

April 2006

HURRICANE KATRINA

Comprehensive Policies and Procedures Are Needed to Ensure Appropriate Use of and Accountability for International Assistance



G A O

Accountability * Integrity * Reliability



Highlights of [GAO-06-460](#), a report to congressional committees

Why GAO Did This Study

In response to Hurricane Katrina, countries and organizations donated to the United States government cash and in-kind donations, including foreign military assistance. The National Response Plan establishes that the Department of State (DOS) is the coordinator of all offers of international assistance. The Federal Emergency Management Agency (FEMA) within the Department of Homeland Security (DHS) is responsible for accepting the assistance and coordinating its distribution. In light of widespread congressional and public interest in U.S. agencies' accountability in receiving and distributing assistance to hurricane victims, this report is one of several initiated under the authority of the Comptroller General to review the federal government's response to Hurricane Katrina. It examines (1) the amount and use of internationally donated cash, and (2) the extent to which federal agencies have adequate policies and procedures to ensure proper accountability for the acceptance and distribution of that assistance.

What GAO Recommends

GAO makes recommendations designed to improve the policies, procedures, planning, and oversight of international cash and in-kind donations to the U.S. government in response to disasters. DOD and DHS generally agreed with GAO's recommendations and cited actions being taken.

www.gao.gov/cgi-bin/getrpt?GAO-06-460.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Davi M. D'Agostino, (202) 512-5431, or McCoy Williams, (202) 512-9095.

HURRICANE KATRINA

Comprehensive Policies and Procedures Are Needed to Ensure Appropriate Use of and Accountability for International Assistance

What GAO Found

Because the U.S. government had not received such substantial amounts of international disaster assistance before, ad hoc procedures were developed to accept, receive and distribute the cash and in-kind assistance. Understandably, not all procedures would be in place at the outset to provide a higher level of accountability. The Administration recognized the need for improvement in its recent report on lessons learned from Hurricane Katrina.

GAO was able to track the cash donations received to designated U.S. Treasury accounts or disbursed. In the absence of policies, procedures, and plans, DOS developed an ad hoc process to manage \$126 million in foreign cash donations to the U.S. government for Hurricane Katrina relief efforts. As cash donations arrived, a National Security Council (NSC)-led interagency working group was convened to make policy decisions about the use of the funds. FEMA officials told GAO they had identified and presented to the working group a number of items that the donated funds could be spent on. The NSC-led interagency working group determined that use of those donated funds, once accepted by FEMA under the Stafford Act, would be more limited than the wider range of possible uses available if the funds were held and then accepted under the gift authorities of other agencies. In October 2005, \$66 million of the donated funds were spent on a FEMA case management grant, and as of March 16, 2006, \$60 million remained undistributed in the DOS-designated account at the Treasury that did not pay interest. Treasury may pay interest on funds accepted by FEMA under the Stafford Act. According to DOS, an additional \$400 million in international cash donations could arrive. It is important that cash management policies and spending plan options are considered and in place to deal with the forthcoming donations so that the purchasing power of the donated cash is maintained for relief and reconstruction.

FEMA and other agencies did not have policies and procedures in place to ensure the proper acceptance and distribution of in-kind assistance donated by foreign countries and militaries. In-kind donations included food and clothing. FEMA and other agencies established ad hoc procedures. However, in the distribution of the assistance to FEMA sites, GAO found that no agency tracked and confirmed that the assistance arrived at their destinations. Also, lack of procedures, inadequate information up front about the donations, and insufficient coordination resulted in the U.S. government agreeing to receive food and medical items that were unsuitable for use in the United States and storage costs of about \$80,000. The procedures also allowed confusion about which agency was to accept and provide oversight of foreign military donations. DOD's lack of internal guidance regarding the DOS coordinating process resulted in some foreign military donations that arrived without DOS, FEMA, or DOD oversight.

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Abbreviations

CBP	U.S. Customs and Border Protection
DOD	Department of Defense
DHS	Department of Homeland Security
DOS	Department of State
FDA	Federal Drug Administration
FEMA	Federal Emergency Management Agency
NRP	National Response Plan
NSC	National Security Council
OFDA	Office of Foreign Disaster Assistance
USAID	United States Agency for International Development
USDA	United States Department of Agriculture

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Congressional Committees

Hurricane Katrina struck in August 2005, devastating the Gulf coast of the United States, causing billions of dollars in damage, and dislocating thousands of residents. Government at all levels—local, state, and federal—struggled to respond to the magnitude of the event. As the storm’s devastation and destruction were viewed around the world, many foreign countries offered both cash and in-kind donations, including foreign military donations to the United States.¹ For the first time in its history, the U.S. government welcomed international offers of assistance to this degree.

The framework for managing domestic events is the National Response Plan (NRP).² The NRP establishes that the Department of State (DOS) is the coordinator of all offers of international assistance. In the aftermath of the hurricane, Federal Emergency Management Agency (FEMA) officials told us that they convened an interagency meeting to determine how the international assistance would be managed. Shortly after this meeting the DOS created a Hurricane Katrina Task Force. Through the task force, DOS provided information about the offers to the FEMA, within the Department of Homeland Security (DHS), and DOS communicated with the countries offering assistance regarding what items would be accepted by the U.S. government.³ FEMA utilized the Stafford Act⁴ to accept some of the assistance. FEMA was responsible for coordinating the distribution of the international assistance and ensuring that it was distributed as intended. In carrying out these responsibilities, FEMA requested support from other federal agencies, using a process known as mission assignment. In the

¹In-kind donations are non-cash items such as food, clothing, blankets, and tents that were donated by foreign countries to the U.S. government. Foreign military donations came directly from foreign militaries to the United States and included such items as the use of amphibious ships, divers, and pumps.

²The NRP assigns various agencies with lead roles and supporting roles during a disaster. The role that an agency would play depends on the nature of the disaster.

³Not all offers of assistance were accepted by the U.S. government. For example, one country made an offer of cash that the United States did not accept, due to ongoing U.S. sanctions against that country.

⁴Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. §§ 5121-5206 (2000); see § 5201 (b).

aftermath of Hurricane Katrina, FEMA requested that the Office of Foreign Disaster Assistance (OFDA), an organization within the U.S. Agency for International Development (USAID), manage all logistics/operations support to coordinate the international in-kind assistance for FEMA. DOD was involved in the receipt of foreign military donations.

The National Security Council (NSC) also had a role to play in the federal response to the hurricane. In the NRP section that discusses the principal organizational elements, issues that require policy adjudication or that fall outside the Secretary of Homeland Security's areas of authority—as defined by the Homeland Security Act,⁵ the Stafford Act, and other relevant statutes, Executive Orders, and directives—are elevated for resolution through the Homeland Security Council and the NSC system. In the case of Hurricane Katrina, the NSC convened an interagency working group to decide how the donated funds would be used.

FEMA had responsibility to safeguard the international assistance and to ensure that it was used as intended. In other words, FEMA was accountable to ensure that offers of assistance were acceptable for consumption and use and, if so, were properly received and distributed. Additionally in our opinion, when FEMA asks other agencies for assistance through its mission assignment process, FEMA is to maintain adequate oversight of the agencies' management of the assistance, particularly since FEMA will reimburse the agencies for providing assistance. The countries that provided the United States with assistance did not stipulate specific uses for their donations. Nevertheless, the United States often stipulates conditions regarding how the assistance we provide to foreign countries should be used, and for Hurricane Katrina DOS recognized that it had a responsibility to maintain accountability and transparency with regard to the use of the cash donations.

In light of widespread congressional and public interest in U.S. agencies' accountability in receiving and distributing assistance to hurricane victims, this report is one of several to review the events and aftermath surrounding Hurricane Katrina initiated under the statutory authority provided to the Comptroller General of the United States. Our objectives were to determine (1) the amount of cash that was donated by foreign countries, and the extent to which it had been used to assist in the relief efforts, and (2) the extent to which those federal agencies with responsibilities

⁵Homeland Security Act of 2002, Pub. L. No. 107-296 (2002).

regarding the international assistance offered to the United States had policies and procedures in place to ensure the appropriate accountability for the acceptance and distribution of in-kind donations, including foreign military donations.

To achieve these objectives, we reviewed legislation and other guidance, including the NRP, and met with key officials from DOS, DHS, DOD, USAID, Department of Treasury (Treasury), U.S. Department of Agriculture (USDA), and Food and Drug Administration (FDA) within the Department of Health and Human Services. In addition, we collected and reviewed relevant data, including lists of items offered and received, and letters of acceptance from the agencies. We determined that the data used were sufficiently reliable for the purposes of this report. We conducted our review from October 2005 through February 2006 in accordance with U.S. generally accepted government auditing standards. For additional details on our scope and methodology, see appendix I.

Results in Brief

The U.S. government had never before received such large amounts of international disaster assistance, and ad hoc procedures were developed to manage the acceptance and distribution of the assistance. It is understandable that not all procedures would be in place at the outset to ensure full accountability of the assistance. We were able to track the funds received and disbursed to those held in designated U.S. Treasury accounts. In the absence of policies, procedures, and plans, DOS developed an ad hoc process to manage the cash donations flowing to the U.S. government from other countries to assist in Hurricane Katrina relief efforts. Through this process, \$126 million was donated to the U.S. government from 36 foreign countries and international organizations without restrictions, which DOS recorded in a designated account at the U.S. Treasury to hold the funds. FEMA had identified an account that earned interest in which to accept and hold the international cash donations. However, as cash donations arrived, an NSC-led interagency working group was convened to make policy decisions about the use of the funds.⁶ FEMA officials told us they had identified and presented to the working group a number of items that the donated funds could be spent on. The NSC-led interagency working group determined that use of those donated funds, once accepted by FEMA under

⁶The working group included representatives from DOS, FEMA, DHS, NSC, and the Office of Management and Budget. Treasury officials also told us they participated in the group's initial meeting.

the Stafford Act, would be more limited than the wider range of possible uses available if the funds were held until their ultimate use was determined and accepted under the gift authorities of other agencies. By September 21, about \$115 million had been received. In October 2005, \$66 million of the donated funds were accepted by FEMA under the Stafford Act and spent on a case management grant to provide case workers to help 100,000 households affected by Hurricane Katrina identify their needs and direct them to available assistance. As of March 16, 2006, \$60 million remained undistributed in the DOS designated account at the Treasury that does not pay interest.⁷ As explained below, Treasury can pay interest on funds accepted by FEMA under the Stafford Act. Because Treasury did not have statutory authority to pay interest on the funds held in the DOS account, the purchasing power of those funds held in that account have diminished due to inflation. Although it is understandable that procedures were not in place at the outset, given that an additional \$400 million or more in potential international donations are outstanding and could materialize, it is important that cash management policies and plans be put in place to deal with the forthcoming donation so that the purchasing power of the donated cash is maintained.

FEMA, OFDA, and DOD lacked sufficient policies and procedures prior to this disaster to adequately ensure the acceptance and distribution of in-kind donations, which includes such things as food, blankets, medical items, and foreign military donations such as ships and diving teams. This lack of guidance, as well as inadequate information up front about the nature and content of foreign offers of in-kind assistance, and insufficient advance coordination before items entered the United States resulted in food and medical items, such as Meals Ready to Eat (MREs) and medical supplies, that arrived and did not meet USDA or FDA standards and thus could not be distributed in the United States. That said, these agencies created ad hoc policies and procedures to reasonably account for the assistance in most cases. For example, although FEMA requested that USAID/OFDA manage the receipt and distribution of the international assistance that arrived in the United States, the ad hoc procedures did not include confirmation of receipt of the donated goods at FEMA distribution sites. USAID/OFDA's mission is to deliver assistance in foreign countries and thus it did not have guidance on how to deliver assistance in the United

⁷On March 16, 2006, DOS and the Department of Education signed a Memorandum of Agreement regarding the use of \$60 million of the international cash donations. We did not review the details of this agreement.

States. Nevertheless, we found that USAID/OFDA recorded the type and amount of assistance as it arrived, and it reasonably accounted for the assistance, particularly given the lack of information on the manifests and the large quantity of goods arriving within a short time. However, we noted the ad hoc procedures did not include internal controls that would have provided more agency oversight and assurance that the assistance was used as intended. Neither agency had a system to track the assistance and confirm its arrival at those sites. Thus, FEMA could not provide us evidence that it had determined or confirmed that the assistance arrived at these sites. According to *Standards for Internal Control in the Federal Government*, policies and procedures help provide this oversight and are necessary to manage agency activities. These policies and procedures were lacking because the agencies did not anticipate that the United States would be receiving this assistance. Further, FEMA's initial list of items that could be used was not specific and DOS did not respond to FEMA's requests for more specific information about the foreign offers. As a result, the U.S. government received food and medical assistance, MREs and medical supplies, that did not meet USDA or FDA standards and thus could not be distributed and had to be stored. In addition to the storage fees of about \$80,000 consequently incurred, there are diplomatic ramifications for rejecting foreign countries' donations after their arrival. For receiving foreign military donations for disaster relief, DOS established a process to coordinate with FEMA and DOD. FEMA and DOD apparently each assumed the other agency had accepted these donations under their respective gift authorities; however it is unclear whether either agency did so. As a result, even for the foreign military donations that were vetted through the DOS process, it is unclear whether either agency accepted these donations or maintained oversight of these donations and knew how they were eventually used. In addition, while some foreign military donations were coordinated through DOS, we learned that in other cases, some foreign military donations—we were unable to determine the amount—arrived directly at a military base without being coordinated through DOS. This occurred in part because DOD lacked internal policies and procedures for managing foreign military donations intended for use in the United States. For foreign military shipments that were not vetted through the task force, DOS, FEMA, and DOD officials could not provide us with information regarding the amount or type of foreign military donations received, and as a result, we were not able to confirm that they were used as intended.

Officials from DOS, FEMA, and DOD acknowledged the need for delineated policies and procedures to manage international assistance in the event

that the United States receives international assistance in the future. As called for by *The Federal Response To Hurricane Katrina: Lessons Learned*,⁸ officials from DOS, FEMA, and DOD told us that by June 1, 2006, they will provide policies and procedures for managing international assistance to the Homeland Security Council. We make six recommendations that focus on specific areas for agencies with a role in international assistance to develop in the National Response Plan or other appropriate plan. Our recommendations complement the administration's recommendations, but are more specific in some areas such as the management of cash donations. In commenting on a draft of this report, DOD and DHS generally agreed with our recommendations, while DOS and Treasury did not comment on the recommendations. We received technical comments from DOS, DOD, USAID/OFDA, FEMA, FDA, and USDA, which we incorporated as appropriate.

Background

Historically, governments worldwide—including that of the United States—have provided areas stricken by major disasters with aid in the recovery process. Unlike many other countries, the U.S. government has previously neither asked for nor accepted disaster assistance directly from foreign countries, choosing instead to direct offers of assistance to nongovernmental organizations such as the Red Cross. However, on August 29, 2005, Hurricane Katrina struck the coasts of Louisiana, Mississippi, and Alabama, causing billions of dollars in damage, and 3 days afterward the federal government, through the DOS announced worldwide assistance would be accepted. As of December 31, 2005, 76 countries and international organizations, such as UNICEF, donated \$126 million in cash to the U.S. government; various types of in-kind donations, such as food, clothing, and blankets; and foreign military goods and services, such as the use of ships and diving teams. Seven countries donated both cash and in-kind items.

There are several federal legislative and executive provisions that support preparation for and response to emergency situations. The Robert T. Stafford Disaster Relief and Emergency Assistance Act (the Stafford Act)⁹ primarily establishes the programs and processes for the federal

⁸The White House, *The Federal Response To Hurricane Katrina: Lessons Learned* (Washington, D.C.: Feb. 23, 2006).

⁹42 U.S.C. §§ 5121-5206.

government to provide major disaster and emergency assistance to states, local governments, tribal nations, individuals, and qualified private nonprofit organizations. FEMA has responsibility for administering the provisions of the Stafford Act.

When and if natural disasters or terrorist attacks occur within the United States, the National Response Plan (NRP), released in December 2004 by DHS, provides federal agencies with a framework to coordinate federal support to states and localities in need. The NRP works on a tiered request system, according to which requests for assistance flow from localities to states to the federal government when or if local and state resources are exhausted. However, under the NRP, the federal government—DHS—can in certain cases declare a catastrophic incident and provide assistance without waiting for requests for assistance. According to the NRP, as events occur and shortcomings are identified, FEMA is responsible for updating the plan. In the NRP section that discusses the principal organizational elements, issues that require policy adjudication or that fall outside the Secretary of Homeland Security's areas of authority—as defined by the Homeland Security Act,¹⁰ the Stafford Act, and other relevant statutes, Executive Orders, and directives—are elevated for resolution through the Homeland Security Council¹¹ and the National Security Council system. In the case of Hurricane Katrina, the NSC led an interagency working group to decide how the donated funds would be used.

The Stafford Act also provides the President or his delegate with the authority to accept and use gifts or donations in furtherance of the purposes of the Stafford Act.¹² FEMA, as the President's delegate, utilized this provision to accept international in-kind donations for the Hurricane Katrina recovery efforts. FEMA, through its mission assignments to other agencies, directed the use of the assistance to response efforts. Various other agencies have gift authorities, including DOS and DOD. However, an agency's gift authority typically restricts the acceptance of gifts or donations to those activities that are within the accepting agency's mission.

¹⁰Homeland Security Act of 2002, Pub. L. No. 107-296 (2002).

¹¹The Homeland Security Council ensures the coordination of all homeland security-related activities among executive departments and agencies and promotes the effective development and implementation of all homeland security policies.

¹²42 U.S.C. § 5201(b).

For the purposes of Hurricane Katrina, FEMA—through the Stafford Act—accepted donations for the response and recovery efforts.

Pursuant to Homeland Security Presidential Directive 5, the Secretary of Homeland Security is the principal federal official for domestic incident management, and the Secretary of State is charged with the responsibility to coordinate international activities related to the prevention, preparation, response, and recovery from a domestic incident within the United States.¹³ Further, the Secretary of State and Secretary of Homeland Security are to establish appropriate relationships and mechanisms for cooperation and coordination between their two departments. In the case of Hurricane Katrina, DOS, through a Hurricane Katrina Task Force, coordinated the acceptance of foreign monetary and nonmonetary assistance on behalf of the U.S. government and DHS (FEMA), respectively. The Task Force consisted of representatives from DOS and USAID/OFDA.

The NRP designates 15 Emergency Support Functions that identify specific disaster responses and the organizations that have significant roles in responding to the disasters. Two key annexes apply to international disaster assistance. The International Coordination Support annex provides guidance on carrying out responsibilities for international coordination in support of the government's response to an Incident of National Significance. Under this annex, DOS is charged with coordinating requests for foreign assistance based on needs conveyed by DHS or other federal agencies. DOS facilitates communication with foreign governments on behalf of the United States that can assist and/or support response, mitigation, and recovery efforts and acts as an intermediary for requests and foreign offers of assistance to the U.S. government. The NRP also includes a Financial Management Annex. This annex requires federal agencies to use proper federal financial principles, policies, and regulations, and management controls to ensure proper accountability of funds. To safeguard the assets, agencies can use the Comptroller General's *Standards for Internal Controls in the Federal Government*.¹⁴ These standards provide federal agencies with the framework necessary to establish internal controls and thus safeguard and monitor assets and inventory to prevent waste, loss, or unauthorized use.

¹³Homeland Security Presidential Directive 5, "Management of Domestic Incidents" (February 2003).

¹⁴GAO, *Standards for Internal Controls in the Federal Government*, GAO/AIMD 00-21.3.1 (Washington, D.C.: November 1999).

USDA and FDA were also involved in the Hurricane Katrina relief effort. USDA is responsible for regulating the importation of animals and animal-derived materials to ensure that exotic animal and poultry diseases are not introduced into the United States, as well as to ensure that imported meat, poultry, or egg products are fit for human consumption.¹⁵ FDA regulates the importation of foods (except for certain meats and poultry products), drugs (human, animal, and biological), cosmetics, medical devices and radiation emitting devices, as defined in the Federal Food, Drug, and Cosmetic Act.¹⁶ For conventional operations, USDA and FDA are notified by U.S. Customs and Border Protection (CBP) prior to the import of food items or medical supplies in order to ensure that the items are acceptable for receipt in the United States.¹⁷

The ad hoc processes to accept, receive, and distribute international assistance varied depending on the type of assistance being offered. However, whether the assistance was in the form of cash, or in-kind donations, including foreign military donations, offers were supposed to be initially coordinated through the DOS Hurricane Katrina Task Force. However, we noted that not all foreign assistance was coordinated through DOS. For example, an unknown quantity of in-kind assistance came to the United States directly from foreign militaries.

On September 15, 2005, the President ordered a comprehensive review of the federal government's response to Hurricane Katrina. The administration released its report, *The Federal Response To Hurricane Katrina: Lessons Learned*, on February 23, 2006. The report contained 125 recommendations, one of which requires DOS and DHS to lead an interagency effort to develop procedures for reviewing, accepting, or rejecting any offers of international assistance for a domestic catastrophic incident, including a mechanism to receive, disburse, and audit any cash assistance. Officials from DOS, FEMA, and DOD told us that by June 1, 2006, they will provide policies and procedures for managing international assistance to the Homeland Security Council. Our report complements the findings in the administration's report.

¹⁵7 U.S.C. §§ 8301-8317.

¹⁶21 U.S.C. § 381.

¹⁷FEMA noted in its technical comments that manifest data for military planes does not go to CBP and USDA.

Foreign Countries Donated Millions in Cash, But Policies, Procedures, and Plans Were Not in Place

In the absence of policies, procedures, and plans, DOS developed an ad hoc process to manage the cash donations flowing to the U.S. government from other countries to address Hurricane Katrina relief efforts.¹⁸ Through this process, \$126 million was donated to the U.S. government which DOS recorded in a designated account at the U.S. Treasury to hold the funds. An NSC-led interagency working group was established to make policy decisions about the use of the funds. FEMA officials told us they had identified and presented to the working group a number of items that the donated funds could be spent on. Once accepted by FEMA under the Stafford Act, donated funds would be limited to use on activities in furtherance of the Act. The working group wanted greater flexibility in the use of the donated funds, and thus held the funds pending the group's determination as to which agency or agencies should ultimately accept and use the monies. By September 21, 2005 about \$115 million had been received and in October 2005, \$66 million of the donated funds were accepted by FEMA and spent on a case management grant. As of March 16, 2006, \$60 million remained undistributed in the DOS-designated account at the Treasury that does not pay interest.¹⁹ As discussed previously, undistributed funds accepted by FEMA under the Stafford Act and recorded at Treasury can receive interest.²⁰ Because DOS expects additional cash donations to be received, it is important that cash management policies and spending plans are in place to deal with the forthcoming donations so that the purchasing power of the donated cash is maintained.

¹⁸Our scope did not include foreign assistance that was not provided to the federal government, such as foreign donations made directly to Hurricane Katrina victims, local governments, states, or institutions.

¹⁹On March 16, 2006, DOS and the Department of Education signed a Memorandum of Agreement regarding the use of \$60 million of the international cash donations. We did not review the details of this agreement.

²⁰Section 5201(b) of Title 42, U.S.C. states, in part, that "At the request of the President or his delegate, the Secretary of the Treasury may invest and reinvest excess monies in the fund. Such investments shall be in public debt securities with maturities suitable for the needs of the fund and shall bear interest rates determined by the Secretary of the Treasury, taking into consideration current market yields on outstanding marketable obligations of the United States of comparable maturities. The interest on such investments shall be credited to, and form a part of, the fund."

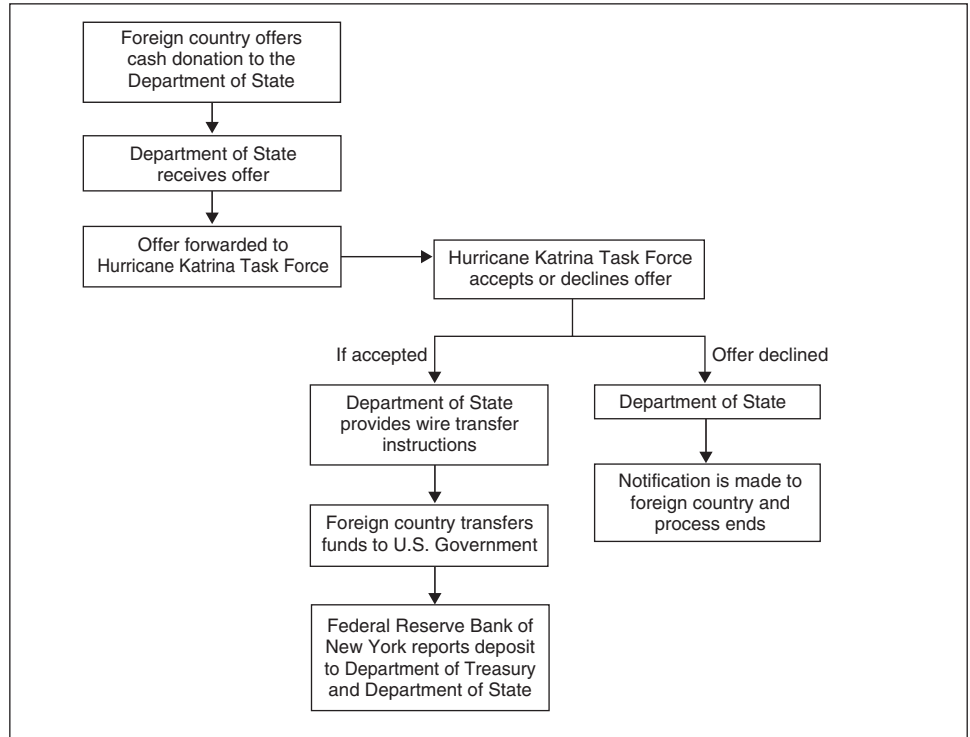
Ad Hoc Procedures Allowed Reasonable Accountability for Cash Donations

For offers of cash assistance, the DOS Hurricane Katrina Task Force developed ad hoc procedures to track and account for amounts offered and received as events evolved. Ad hoc procedures were necessary because specific policies and procedures for handling international cash donations to the federal government had not been developed. The DOS Hurricane Katrina Task Force evaluated each monetary offer by working with foreign donors to determine whether there were any specific restrictions or conditions associated with the offers. In making their donations, foreign donors did not generally place restrictions or conditions on amounts pledged. DOS also encouraged governments and private foreign donors to direct their cash contributions to the Red Cross and other organizations. Additionally, DOS coordinated with other federal agencies to determine whether any U.S. government sanctions imposed on a donating country prevented the acceptance of its offer.²¹ Once an offer was accepted on behalf of the U.S. government, DOS provided the donor with instructions on how to wire transfer the funds to a designated Department of the Treasury account maintained at the Federal Reserve Bank of New York specifically for DOS.²² In other cases, countries and private citizens wrote checks to the U.S. government that were deposited and routed to the same account following normal operating procedures. Figure 1 below shows the process developed to receive cash donations.

²¹For example, the U.S. government declined one foreign country's offer of monetary assistance due to ongoing U.S. sanctions.

²²Treasury assigns various types of account symbols (accounts) to agencies for the purposes of classifying receipt, appropriation, deposit, trust, and other funds. These accounts are assigned based on the nature and characteristics of the transactions they support.

Figure 1: Overview of Process Developed to Receive International Cash Donations



Source: GAO.

As of December 31, 2005, DOS reported that \$126 million had been donated by 36 countries and international organizations. Our review noted that although DOS’s procedures were ad hoc, they did ensure the proper recording of international cash donations that have been received to date, and we were able to reconcile the funds received with those held in the designated DOS account at Treasury. DOS expects that additional donations could come in from several countries including \$400 million in pledged oil products from a foreign country. DOS officials told us that the foreign country’s governing body must approve the donation before this pledge can be executed and that the country intends to monetize—convert to cash—the oil products if and when its governing body approves the donation.

Cash Donation Management Policies, Procedures, and Plans Not in Place

In the absence of international cash donation management policies, procedures, and plans, an NSC-led interagency working group was established to determine uses for the international cash donations. In October 2005, \$66 million of the donated funds had been accepted by FEMA under the Stafford Act and used for a Hurricane Katrina relief grant. As of March 16, 2006 the other \$60 million from international donations remained undistributed.²³ We were told that the NSC-led interagency working group did not transfer the funds to FEMA because it wanted to retain the flexibility to spend the donated funds on a wider range of assistance than is permitted under the Stafford Act. During this period and while deliberations were ongoing, the funds were kept in a DOS account that did not pay interest, thereby diminishing the purchasing power of the donated funds and losing an opportunity to maximize the resources available for relief. Under the Stafford Act, FEMA could have held the funds in an account that can pay interest, but Treasury lacks the statutory authority to credit these DOS-held funds with interest. If there are dual goals of flexibility and maintaining purchasing power, there are a number of options that could be considered.

Table 1 below shows the dates of key events in the receipt and distribution of the international cash donations according to documentation received and interviews with DOS and FEMA officials.

²³On March 16, 2006, DOS and the Department of Education signed a Memorandum of Agreement regarding the use of \$60 million of the international cash donations. We did not review the details of this agreement.

Table 1: International Cash Donations Received and Used – Key Dates

Date	Event
August 29, 2005	Hurricane Katrina hit Gulf Coast Region
September 2, 2005	DOS Hurricane Katrina Task Force Established
September 3, 2005	DOS provides deposit instructions to diplomatic and consular posts for foreign cash donations
September 6, 2005	FEMA identified account that can earn interest
September 21, 2005	About \$115 million in foreign donations received
September 23, 2005	FEMA presented items the funds could have been spent on
October 20, 2005	DOS transferred \$66 million to FEMA
October 28, 2005	FEMA awarded case management services grant to United Methodist Committee on Relief
February 28, 2006	\$60 million in remaining donations undistributed
March 16, 2006	Memorandum of Agreement signed between DOS and Department of Education to spend remaining \$60 million

Source: GAO analysis.

In early September 2005, FEMA officials had identified an account at the U.S. Treasury for recording international cash donations and had developed a number of potential uses for the donations that would help meet relief needs of the disaster. By September 21, 2005, about \$115 million in foreign cash donations had been received. In its input to the NSC-led interagency working group, dated September 22, 2005, DOS recognized that every effort should be made to disburse the funds to provide swift and meaningful relief to Hurricane Katrina victims without compromising needed internal controls to ensure proper management and effective use of the cash donations and transparency. FEMA officials told us that on September 23, 2005, they had identified and proposed to the NSC-led interagency working group that the international cash donations could be spent on the following items for individuals and families affected by Hurricane Katrina: social services assistance, medical transportation, adapting homes for medical and handicap needs, job training and education, living expenses, building materials, furniture, and transportation. In responding to our draft report, a DHS official said that at the next meeting of the interagency working group on October 7, 2005, FEMA, at NSC's request, presented a more detailed description of certain potential activities, including a proposal to finance case management services for households affected by Hurricane Katrina. On October 20, 2005, with the NSC-led interagency working group consensus, DOS transferred to FEMA \$66 million of the international donations for the

purpose of financing case management services for up to 100,000 such households. These services will provide case workers to help individual households define what their needs are and to obtain available assistance. On October 28, 2005, FEMA awarded a \$66 million 2-year case management grant to the United Methodist Committee on Relief. With these funds, the United Methodist Committee on Relief will lead and manage a national consortium consisting of 10 primary organizations that will provide case management services to victims of Hurricane Katrina.²⁴

As of February 2006, the remaining \$60 million had not been released, pending the NSC-led interagency working group determination as to which agency or agencies should ultimately accept and use the remaining funds. The NSC-led interagency working group set various parameters for using the funds, including that the funds should be used for “bricks and mortar” projects, such as buildings that provide tangible evidence of how contributions were used. We were told that the NSC-led interagency working group determined that use of those funds, once accepted by FEMA under the Stafford Act, would be more limited than the wider range of possible uses available if the funds were held until their ultimate use was determined and then accepted under the gift authorities of other agencies.

DOS and FEMA officials told us that for the remaining \$60 million in donated funds, the NSC-led interagency working group was considering a series of proposals received from various entities, both public and private. At the time of our review, a member of the NSC-led interagency working group told us they had agreed that the vital needs of schools in the area would be an appropriate place to apply the donations and they were working with the Department of Education to finalize arrangements to provide funding to meet those needs. FEMA officials told us that under the Stafford Act, they could use donated funds for projects such as rebuilding schools, but projects for new school buildings are not consistent with Stafford Act purposes unless replacing a damaged one. Also, according to a DHS official, the Act would have required that receiving entities match FEMA funds for these purposes. However, because of the devastation, the entities would have difficulty matching FEMA funds, which in essence limited FEMA from doing these types of projects. According to DHS, FEMA

²⁴FEMA plans to oversee case management grant activities and expenses to ensure the grant’s objective is met. Additionally, the DHS Office of Inspector General (IG) has initiated an audit of the case management grant to provide independent oversight throughout the grant’s existence.

considered whether it would be useful for donated funds to contribute to the non-federal share for applicants having trouble meeting the non-federal share, but would need legislative authority to use it to match federal funds. We contacted NSC to further discuss these matters; however, NSC did not respond to our requests for a meeting. On March 16, 2006, DOS and the Department of Education signed a Memorandum of Agreement regarding the use of \$60 million of the international cash donations. We did not review the details of this agreement.

Advance planning is very important given that outstanding pledges of \$400 million or more that DOS officials indicated will likely be received. While acknowledging that the U.S. government has never previously had occasion to accept such large amounts of international donations for disaster relief, going forward, advance planning is a useful tool to identify potential programs and projects prior to the occurrence of an event of such magnitude. The administration's report *The Federal Response To Hurricane Katrina: Lessons Learned*, released on February 23, 2006, recognized that there was no pre-established plan for handling international donations and that implementation of the procedures developed was a slow and often frustrating process. The report includes recommendations that DOS should establish before June 1, 2006, an interagency process to determine appropriate uses of international cash donations, and ensure timely use of these funds in a transparent and accountable manner, among others. DOS officials recognized that the ad hoc process needed to be formalized and planned to develop such procedures by June 1, 2006.

While the NSC-led interagency working group was reviewing various proposals on the further use of the funds beyond the initial \$66 million, the remaining \$60 million was being held in a DOS account at the U.S. Treasury that does not pay interest. Treasury lacks the statutory authority to credit these DOS-held funds with interest. Since these funds have not yet been used, their purchasing power has diminished due to inflation. If these funds had been placed in an account that could be credited with interest to offset the erosion of purchasing power, the amount of funds available for relief and recovery efforts would have increased while decision makers determined how to use them. The U.S. government would be responsible for paying the interest if these funds were held in an account at the Treasury that can earn interest.

Although the Stafford Act does not apply to the donated funds maintained in the DOS account at Treasury, the Stafford Act does provide that excess

donated funds may be placed in Treasury securities, and the related interest paid on such investments would be credited to the account. This Stafford Act provision applies only to donated funds that have been accepted by FEMA. Had the foreign monetary donations been placed in

Treasury securities, we estimate that by February 23, 2006, the remaining funds for relief efforts would have increased by nearly \$1 million.²⁵ Although Treasury lacks the authority to invest the foreign monetary donations received by DOS, the FEMA account does permit the government to protect the purchasing power of foreign monetary donations.

As noted previously, outstanding pledges totaling over \$400 million could be received in the near future. Advanced planning and procedures for the decision-making process in the disbursement of funds is important so that this money can be utilized for disaster relief in a timely manner or be placed in an account to earn interest for the benefit of relief and reconstruction efforts while decisions are being made on how to spend the funds. When developing policies, procedures, and plans to provide the flexibility given by leaving the international donations in the DOS account, it is important that consideration also be given to strategies that can help maintain the purchasing power of the international donations. If the goal is to maintain both their purchasing power and flexibility, then among the options to consider are seeking statutory authority for DOS to record the funds in a Treasury account that can pay interest similar to donations accepted under the Stafford Act, or to allow DOS to deposit the funds in an existing Treasury account of another agency that can pay interest pending decisions on how the funds would be used.²⁶

²⁵Interest computed based on an estimated average annual yield of 5 percent for Treasury Government Account Series from October 21, 2005, to February 23, 2006.

²⁶DHS noted in technical comments on a draft of this report that it would not subsequently transfer donated funds to another agency for purposes other than carrying out the Stafford Act.

Policies and Procedures Were Lacking in the Acceptance and Distribution of in-Kind Donations, Including Foreign Military Donations

The agencies having responsibilities regarding international assistance did not have policies and procedures in place to ensure the acceptance and distribution of in-kind donations, including foreign military donations, received from 43 countries and international organizations. With little guidance, DOS, FEMA, OFDA, and DOD created ad hoc policies and procedures in an effort to provide the assistance to victims as quickly as possible. However, we did note areas in which the ad hoc procedures were missing internal controls to ensure sufficient agency oversight of the assistance and to ensure that the assistance was used as intended. For example, the lack of guidance, inadequate information up front about the nature and content of foreign offers of in-kind assistance, and insufficient advance coordination before acceptance resulted in food and medical items, such as Meals Ready to Eat (MREs) and medical supplies, that arrived and did not meet USDA or FDA standards and thus could not be distributed in the United States. Also, the ad hoc procedures allowed for confusion about which agency—FEMA or DOD—accepted and was responsible for oversight of foreign military donations.

Process Developed for Accepting, Receiving, and Distributing In-Kind Donations

For offers of in-kind assistance, FEMA worked in close coordination with the DOS Task Force to determine whether it should accept the offers.²⁷ Specifically, FEMA provided the Task Force with a list of supplies the agency could use to assist in recovery efforts. The Task Force compared the offers of assistance against a list of needed supplies provided by FEMA.²⁸ As matches were identified by the Task Force, DOS relayed a message to the donor that the offer would be accepted on behalf of the United States for use in Hurricane Katrina relief efforts.

Once a message of acceptance was relayed to the foreign country or international organization donating the in-kind assistance, the Office of Foreign Disaster Assistance was tasked by FEMA with the responsibility of providing logistical support for physical receipt of the donation. USAID/OFDA coordinated with DOD–Northern Command to establish a location that could be used to receive international donations. The location had to be both accessible to numerous flights delivering supplies and in

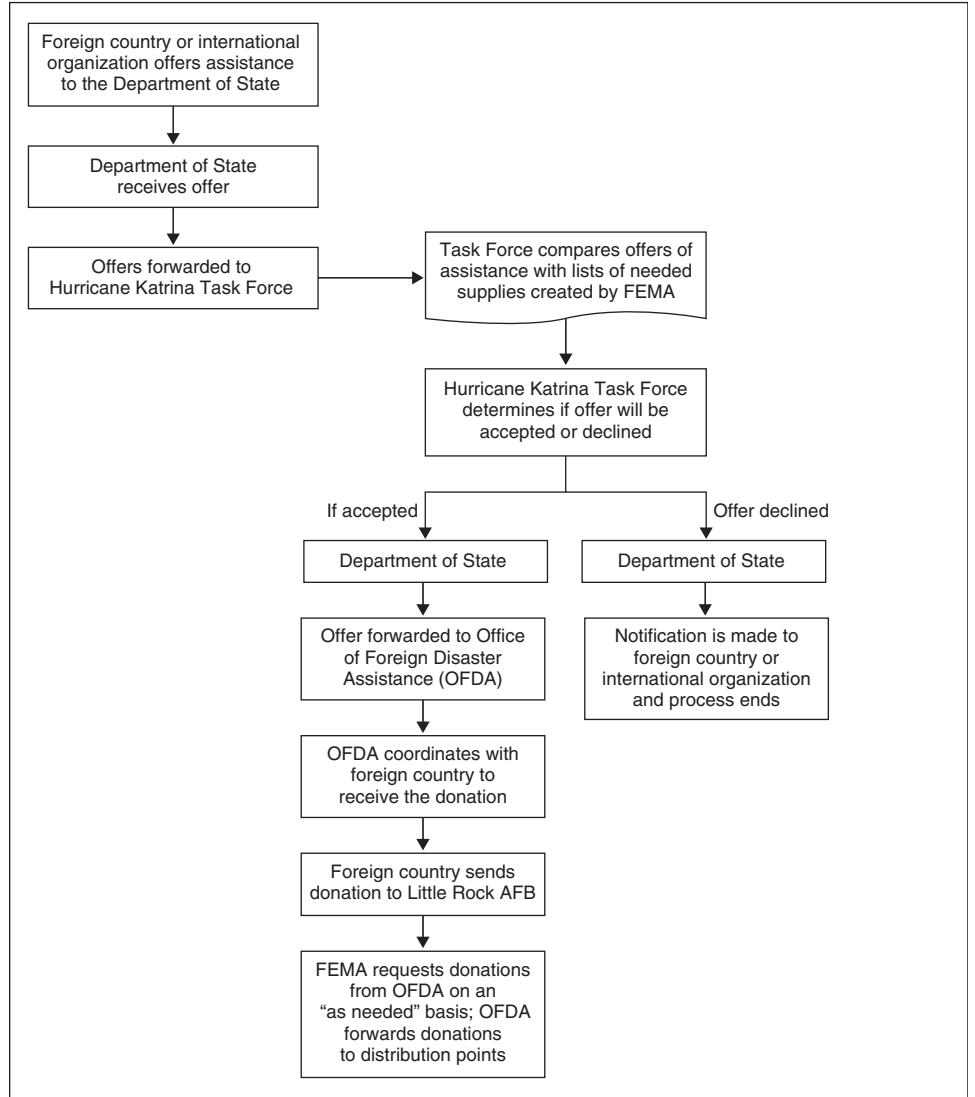
²⁷The DOS Task Force included representatives from DOS and USAID/OFDA.

²⁸FEMA tasked USAID/OFDA to work with DOS to determine whether specific offers were accepted and needed.

close proximity to the areas devastated by Hurricane Katrina, and USAID/OFDA and DOD–Northern Command determined that the Little Rock Air Force Base best qualified for these criteria. Accordingly, USAID/OFDA coordinated with foreign donors for in-kind donations to arrive in Little Rock, Arkansas, where agency personnel would unload donations and, upon request from FEMA, forward the donations to a distribution point.

Figure 2 below shows the process developed for accepting, receiving, and distributing in-kind donations.

Figure 2: Overview of Process Developed for Accepting, Receiving, and Distributing In-Kind Donations



Source: GAO.

Lack of Guidance Regarding the Tracking and Confirmation of Receipt for International Assistance

In the absence of guidance, USAID/OFDA created a database to track the assistance as it arrived. We found, under the circumstances, that USAID/OFDA reasonably accounted for the assistance, especially given the lack of manifest information and the amount of assistance that was arriving within a short time. Compounding difficulties in USAID/OFDA's ability to record the assistance as it arrived were planes that arrived from the North Atlantic Treaty Organization for which the organization would not provide reliable manifest information.

Internal controls, such as a system to track that shipments are received at intended destinations, provides an agency with oversight, and for FEMA in this case, they help ensure that international donations are received at FEMA destination sites. On September 14, 2005, FEMA and USAID/OFDA agreed that USAID/OFDA would track the assistance from receipt through final disposition. However, the system USAID/OFDA created did not include confirming that the assistance was received at the FEMA distribution sites. In part, USAID/OFDA did not set up these procedures on its own in this situation because USAID/OFDA had never distributed assistance within the United States as its mission is to deliver assistance in foreign countries. FEMA officials told us that they assumed USAID/OFDA had these controls in place. FEMA and USAID/OFDA officials could not provide us with evidence that confirmed that the assistance sent to distribution sites was received. Without these controls in place to ensure accountability for the assistance, FEMA does not know if all or part of these donations were received at FEMA distribution sites. Had USAID/OFDA created a system to track the items transported through receipt at distribution sites and had FEMA overseen the USAID/OFDA process, FEMA would be able to determine the extent to which all or part of the foreign assistance was received at the FEMA distribution sites.

Lack of Guidance Resulted in the Arrival of Food and Medical Items that Could Not be Used

The lack of guidance, inadequate information up front about foreign offers of in-kind assistance and insufficient advance coordination before agreeing to receive it, resulted in food and medical items, such as MREs and medical supplies, that came into the United States and did not meet USDA or FDA standards and thus could not be distributed in the United States. The food items included MREs from five countries. Because of the magnitude of the disaster, some normal operating procedures governing the import of goods were waived. According to USDA and FDA officials, under normal procedures, entry documents containing specific information which are filed with CBP, are transmitted to USDA and FDA for those agencies' use in

determining if the commodities are appropriately admissible into the United States. Based on U.S. laws and regulations, the agencies then determine whether the items to be imported meet U.S. standards. CBP authorized suspension of some normal operating procedures for the import of regulated items like food and medical supplies without consultation or prior notification to USDA or FDA.²⁹ Thus, USDA and FDA had no involvement in the decision-making process for regulated product donations, including MREs and medical supplies before the United States agreed to receive them.

FEMA notified USDA and FDA on approximately September 4, 2005, that food and medical supplies were received by the U.S. government and approved by CBP for entry into the United States. However, FEMA officials told us that they did not accept MREs from one country even though these MREs were shipped and stored in the warehouse along with the MREs from the other countries. On approximately September 4, the items were either in route or had already arrived at the staging area in Little Rock, Arkansas. The USDA and FDA then sent personnel to Little Rock to inspect the donations. Simultaneously, USAID/OFDA personnel, unaware that some of these donations would not be eligible for distribution and trying to expedite provision of relief supplies, forwarded approximately 220,000 MREs to distribution points. When USAID/OFDA officials became aware that the MREs they distributed were not approved by the USDA, they recalled the items back to Little Rock, Arkansas, pending USDA inspection.

According to USDA inspectors, they determined that a number of the MREs donated to the United States contained meat and poultry products from countries that, based on U.S. regulations, were excluded from exporting meat to the United States. According to USDA, the MREs from one country were banned because of concerns regarding Bovine Spongiform Encephalopathy (BSE) meat contamination,³⁰ or because the MREs originated in countries lacking food inspection systems equivalent to those in the United States. In addition, FDA found that many of the medical

²⁹In order to respond to the specific threat to human life and national interests posed by the major disaster existing in Louisiana, Mississippi, and Alabama, the Commissioner of U.S. Customs and Border Protection authorized Port Directors and Directors of Field Operations to close temporarily any Customs office or port of entry or take any other lesser action that may be necessary to respond to the Katrina Disaster. This action was taken pursuant to 19 U.S.C. § 1318(b)(2) and 19 U.S.C. § 1322(b).

³⁰9 C.F.R. 94.18.

supplies received in Little Rock were not approved for use in the United States because they were either labeled with instructions in a language other than English or stored under conditions that were deemed unsanitary. Both USDA and FDA, based on regulations intended to protect public health, prevented distribution of some international donations.

Per FEMA guidance, USAID/OFDA received 359,600 rations of MREs that could not be distributed within the United States. USAID/OFDA, on behalf of FEMA, has been storing the MREs and medical supplies at a private warehouse in Little Rock, Arkansas, until DOS and FEMA determine what to do with them. As of February 1, 2006, FEMA and DOS³¹ had paid the warehouse \$62,000, with an additional \$17,600 contract pending for the month of February. In addition to the storage cost, there is an unquantifiable cost in the diplomatic impact of rejecting foreign donations after they have been received. DOS has arranged for some of the MREs to be shipped to foreign countries in need and DOS officials told us that the receiving countries will be paying the shipping costs. As of February 3, 2006, approximately 40 percent of the 359,600 rations of MREs have been forwarded to two other countries. The DOS plans to forward an additional 21 percent to other countries by February 28, 2006.³² While the disposition of the remaining 40 percent of the MREs and the medical supplies still stored in the private warehouse is uncertain, DOS will continue to pay storage fees. The following picture displays the numerous pallets of MREs stored in Little Rock, Arkansas as of November 9, 2005.

³¹As of December 13, 2005, the Department of State provided funding for payment of the private warehouse in Little Rock, Arkansas from FEMA. The Department of State, through USAID, has amended the contract to extend to February 28, 2006.

³²DOS officials commented that all MREs will be removed from the warehouse by March 31, 2006.

Figure 3: Foreign Donated MREs in Storage as of November 9, 2005



Source: GAO.

The costs for FEMA's receipt and later storage of the MREs and medical supplies that were not distributed for the disaster were attributable in part to the lack of policies and procedures needed to guide it through the process of coordinating and accepting international in-kind assistance. First, our review noted that FEMA's list of items that could be used for disaster relief that was provided to DOS was very general and did not

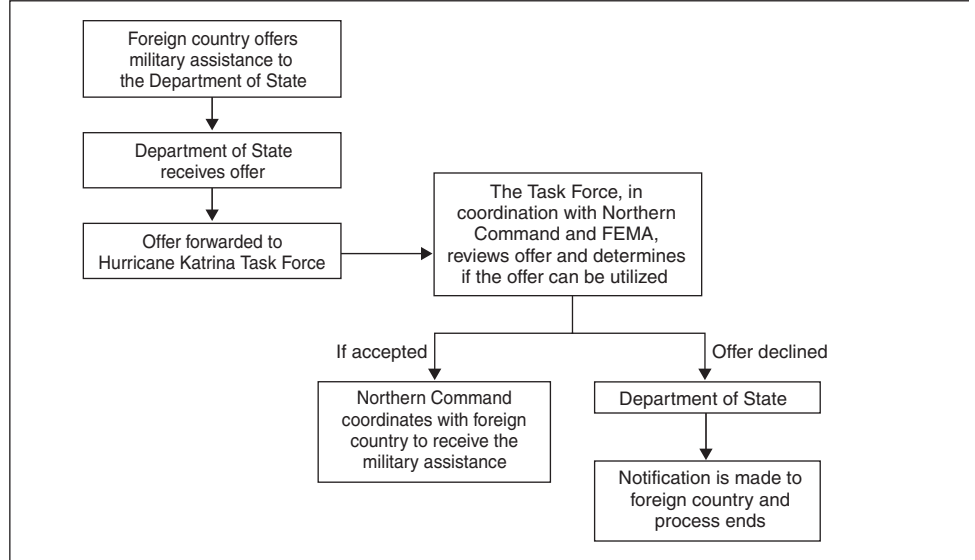
provide any exceptions, for example about contents of MREs. Also, DHS commented on our report that FEMA repeatedly requested from DOS additional information about the foreign items being offered to determine whether or not they should be accepted and DOS did not respond. Had FEMA supplied DOS officials with more detailed information early on about what could be accepted and what could not be ultimately distributed, and had DOS requested and received additional details from potential donors on the nature and contents of the assistance such as MREs, they might have prevented the unusable products from coming into the United States. FEMA officials told us that in the event of another disaster of this size, they would coordinate with USDA, FDA, and other agencies as required to avoid similar problems.

Policies and Procedures Were Lacking in the Oversight of Foreign Military Donations

In the absence of policies and procedures, DOS, FEMA, and DOD created ad hoc policies and procedures to manage the receipt and distribution of foreign military goods and services; however, this guidance allowed for confusion about which agency had oversight of these donations. Also, there were no controls or procedures to assure that all foreign military donations were vetted through the DOS process. The offers of foreign military assistance included, for example, the use of amphibious ships and diver salvage teams.

For foreign military donations, the DOS Hurricane Katrina Task Force coordinated with FEMA and DOD, through Northern Command, to determine whether the offer of assistance could be utilized. Northern Command reviewed the offers of assistance and compared them against the mission assignments it received from FEMA that included such tasks as clearing ports and waterways of debris. If Northern Command believed the foreign militaries' offers of assistance could be utilized to accomplish a mission assignment, the command coordinated the receipt of the assistance with the foreign donor. Figure 4 below shows the process developed for acceptance and receipt of foreign military assistance.

Figure 4: Overview of Process Developed for the Acceptance and Receipt of Foreign Military Assistance



Source: GAO.

The ad hoc procedures, however, allowed confusion about which agency—DOD or FEMA—was to formally accept the foreign military assistance and therefore, each agency apparently assumed the other had done so under their respective gift authorities. It is unclear whether FEMA or DOD accepted or maintained oversight of the foreign military donations that were vetted through the DOS task force. A FEMA official told us that they were unable to explain how the foreign military donations were used because FEMA could not match the use of the donations with mission assignments it gave Northern Command. Establishing accountability is an important internal control activity to help ensure that there is an organization to account for the goods and services and that they are used as intended. While we have found no evidence to suggest that any of the foreign military goods or services were not used as intended, establishing and maintaining oversight provides more assurance that these donations were used as intended.

Moreover, FEMA and Northern Command officials told us of instances in which foreign military donations arrived in the United States that were not vetted through the DOS task force. For example, we were told of foreign military MREs that were shipped to a military base and distributed directly to hurricane victims. Having policies and procedures in place would have

instructed federal officials to coordinate all foreign military offers of assistance through the DOS task force which would work with FEMA and DOD to determine the best use for the items. DOD officials acknowledged the need for policies and procedures and are trying to establish policies and procedures to manage international assistance. When we asked about shipments that were not vetted through the task force, neither DOS, FEMA, nor DOD officials could provide us information on the type, amount, or use of these donations. As a result, we can not determine if these items of assistance were safeguarded and used as intended.

Conclusions

We recognize that since the United States government had never before received such substantial amounts of international disaster assistance, DOS, FEMA, OFDA, and DOD needed to create ad hoc procedures to manage the acceptance and distribution of the assistance as best they could. Going forward, it will be important to have in place clear policies, procedures, and plans on how international cash donations are to be managed and used, which would enhance the accountability and transparency of these funds. In addition, there is a need to consider whether international donations should be treated on the same basis as Stafford Act donations for the purpose of Treasury crediting interest to such donations. Since this was the first time international donations were accepted, this situation was not contemplated. If the goal is to maintain both purchasing power and flexibility, then among the options to consider are seeking statutory authority for DOS to record the funds in a Treasury account that can pay interest, or to allow DOS to deposit the funds in an existing Treasury account of another agency that can pay interest pending decisions on how the funds would be used. In addition, focusing immediate attention on the potentially forthcoming donations of \$400 million, as well as the \$60 million in presently available funds, would be prudent.

With respect to the donations of food and medical supplies, we agree that normal procedures should be waived to expedite recovery efforts when necessary; however, food and medical supplies are essential in any disaster and the health and safety of the public should be considered when accepting food and medical assistance from the international community. Moreover, the failure to track in-kind donations after they were loaded onto trucks resulted in a lack of assurance that all of the international assistance FEMA accepted was safeguarded, and used as intended. The need to have proper knowledge, acceptance, and oversight of foreign military donations is equally important.

Recommendations for Executive Action

As mentioned previously, in February 2006, the administration issued its report on the federal response to Hurricane Katrina and the lessons learned in that response. In the report, the administration made 125 recommendations, including several to improve the management of international donations. Specifically, DOS and DHS are required to lead an interagency effort to improve the management of international donations, which includes developing procedures for reviewing, accepting, or rejecting any offers as well as developing a mechanism to receive, disburse, and audit any cash donations. To help ensure that the cognizant agencies fulfill their responsibility to account for and effectively manage foreign donations and maintain adequate internal controls over government resources, we recommend that the Secretary, Department of Homeland Security, in consultation with the Secretary, Department of State, establish within the National Response Plan—or other appropriate plans—clearly delineated policies and procedures for the acceptance, receipt, and distribution of international assistance. As the agencies develop and implement the administration’s recommendations, we believe they should also incorporate the following actions and procedures into their guidance.

- Develop policies, procedures, and plans to help ensure international cash donations for disaster relief and assistance are accepted and used appropriately as needed.
- Consider cash management options as discussed in the conclusions section above and place international cash donations in an account that would pay interest while decisions are pending on their use to maintain the purchasing power of those donations.
- Maintain oversight of foreign donated in-kind assets by tracking them from receipt to disbursement, to reasonably ensure that assistance is delivered where it is intended.
- Establish plans for the acceptance of foreign-donated items that include coordinating with regulatory agencies, such as USDA and FDA, in advance, in order to prevent the acceptance of items that are prohibited from distribution in the United States, regardless of waivers that might be established to expedite the importing of foreign assistance; these plans should also include DOS obtaining information on acceptable or unacceptable items in order to communicate to the international community what is needed or what can not be accepted.

We also recommend that the Secretary of Defense, in consultation with the Secretaries of State and Homeland Security, take the following two actions:

- Establish within the National Response Plan or other appropriate plans—clearly delineated policies and procedures to ensure that foreign military offers of assistance for domestic disasters are coordinated through the DOS to ensure they are properly accepted and safeguarded and used as intended.
- Develop and issue internal DOD guidance to commanders on the agreed-upon process to coordinate assistance through DOS.

Agency Comments and Our Evaluation

We asked the Secretaries of Defense, Homeland Security, State, and Treasury to comment on our draft. We also asked USDA, FDA, and USAID/OFDA to provide comments. DOD and DHS generally agreed with our recommendations and provided written comments on a draft of this report, included at appendixes II and III, respectively. We received technical comments from DOS, DOD, USAID/OFDA, FEMA, FDA, and USDA which we incorporated as appropriate.

DOD agreed with the recommendations pertaining to it and suggested that we adjust the wording of the recommendation that procedures be developed to assure that foreign military donations be routed through DOS. We adjusted the recommendation based on DOD's suggestion. In its technical comments, DOD also suggested specific information on the process to coordinate international offers of assistance through DOS, including ensuring that the offers match U.S. requirements, meet U.S. standards, and are received at the right locations. These specifics may be considered as the agencies develop policies, procedures, and plans for the management of future international assistance.

DHS generally agreed with our recommendations and noted that, in some cases, actions were already underway to address the recommendations. Regarding our recommendation to develop policies, procedures, and plans for international cash donations for disaster relief to assure they are accepted and used appropriately as needed, DHS noted that, in coordination with Treasury and the Office of Management and Budget, it is already developing a system to manage such donations. DHS also agreed with our recommendation regarding cash management options that would maintain the purchasing power of the cash donations while decisions are pending on their use. DHS added that this recommendation was consistent

with what FEMA did during Hurricane Katrina, pointing out that on September 6, 2005, FEMA established an interest bearing account to hold international funds and began identifying programs and needs that would not be eligible for FEMA assistance but could benefit from monetary donations. DHS also agreed that FEMA should maintain oversight of foreign donated in-kind assets to the distribution points. DHS noted that FEMA and USAID/OFDA agreed that it was USAID/OFDA's responsibility to track incoming international donations. We acknowledge this agreement, but note in our report, however, that the in-kind donations were not tracked to the final distribution points with confirmation that they arrived and note that USAID/OFDA and FEMA could not provide evidence that this had been accomplished. We clarified the report in this regard. DHS agreed with our recommendation regarding the need to coordinate with regulatory agencies such as USDA and FDA in advance to prevent the receipt of items that could not be distributed in the United States. DHS noted that FEMA coordinated with these agencies during Hurricane Katrina, and made constant requests to DOS to obtain more information from the donors about the donations to determine whether or not they could be properly accepted. We agree that more specificity is needed about the nature and content of items the United States can accept and foreign nations are offering through DOS channels, such as MREs, and reflected DHS's comment in the final report. Without such information, it may not be possible to undertake appropriate coordination with regulatory agencies such as USDA and FDA and make a sound determination as to whether the items should be accepted and could be used in the United States before they arrive. DHS also agreed that all foreign military offers of assistance for domestic disasters should be coordinated through DOS for official acceptance or denial. However, we continue to believe that clear procedures are needed regarding which agency—FEMA or DOD—accepts and maintains oversight of such donations in advance. We adjusted our draft report to reflect the apparent confusion over the acceptance of foreign military donations.

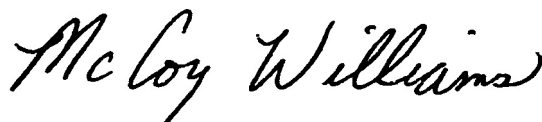
We also received technical comments from DOS, DOD, USAID/OFDA, FEMA, FDA, and USDA, which we incorporated as appropriate.

We are sending copies of this report to the Secretaries of Homeland Security, Defense, and State and interested congressional committees. We will also make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

Please contact Davi M. D'Agostino at (202) 512-5431 or dagostinod@gao.gov or McCoy Williams at (202) 512-9095 or williamsm1@gao.gov if your staff have any questions concerning this report. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.



Davi M. D'Agostino,
Director
Defense Capabilities and Management



McCoy Williams,
Director
Financial Management and Assurance

List of Congressional Committees

The Honorable Joseph I. Lieberman
Ranking Minority Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Tom Davis
Chairman
The Honorable Henry A. Waxman
Ranking Minority Member
Committee on Government Reform
House of Representatives

Scope and Methodology

To meet our objectives for this report we relied on information gathered through our visits and interviews with key personnel within the Department of State's (DOS) Hurricane Katrina Task Force; Office of the General Counsel for the DOS; Department of Homeland Security (DHS) Inspector General; Office of the General Counsel for Federal Emergency Management Agency (FEMA); FEMA Response Division; FEMA Recovery Division; Office of the Chief Financial Officer for FEMA; FEMA/Financial and Acquisitions Management Division; FEMA/Grants Management Division; United States Agency for International Development (USAID)/Office of Foreign Disaster Assistance (OFDA); OFDA/Response Alternatives for Technical Services; Office of the Assistant Deputy Under Secretary of Defense; Office of the Assistant Secretary of Defense; Northern Command (NORTHCOM)/ Joint Staff Logistics; NORTHCOM/ Joint Staff Civil Affairs; NORTHCOM/Political Advisor; Department of Treasury (Treasury)/Cash Accounting; Treasury/Chief Systems Integrity Division; Food and Drug Administration (FDA); and United States Department of Agriculture (USDA)/Food Safety and Inspection Service. We conducted our work in Washington, D.C.; Little Rock, Arkansas; Colorado Springs, Colorado, and New York, New York, from October 2005 through February 2006, in accordance with generally accepted government auditing standards. DOS and FEMA officials told us the National Security Council (NSC) had established an interagency working group that had a role in determining how the international cash donations were to be used. We contacted NSC to discuss its role in managing the international cash donations; however, NSC did not respond to our request for a meeting.

To determine the amount of cash that was donated by foreign countries and the extent to which it has been used to assist hurricane victims, we gathered information from interviews with DOS, FEMA, and Treasury. To assess the reliability of foreign cash donations received by the U.S. government from the date Hurricane Katrina hit the United States until December 31, 2005, we talked with DOS, FEMA, and Treasury officials to gain an understanding of the procedures followed in recording the funds. We also validated \$123,611,143, which is 97.8 percent of the Hurricane Katrina collections reflected in the Department of Treasury records by comparing to supporting documentation such as Treasury wire transfers and DOS check receipt documents. We also traced the transfer of \$66 million in funds from DOS to FEMA. We determined the data were sufficiently reliable for the purpose of this report. To obtain an understanding of the oversight controls over FEMA's 2 year case management grant, we interviewed officials from FEMA/Grants Management Division, the United Methodist Committee on Relief, and DHS

Office of Inspector General, as well as reviewed pertinent documents such as the grant proposal and agreement. We also contacted the NSC to discuss why an interagency working group and not FEMA was used to manage the donated cash and the process by which they established the parameters governing how the cash was to be used. NSC did not respond to our requests for a meeting.

To determine the extent to which those federal agencies with responsibilities regarding the international assistance offered to the United States had policies and procedures in place to ensure the appropriate accountability for the acceptance and distribution of in-kind donations, including foreign military donations, we relied on information gathered during interviews with officials from DOS, DHS, DOD, USDA, and FDA. We reviewed the National Response Plan International Coordination Support Annex and Financial Management Annex; Robert T. Stafford Act; Homeland Security Presidential Directive 5; Federal Food, Drug, and Cosmetic Act; and 9 CFR 94.18 to determine the responsibilities of federal agencies. We also obtained, reviewed, and analyzed the Memorandum of Agreement between the Department of State and The Department of Homeland Security; a FEMA-created international assistance flow chart and processes document; a NORTHCOM-created international donations flow chart; USAID Commodity Dispatch Procedures; and FDA Import Procedures to assist in understanding the roles of federal agencies. We reviewed and analyzed summaries of international assistance received; instructional and acceptance cables from the Department of State; instructions provided to FEMA accountants for recording in-kind donations; and USAID Commodity Dispatch Procedures for FEMA to call forward international donations from the arrival site in Little Rock, Arkansas. To assess the reliability of data provided, we talked with knowledgeable agency officials about the data provided and reviewed relevant documentation. We visited Smart Choice Delivery warehouse in Little Rock, Arkansas to discuss and observe the international Meals-Ready-to-Eat that were stored in the facility. We obtained and reviewed the contract between the Office of Foreign Disaster Assistance and Smart Choice Delivery. In addition, we interviewed representatives from the American Red Cross and the United Nations International Children's Fund in order to understand the process and procedures of leading non-governmental agencies that are experienced in accepting non-monetary donations.

Comments from the Department of Defense



POLICY

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U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. D'Agostino:

This is the Department of Defense (DoD) response to the GAO draft report, 'HURRICANE KATRINA: Comprehensive Policies and Procedures are Needed to Ensure Appropriate Use of and Accountability for International Assistance,' dated March 23, 2006, (GAO Code 350767/GAO-06-450).

I am forwarding the Department's comments on the draft report recommendations for the Under Secretary of Defense for Policy who has approved the comments at enclosure one.

Recommended technical changes that were identified are at enclosure two.

Sincerely,

Chris King, COL, USA
Senior Military Assistant to the
Under Secretary of Defense for Policy

Enclosures:

1. DoD comments
2. Technical changes



GAO DRAFT REPORT – DATED MARCH 23, 2006
GAO CODE 350767/GAO-06-460

“HURRICANE KATRINA: Comprehensive Policies and Procedures are Needed to
Ensure Appropriate use of and Accountability for International Assistance,”

DEPARTMENT OF DEFENSE COMMENTS
TO THE RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense, in consultation with the Secretaries of State and Homeland Security establish within the National Response Plan or other appropriate plans clearly delineated policies and procedures to ensure that foreign military offers of assistance for domestic disasters are routed through the Department of State to ensure they are safeguarded and used as intended. (Page 29/GAO Draft Report)

DOD RESPONSE: Concur with comments. The phrase “routed through” should be changed to “coordinated with”. State did establish a process to coordinate with FEMA and DoD. (Page 5/GAO Draft Report).

RECOMMENDATION 2: The GAO recommended that the Secretary of Defense, in consultation with the Secretaries of State and Homeland Security develop and issue internal DoD guidance to commanders on the agreed upon process to route assistance through the Department of State. (Page 29/GAO Draft Report)

DOD RESPONSE: Concur with comments. The word “route” should be changed to “coordinate”. State did establish a process to coordinate with FEMA and DoD. (Page 5/GAO Draft Report)

Comments from the Department of Homeland Security

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

March 31, 2006

Davi M. D'Agostino
Director, Defense Capabilities and
Management and Financial Management
and Assurance
U.S. Government Accountability Office
441 G Street N.W.
Washington, DC 20548

Dear Ms. D'Agostino:

Re: Draft Report GAO-06-460, Hurricane Katrina: Comprehensive Policies and Procedures are Needed to Ensure Appropriate Use of and Accountability for International Assistance

Thank you for the opportunity to review the draft report. The following represents the Department of Homeland Security response to the recommendations contained in GAO's draft report.

On the content of the draft GAO report, DHS would like to make four points. First, FEMA was extremely proactive. Within 24 hours after the U.S. Government declared that we were accepting all international offers of assistance in principle, FEMA initiated the mission assignment to the U.S. Agency for International Development's (USAID) Office of Foreign Disaster Assistance (OFDA). OFDA effectively managed the operations and logistics for the international donations that FEMA accepted during Hurricane Katrina. FEMA also brought together the agencies and components with expertise in handling international resources (e.g. Department of State (DOS), USAID/OFDA, Customs and Border Protection (CBP), Department of Defense (DOD), and Health and Human Services (HHS)) to develop an ad-hoc mechanism for processing the offers DOS was receiving. Second, FEMA ensured accountability of international donations by requesting that USAID/OFDA track all international donations accepted by FEMA. With their daily status reports, USAID/OFDA demonstrated that they were tracking donations and maintaining accountability. Third, it was FEMA's highest priority to ensure that international donations accepted into the United States were safe. This was demonstrated by FEMA requesting CBP assistance and ensuring resources that did not meet U.S. regulations were not distributed. Fourth, although FEMA incorporated DOD

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Appendix III
Comments from the Department of Homeland
Security

into the ad-hoc mechanism, FEMA only had oversight over donations that were accepted under FEMA's gift acceptance authority, not donations that were accepted or received through military-to-military channels.

The following are DHS' responses to GAO's recommendations.

Recommendation: Develop policies, procedures, and plans to help ensure international cash donations for disaster relief and assistance are accepted and used appropriately as needed.

Response: Concur. DHS is already developing a system to manage international cash donations working in coordination with the Department of Treasury and Office of Management and Budget (OMB).

Recommendation: Consider cash management options as discussed in the conclusions section and place international cash donations in an account that would pay interest while decisions are pending on their use to maintain the purchasing power of those donations.

Response: Concur. Recommendation is consistent with what FEMA did during Hurricane Katrina. On September 6, 2005, FEMA established an interest bearing account to hold international funds and began identifying programs and needs that would not be eligible for FEMA assistance but could benefit from monetary donations.

Recommendation: Maintain oversight of foreign donated in-kind assets by tracking them from receipt to disbursement, to reasonably assure that assistance is delivered where it is intended.

Response: Generally concur. FEMA is in agreement with this recommendation if the term disbursement refers to FEMA's responsibility of ensuring that international in-kind donations are tracked from the point that USAID receives the donations and transports them to a federal staging area or a non-federal entity (e.g. state distribution center). Per normal procedures, FEMA will keep a record of receipt of items received at a federal staging area. Moreover, per normal procedures, FEMA will track the distribution of commodities to the point they are physically delivered to one of our state/local partners or organizations. From this point forward, it is not FEMA's responsibility to track the disbursement of in-kind donations as that responsibility is transferred to the state/local partner or organization that received the goods for distribution in the field.

It is important to note that during and in the aftermath of Hurricane Katrina, FEMA made considerable efforts to ensure that international donations were tracked:

- 1) USAID/OFDA provided FEMA with daily status reports on international donations.
- 2) FEMA and USAID/OFDA agreed that it was USAID/OFDA's responsibility to track incoming international in-kind donations.
- 3) FEMA kept records when FEMA took receipt of international in-kind donations from USAID/OFDA.

Appendix III
Comments from the Department of Homeland
Security

Recommendation: Establish plans for the acceptance of foreign donated items that include coordinating with regulatory agencies, such as USDA and FDA in advance in order to prevent the acceptance of items that are prohibited from distribution in the United States, regardless of waivers that might be established to expedite the importing of foreign assistance; these plans should also include DOS obtaining information on acceptable or non acceptable items in order to communicate to the international community what is needed or what can not be accepted.

Response: Generally concur. Recommendation is consistent with what FEMA did during Hurricane Katrina. FEMA made constant requests to DOS to obtain more information on international donations in order to determine whether or not these donations could or could not be formally accepted and integrated into our response operations. FEMA also took every precaution to ensure that international donations were safe to be distributed in the United States.

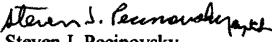
Recommendation: Establish within the National Response Plan or other appropriate plans, clearly delineated policies and procedures to ensure that foreign military offers of assistance for domestic disasters are routed through the DOS to ensure they are safeguarded and used as intended.

Response: Concur. It is important to coordinate all offers or donations from foreign governments and/or foreign military organizations through DOS for official acceptance or denial and to ensure appropriate diplomatic considerations.

Recommendation: Develop and issue internal Department of Defense (DOD) guidance to commanders on the agreed upon process to route assistance through DOS.

Response: Concur. For international donations accepted under FEMA gift acceptance authority, it is FEMA's understanding that DOD will coordinate through the international donation mechanism, which is being developed by the inter-agency working group.

Sincerely,


Steven J. Pecinovsky
Director
Departmental GAO/OIG Liaison Office

GAO Contacts and Staff Acknowledgments

GAO Contacts

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Acknowledgments

In addition to those named above, Kay Daly, Kate Lenane, Charles Perdue, Jay Spaan, Lorelei St James, Pamela Valentine, Cheryl Weissman, and Leonard Zapata made key contributions to this report.

Related GAO Products

Hurricane Katrina: Status of the Health Care System in New Orleans and Difficult Decisions Related to Efforts to Rebuild It Approximately 6 Months After Hurricane Katrina. [GAO-06-576R](#). Washington, D.C.: March 28, 2006.

Agency Management of Contractors Responding to Hurricanes Katrina and Rita. [GAO-06-461R](#). Washington, D.C.: March 15, 2006.

Hurricane Katrina: GAO's Preliminary Observations Regarding Preparedness, Response, and Recovery. [GAO-06-442T](#). Washington, D.C.: March 8, 2006.

Emergency Preparedness and Response: Some Issues and Challenges Associated with Major Emergency Incidents. [GAO-06-467T](#). Washington, D.C.: February 23, 2006.

Disaster Preparedness: Preliminary Observations on the Evacuation of Hospitals and Nursing Homes Due to Hurricanes. [GAO-06-443R](#). Washington, D.C.: February 16, 2006.

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Statement by Comptroller General David M. Walker on GAO's Preliminary Observations Regarding Preparedness and Response to Hurricanes Katrina and Rita. [GAO-06-365R](#). Washington, D.C., February 1, 2006.

Federal Emergency Management Agency: Challenges for the National Flood Insurance Program. [GAO-06-335T](#). Washington, D.C.: January 25, 2006.

Hurricane Protection: Statutory and Regulatory Framework for Levee Maintenance and Emergency Response for the Lake Pontchartrain Project. [GAO-06-322T](#). Washington, D.C.: December 15, 2005.

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