
Unit 9: Disaster Financial Management

Overview

Resources necessary for successful disaster operations include items such as staff, travel, grants, and supplies and equipment. The Comptroller works with program and activity managers to manage the costs of obtaining and using disaster resources.

This section describes disaster financial and program management responsibilities, including:

- Comptroller role.
- Funds allocation and budget formulation.
- Funds obligation.
- Grants management.
- Financial management.



Comptroller Role

The Comptroller is the Senior Financial Advisor to the FCO at a DFO. The Comptroller is there to provide assistance on financial issues to all DFO program offices and is the link between the program offices and the Chief Financial Officer (CFO) of FEMA.

The Comptroller:

- ❑ Ensures that all financial decisions are within the scope of established policies and procedures.
- ❑ Provides financial recommendations to the FCO and other DFO managers, and makes recommendations to the CFO concerning DFO financial issues.
- ❑ Manages and monitors financial transactions for all program offices within the DFO.

Funds Allocation and Budget Formulation

The budgeting and funding process for each disaster program or activity begins by setting aside initial funding during the declaration process. The action of setting aside funds is called an **allocation**.

FEMA Headquarters automatically prepares the initial allocation for an emergency or disaster. The initial allocation provides predetermined amounts for disaster programs and activities in FEMA's agency-wide Integrated Financial Management Information System (IFMIS).

The initial allocation is intended for short-term use only. Program managers formulate their budgets by adjusting the initial amounts to fit actual needs and circumstances, factoring in costs associated with all aspects of their program areas. Most programs and activities have developed aids for making budget estimates.

Immediately after IFMIS accepts the initial allocation prepared automatically at FEMA Headquarters, a program office can amend the allocation amounts to reflect the actual budget by submitting a document called a Request for Allocation Advice (RAA).

Note: Amended allocations go through a number of processing steps, so managers need to submit their RAAs as soon as possible.

To begin the process, the program office uses the National Emergency Management Information System (NEMIS) to complete an RAA Worksheet. The amended funds are allocated and available for the program after the RAA process is complete.

Funds Obligation

An **obligation** formally reserves funds for spending. (A **commitment** is a funding step that may come before obligation. Commitments authorize obligations based on documents such as approved requisitions or procurement requests.) After funds have been allocated for a particular program and committed, if required, the funds can be obligated.

Program managers need to make sure allocations are in place before making obligations. **The Antideficiency Act prohibits managers from making or authorizing obligations or expenditures under any appropriation or fund in excess of the funds available.**

Each program follows established procedures to initiate an obligation in NEMIS. Funds are obligated by accounting classification. The fund codes are explained in FEMA Manual 2300.XX [Current Year Financial Management Codes] and appear on the RAA Worksheet used to request allocations.

Grants Management

After a grant is awarded, the program office assures that the amount of the grant is allocated, and requests an amended allocation if needed. When the funds become available, program managers can obligate some or all of the grant amount to the grantee.

The grant funds remain obligated until the grantee actually spends funds to administer or perform work under the grant. The amount spent is termed a **disbursement**, also termed a payment or expenditure. A disbursement **liquidates** or reduces some or all of the obligation amount. Different grant programs use a variety of ways to get funds to grantees for disbursement.

SMARTLINK is a major disbursement mechanism. SMARTLINK is the system used to process grants payments to the States through the Department of Health and Human Services (HHS) computer link with the Department of the Treasury.

A **drawdown** is a process used by a State to transfer funds from the FEMA account to a State account to meet immediate cash needs. States must disburse funds within three days after a drawdown from SMARTLINK. SMARTLINK rejects any drawdown that exceeds the current balance of the State's program account. If the State draws down funds in excess of its eligibility, it must return the funds to FEMA.

Grants Management (Continued)

Financial reports are available through NEMIS, IFMIS, and SMARTLINK to allow program managers to monitor the status of grant obligations and grantee disbursements. The Comptroller staff at the DFO and in the Regional Office work with program managers to identify and access available financial reports.

When reviewing financial reports, program managers should compare amounts spent to grant program progress reports and follow up to ensure that funds are being spent as intended. Reports can identify projects within grants that show large obligations and little or no progress.



Unspent, or unliquidated obligations for grants have been a persistent problem cited by the Office of the Inspector General. Obligated funds that remain unspent for long time periods are not in accordance with the intent of Congress for the use of grant program funds. The funds remain in FEMA's financial system, and are unavailable for other purposes if the grantee fails to spend them.

Excess funds not needed by grantees should be **deobligated**. A deobligation is a downward adjustment of an obligation. Funds obligated in a prior fiscal year will be returned to the Disaster Relief Fund.

Financial Management

Financial management includes program accountability, reporting, audit, and review. Program and activity managers meet their financial responsibilities by:

- Establishing budgets to meet operational needs.
- Reviewing financial reports to ensure that all funds are accounted for and that required reports are submitted in a timely manner.
- Assisting in reconciling financial data to ensure that systems reflect the same funding information, that funds are accounted for, and that FEMA provided the State with sufficient funds to meet the Federal share of program costs.
- Reviewing accounting reports to ensure that grant funds are allocated/deallocated, obligated/deobligated, and disbursed in a timely manner and in accordance with the terms of the grant.
- Monitoring cash disbursements/drawdowns to ensure that funds are disbursed according to regulations.
- Ensuring that adequate controls are in place for retention of records.
- Ensuring that assistance programs are in compliance with FEMA's auditing requirements.



The Comptroller at the DFO serves as an important partner to help program and activity managers fulfill their financial management responsibilities.