

GAO Highlights

Highlights of [GAO-14-160](#), a report to the Senate Committee on Banking, Housing, and Urban Affairs, and House Committee on Financial Services

Why GAO Did This Study

In operating NFIP, FEMA spends hundreds of millions of dollars annually on contractors that perform critical functions. The Biggert-Waters Flood Insurance Reform Act of 2012 mandates GAO to review the three largest contractors used in administering NFIP. In prior reports, GAO found problems with FEMA's oversight of contractors responsible for performing key NFIP functions. This report examines (1) FEMA's progress in updating its process for monitoring NFIP contractors since GAO's prior reports, and (2) the extent to which FEMA followed its monitoring process for the largest NFIP contractors. To address these objectives, GAO analyzed FEMA data on funds obligated to contractors from fiscal years 2008 through to 2012, reviewed information from FEMA on contract management policies and procedures, and assessed data covering fiscal years 2011 to 2013 on the implementation of these policies and procedures as they pertained to the three largest contractors. GAO also interviewed FEMA contracting staff and contractors.

What GAO Recommends

To improve monitoring and reporting of contractor performance, we are recommending that FEMA (1) determine the extent to which quality assurance surveillance plans and CPARS assessments have not been prepared, (2) identify the reasons why, and (3) take steps, as needed, to address those reasons. FEMA concurred with GAO's recommendations.

View [GAO-14-160](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or garciadiazd@gao.gov

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NATIONAL FLOOD INSURANCE PROGRAM

Progress Made on Contract Management, but Monitoring and Reporting Could Be Improved

What GAO Found

The Federal Emergency Management Agency (FEMA) has made progress in improving its processes for monitoring NFIP contracts since GAO last reported on these issues in 2008 and 2011. For example, GAO recommended in 2011 that FEMA complete the development and implementation of its revised acquisition process to be consistent with a Department of Homeland Security (DHS) directive. FEMA updated its contract management guidance and revised its handbook for contracting officer's representatives to be consistent with DHS directives. The updated handbook also contained many of the elements identified in a federal guide to best practices for contract administration. Furthermore, the FEMA division that manages the National Flood Insurance Program (NFIP) developed a contract management reference guide that followed FEMA's handbook and federal best practices guidance.

With some exceptions, FEMA largely followed its contract monitoring procedures for the three largest NFIP contractors GAO reviewed. For example, FEMA ensured that relevant staff overseeing selected contracts received appropriate training. Also, FEMA periodically compared and analyzed actual performance data against goals for each of the three contracts through operating reports, which would allow management to review the status of deliverables and milestones and be aware of inaccuracies or exceptions that could indicate internal control problems. However, FEMA did not develop a quality assurance surveillance plan for one of the contractors—a best practice and a key requirement identified in regulations and guidance. In 2010 and 2011, FEMA identified persistent issues with the contractor's deliverables, including quality and timeliness, and faced challenges in resolving those issues, which might have been avoidable if a quality assurance surveillance plan had been developed and used. FEMA officials stated that they are considering options to ensure that the plans are in place for future contracts, but did not provide specifics on those options or when they plan to implement them. Without detailed quality assurance surveillance plans, the expectations of the agency and the contractor can be misaligned during performance evaluations. Separately, for two of the contracts FEMA staff did not enter performance evaluations in the Contractor Performance Assessment Reporting System (CPARS), a database DHS uses to record assessments of performance of government contractors. Federal and DHS regulations and FEMA contract management guidance require entry of contract performance information in CPARS within certain time frames. By not reporting such information, FEMA disadvantaged the contractors and the government by not providing data that could be used in evaluating the contractors for future contract awards. For instance, receiving a positive CPARS assessment can enhance a contractor's reputation when bidding on future contracts, and as such, the assessments provide an incentive for the contractor to perform as expected. FEMA officials have acknowledged the issue. By determining the extent to which performance evaluations have not been entered into CPARS for its contracts, identifying the reasons why, and addressing those reasons, as needed, FEMA can help ensure that its—and other agencies'—contracting decisions and management draw on complete, relevant, and timely performance information.