement (IGSA) expected in November 2020; therefore, our responses take into consideration the cost-benefit of implementing the recommendations within current program functions or incorporating them into the Lessons Learned document. The Lessons Learned document includes best practices, improvements, and modifications identified throughout the lifecycle of the IA programs. The intended objective was to create a program manual that can be easily deployed in the event the GLO-CDR should receive funds to administer future IA programs. The recommendations in this report will be used to strengthen the processes, procedures, and functions to minimize weaknesses in the program control environment.*

The “Detailed Results” section of this report contains management’s response to each observation.

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## ACKNOWLEDGEMENTS

The GLO-CDR program, Contract Management, and Enterprise Technology Solutions divisions are to be commended for their commitment to serving the people of Texas through their tireless efforts in the administration and monitoring of the disaster recovery efforts. We appreciate the assistance and cooperation provided to us by the management and staff of these areas during this audit.

For questions about this report, please contact DeQuincy Adamson at (512) 463-8142, or me at (512) 463-6078.



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Tracey Hall, CPA, CISA  
Chief Auditor of Internal Audit

August 31, 2020  
Date

## OBJECTIVES

The General Land Office's (GLO), Office of Internal Audit conducted a co-sourced audit risk assessment, in coordination with Ernst & Young (EY), related to the GLO's administration of Hurricane Harvey recovery programs including the short-term direct housing recovery program governed by the Inter-Governmental Service Agreement (IGSA) between the GLO and the Federal Emergency Management Agency (FEMA). The IGSA was designed to establish an agreement between FEMA and the GLO for the provision of direct housing assistance to individuals and households displaced from their pre-disaster residences. As a result of this risk assessment, the Vendor Management of the Individual Assistance programs administered by the GLO was identified as an area of potential risk. The Individual Assistance programs included in the scope of this audit were the Direct Assistance for Limited Home Repair (DALHR) and the Manufactured Housing Units and Recreational Vehicles (MHU/RV) programs.

The objective of this audit was to evaluate the policies, procedures, and controls of the current framework of the GLO's management of vendors contracted to support the GLO in administering and monitoring the execution of the Individual Assistance programs (DALHR and MHU/RV) in accordance with the IGSA.

## SCOPE & METHODOLOGY

The scope of the audit consisted of reviewing and evaluating information and documents associated with vendor management of the FEMA individual assistance programs (DALHR and MHU/RV) from September 1, 2017 through June 30, 2019.

To accomplish the objective, auditors:

- Evaluated GLO's end-to-end vendor management process through the review of existing policies, procedures, and interviews with staff to identify gaps, risk exposures and improvement opportunities
- Performed data analytics on population data, where applicable, to identify potential exceptions, trends, or continuous monitoring opportunities
- Performed sample testing based on assessment of high-risk areas to evaluate the operating effectiveness of controls
- Evaluated IT systems and controls associated with vendor management to evaluate the effectiveness of the existing technology and systems landscape

The audit was conducted in accordance with *Government Auditing Standards* and *International Standards for the Professional Practice of Internal Auditing*. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## BACKGROUND INFORMATION

On August 25, 2017, the President declared major disaster DR-4332 (Hurricane Harvey) for the State of Texas (State) pursuant to his authority under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.). This declaration authorized FEMA to provide financial assistance and direct services, under Section 408 of the Stafford Act, to individuals and households “who, as a direct result of a major disaster, have necessary expenses and serious needs in cases in which the individuals and households are unable to meet such expenses or needs through other means,” such as insurance.

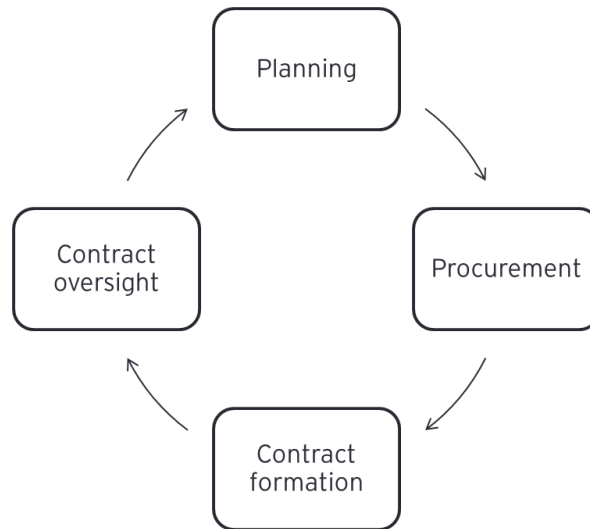
FEMA partnered with the State in a pilot program to enable the State to execute its short-term housing programs. The State designated the Texas General Land Office (GLO) as the lead state agency for this pilot program. On September 22, 2017, the GLO and FEMA entered into an Intergovernmental Service Agreement (IGSA) for the provision of direct housing assistance for Hurricane Harvey. The GLO has contracted with various entities to assist in its administration of the recovery programs including providing Manufactured Housing Units (MHUs) and Recreational Vehicles (RVs) to impacted citizens, conducting activities for the Direct Assistance for Limited Home Repairs (DALHR) program, project management, and other professional services.

To respond to the demand required to execute the Temporary Housing and DALHR programs, the GLO entered into 139 (63: Temp. Housing; 76: DALHR) work-order-driven contracts with builders for housing repairs, professional services firms and Interlocal Agreements with subrecipients or Councils of Government (COGs) for the provision of direct household assistance. The following table provides a summary of work-order-driven contracts by service type:

Service Type	Program	
	Temp. Housing	DALHR
Program Administration/Implementation  <u>Temp. Housing:</u> Supply and delivery of MHUs; transportation, installation, and maintenance of MHUs and RVs; deactivation of temporary housing. <u>DALHR:</u> Residential construction repair and case management services	20	33
Interlocal Agreements	7	7
General Program Services (comprehensive program services, including financial, grant administration, housing programmatic, planning, monitoring and oversight, and project management duties)	36	36
<b>Totals:</b>	<b>63</b>	<b>76</b>

## OVERVIEW OF THE GLO VENDOR MANAGEMENT PROCESS

The following graphic outlines the four categories of the vendor management lifecycle according to the GLO Contract Management Handbook: (1) Planning, (2) Procurement, (3) Contract formation and (4) Contract oversight.



The planning, procurement, and contract formation categories of the vendor management lifecycle were excluded from the scope of this audit and focused solely on Contract oversight activities for the FEMA individual assistance programs.

The GLO uses the following applications to assist in the end-to-end vendor management processes:

- Contract Lifecycle Management (CLM),
- CarbonCM