Q&A

An Interview with Mike Martinet

BY CRAIG LESNER

GFOA's Craig Lesner interviews **Michael Martinet**, about Martinet's new book *Fighting With FEMA*. Martinet specializes in teaching disaster finance and cost-recovery programs and is the retired emergency planning manager for the Controllers Office in the City of San Francisco, California.

Craig: With the major storms we've been experiencing of late, a lot of governments are going to be working through the Federal Emergency Management Agency (FEMA) to get reimbursement for clean-up and other storm-related expenses. Mike, can you tell us about your experience working with local government and FEMA?

Michael: My first experience with FEMA's Public Assistance program was in 1995, when I, as the local emergency manager for a city, had to fill out the paperwork to recover the costs for our disaster response work following a flood event. All the forms had to be filled out by hand, and I wasn't about to do all that work manually, so I converted the forms to Excel spreadsheets, identical to the FEMA forms, but they (1) were legible, (2) had had no miscalculations, (3) and could be easily revised if needed.

A few years later, I later became an area coordinator for 14 cities in Los Angeles County, California. That's when I took my first formal training in the public assistance process, and I realized that I could be of a much greater benefit to my 14 agencies by helping them recover financially after a disaster. That's when I caught the bug. For me, disaster cost recovery is like the "World Series of Poker," only much bigger financially, and it is played out across the country, not just Las Vegas.

So, what are your thoughts on this most recent hurricane season? Not typical, but not necessarily outside the scope of expected in the "disaster world"?

For the professional disaster manager, especially the professional disaster financial manager, the perspective of normal has undergone, and is continuing to undergo, profound changes. In the ten years between 2010 and 2019, the United States had 131 weather- and climate-related disasters where the overall damages reached or exceeded $1 billion, adjusted for inflation using the Consumer Price Index (CPI) to 2024. This is an average of 13 "billion-dollar" disasters per year. But in 2023 alone, the United States experienced 28 "billion-dollar events," and as of September 10, 2024, we have already experienced 20 such events.

People argue that there may or may not be climate change, but there is indisputably a change in weather-related disasters.

In August 2024, FEMA went to an "Immediate Needs Funding" status, meaning that they were running out of money to fund all the disaster-related damages in this country because of this high frequency of events. Subsequently, Congress passed a continuing resolution and refilled FEMA's account with an additional $20 billion. As of October 10, 2024, FEMA announced that it had spent almost half of that money on hurricanes Helene and Milton.

Clearly, there is serious money in play here. And as bad as these two hurricanes were, they did not obliterate a major metropolitan area, which would have been far worse. Some people are inclined to play Russian Roulette, but that isn't possible indefinitely without an unpleasant consequence. And these two hurricanes were simply small change events compared to the worst-case scenario of a major earthquake in California.

Tell me, why does everyone make a major case about dealing with FEMA? You track your cost properly, you get reimbursed. What's the big deal?

FEMA's Public Assistance program may be one of the Federal Government's least-understood programs in an era of disasters, which are ominously increasing in both numbers and costs. Both globally and here in the United States, the growing cost of disasters is not financially sustainable for any level of government. This is particularly true for local government agencies—cities, counties, tribal nations, U.S. territories, and certain private nonprofit agencies.

These local agencies are caught in that proverbial hard spot, between the devil and the deep blue sea. Many local agencies simply ignore the incredible disaster risks they're exposed to every year, or worse, they're blissfully unaware of the risks and the associated financial dangers.

As a result, these agencies often lose hundreds of thousands and millions of dollars because of their failure to (1) know the Federal regulations, (2) closely follow those regulations, and (3) change and adapt their policies and procedures for future disasters.

For 45 years, since FEMA was established as a federal agency, our only resource for learning about these regulations, has mostly been FEMA publications—which are excellent, as far as they go.

One interesting case of failure you cite in the book involves the City of Atlanta, Georgia, during a severe winter storm in February 2014. Can you tell us a little about that?

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The city applied for FEMA Public Assistance funds to cover force account labor (FAL) costs related to emergency operations. The funds were requested for overtime pay, food, and materials used to manage emergency operations at Hartsfield-Jackson Atlanta International Airport and surrounding areas.

FEMA denied the city's claim because the application didn't comply with the agency's labor policy. Specifically, the city's employee overtime policies did not qualify under FEMA's recovery policy, and the city's pre-disaster plans lacked provisions for covering food expenses for employees during emergencies. Moreover, snow-related costs were deemed ineligible under FEMA's Snow Assistance and Winter Storm Policy.

This case highlights the importance of having well-documented pre-disaster policies to ensure eligibility for reimbursement from FEMA.

What are some common audit findings from FEMA, or reasons why claims are denied?

The main audit findings from FEMA typically center around issues of procurement, insurance, and documentation, but they also include fraud, and there is such a thing as appeals risk.

A common issue in procurement violations is that local agencies often fail to follow federal procurement rules, particularly during emergencies, when state or local authorities may waive procurement regulations. But federal regulations can't be waived, leading to large audit findings. For example, in Joplin, Missouri, following the 2010 tornado, the governor waived state procurement regulations, but this didn't apply to federal rules. As a result, FEMA auditors issued a $216 million audit finding because of non-compliant procurement practices.

As far as insurance and risk management, a common issue is that after FEMA provides funds for a project, the property must be insured for future disasters. Local agencies sometimes fail to obtain or retain insurance for properties, making them ineligible for future FEMA assistance. In New Orleans, after Hurricane Katrina, certain buildings at Jackson Barracks were repaired with FEMA funds but not insured afterward. When those buildings were damaged again in a later storm, FEMA denied funding due to the lack of insurance.

Then there are documentation failures. Agencies often submit incomplete or incorrect documentation, resulting in audit findings or denial of FEMA funds. Proper documentation is critical for proving the cost of repairs, procurement, and compliance with environmental regulations. In one case, a major transit agency filled out a 15-page document by hand for a $2.1 million claim, but because they didn't complete the form correctly (leaving out the total value in key fields), FEMA denied the entire request.

Another issue is fraudulent or questionable billing. Some agencies and their contractors engage in fraudulent practices such as inflating costs or submitting claims for ineligible expenses. After Hurricane Katrina, the Roman Catholic Archdiocese of New Orleans falsified documents related to FEMA funding. The consultant working for the archdiocese submitted falsified claims, which led to a settlement with the federal government for $11.8 million. Additionally, the archdiocese itself settled for $25 million. This case underscores that no group is exempt from fraudulent activity.

And there are also appeals and audit risk. Local agencies sometimes appeal FEMA's denial of funds but may risk losing even more money. When an appeal

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is filed and denied, FEMA may broaden its audit to review other projects, potentially leading to larger findings. In Cedar Rapids, Iowa, an appeal over $20,000 in direct administrative costs led to a second appeal, which resulted in FEMA denying $200,000 in other project costs as well.

What's another example of frequent "fraud" that FEMA is on the lookout for?

An example of FEMA-related fraud involves Gregory Brent Warr, the former mayor of Gulfport, Mississippi. He pleaded guilty to felony fraud charges related to FEMA funds after Hurricane Katrina. He and his co-defendant, Laura Warr, falsely claimed that their home had been their primary residence during the hurricane, even though it wasn't. They fraudulently registered for Katrina Disaster Assistance, leading FEMA to disburse $9,558 in funds to them that they weren't entitled to receive. Warr was sentenced to three years of supervised probation and 100 hours of community service, and he had to repay FEMA $9,558. This case highlights the importance of stringent verification processes for disaster claims, as well as the vulnerabilities in the system.

Wow—I didn't realize that FEMA would prosecute for such a relatively small dollar amount. But you bring up a point with Katrina. Some parts of the United States have more frequent events than others. Aren't some agencies, like in Florida, already experts in FEMA by now?

Yes and no. Residents in Florida have significant experience dealing with FEMA because of the frequency of hurricanes and disasters in the state. It's like playing poker with professionals: the people in Florida are like seasoned poker players when it comes to navigating FEMA's rules, while others—like residents of the Midwest—are more like amateurs playing occasionally.

But through turnover and changing FEMA rules, it becomes a very niche industry to really understand how to navigate all the regulations and common pitfalls.

You have experience with a large local government that had the resources to get ahead of all this. What's your advice to smaller agencies that don't have as many resources? Have you seen small organizations be just as successful as larger ones?

Here are some recommendations.

Develop pre-disaster policies and documentation. Small agencies should make sure they have comprehensive pre-disaster policies in place, especially regarding employee labor, overtime, procurement, and emergency provisions (such as food and lodging for staff).

Having these policies well-documented in advance helps ensure eligibility for FEMA reimbursement after a disaster.

Focus on training and preparedness. Even though small agencies may lack resources, it's critical to invest in regular staff training to understand FEMA's complex regulations and requirements. The more knowledgeable the staff is, the better they will be at navigating FEMA's bureaucracy. This could mean attending state-run applicant's briefings, workshops, or engaging consultants for specialized disaster, cost-recovery training.

Improve documentation practices. Meticulous record keeping and documentation are essential for FEMA funding. This includes tracking labor, equipment, and materials, and adhering to FEMA's guidelines on procurement and contracting. Small agencies should establish systems for maintaining detailed records of their activities before, during, and after disasters.

Prioritize projects and resources. Given the limited resources of small agencies, it is important to prioritize which recovery projects should be tackled first. Focusing on high-value or high-need areas will help ensure that the most critical issues are addressed, which can make the disaster recovery process more manageable.

Consider hiring consultants or "hired guns." Small agencies that don't have enough internal resources to handle disaster recovery might benefit from hiring external consultants who specialize in FEMA cost recovery. These experts can guide agencies through the application process, ensuring they meet FEMA's eligibility requirements and avoid costly mistakes.

Adopt preemptive strategies. Have strategies in place before disaster strikes. This includes setting up a cost accounting system that meets FEMA's requirements, ensuring that procurement policies align with federal regulations, and using checklists or forms to streamline post-disaster procedures.

Stay updated on FEMA policies. FEMA's regulations and policies change frequently, so small agencies need to stay informed. Regularly reviewing FEMA's Public Assistance Program and Policy Guide (PAPPG) and other related documents can help small agencies avoid mistakes caused by outdated information.

Seek assistance from state agencies. States can sometimes provide guidance and support for local agencies applying for FEMA assistance. Small agencies should take full advantage of these resources to make sure they're fully prepared for the administrative and documentation challenges ahead.

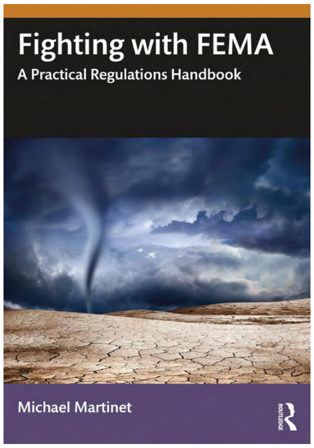
Why don't more local agencies just look to their state agencies for help?

Many states are way behind the power curve when it comes to training local jurisdictions in the intricacies and nuances of the laws and regulations. Some years ago, I reviewed every audit of local jurisdictions from the Department of Homeland Security. In fully 50 percent of those audits, the respective states were figuratively taken out to the woodshed by the auditors for their failure to properly support their local agencies in their attempts to get FEMA funding for disaster-related damages.

So, local agencies are largely on their own, in many cases, and seldom is there any post-disaster learning going on after the dust has settled. I have never seen an after-action report regarding the local agencies' cost-recovery efforts. No one wants to review the tapes of a losing game, and besides, in the years since the disaster happened, many people who knew what happened have left the agency for greener pastures.

You've been dealing with disasters for a long time. You're semi-retired. Why write a book now?

For years, I intentionally did not consider writing a book about the public assistance process. The thought of trying to keep up with the constantly changing laws and regulations was simply overwhelming to me. But in fall 2022, I realized that if I wrote a book about everything in the process that seldom or never changes, it would be a



useful reference guide, and I wouldn't have to rewrite the book every month to keep up with program changes.

I began my research in 2023, which was layered on more than 25 years of study and training related to FEMA's programs. To be candid, as much as I thought I knew, I learned even more.

As described in the book, the disaster cost-recovery process is a team sport, meaning that in many, if not most, jurisdictions, every department and function within an organization must be an active participant in the cost recovery process. Neither the local emergency manager nor the finance department alone can hope to obtain the maximum recovery possible.

The book contains specific information that will enable an agency to potentially increase its eligibility to receive FEMA funding. It also contains very specific information about how, even when the emergency manager and/or finance department do everything perfectly, other functions (such as procurement, risk management, or contract management) within the agency can torpedo an eligible project and lose some or all its FEMA funding. I wrote the book from the local government perspective and think it can be a good resource for those in local government.

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