

# FLORIDA DIVISION OF EMERGENCY MANAGEMENT

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## OFFICE OF INSPECTOR GENERAL



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## Public Assistance Payments Audit

Audit Report Number 15-A002

June 17, 2016

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### Executive Summary

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The Division of Emergency Management (Division), Office of Inspector General, conducted an audit of payment activities under the Division's Public Assistance (PA) Grant Program. The audit included payment activities conducted between July 1, 2014 and March 31, 2015 under PA grant numbers 4138 (Florida Severe Storms and Flooding) and 4177 (Florida Severe Storms, Tornadoes, Straight-line Winds, and Flooding). This audit was conducted as part of Office of Inspector General's annual work plan.

Our objectives were to determine:

- Compliance with state and federal laws, rules, regulations, and guidance for payments to subgrantees;
- The effectiveness of the Division's recovery from subgrantees of deobligated funding; and
- If the Division is maximizing its reimbursement of management costs.

We concluded that:

- The Division did not consistently comply with state and federal regulations for payments to subgrantees under the PA Program;
- We could not evaluate the effectiveness of the Division's recovery of deobligated funding due to weaknesses in its process for tracking accounts receivable; and
- The Division did not maximize its reimbursement of management costs during the audit period.

Our findings and recommendations are further discussed in the Results of Audit section of this report.

We would like to thank and acknowledge Division staff for their cooperation and assistance during this audit.

## Introduction

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The Division of Emergency Management (Division), Office of Inspector General (OIG), conducted an audit of payment activities under the Division's Public Assistance (PA) Grant Program. Our objectives were to determine:

- Compliance with state and federal laws, rules, regulations, and guidance for payments to subgrantees;
- The effectiveness of the Division's recovery from subgrantees of deobligated funding; and
- If the Division is maximizing its reimbursement of management costs.

The audit included payment activities conducted between July 1, 2014 and March 31, 2015 under PA grant numbers 4138 (Florida Severe Storms and Flooding) and 4177 (Florida Severe Storms, Tornadoes, Straight-line Winds, and Flooding). This audit was conducted as part of OIG's annual work plan.

## Background

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After natural or man-made events that cause extensive damage, the Federal Emergency Management Agency (FEMA) coordinates with the Division to implement the PA Program so that communities can quickly respond to and recover from the events. The Division serves as a pass-through entity to provide PA Program funding in the form of subgrants to state, tribal, and local governments, and certain types of private nonprofit organizations. Subgrantees use PA grant funding for emergency protective measures, debris removal, and the repair, replacement, or restoration of disaster-damaged facilities. FEMA provides funding to the Division for managing the PA subgrants, which are administered by the Division's Bureau of Recovery.

## Obligation

To facilitate review, approval, and funding, repair projects conducted under the PA Program are categorized by dollar amount into small and large projects. Project worksheets are used to document the scope of work and cost estimate for each project. These forms supply FEMA with the information necessary to approve the scope of work and itemized cost estimate prior to funding each project.

Once FEMA approves a project, FEMA's share of the funding (federal share) is made available to the Division through a process called obligation. During obligation, FEMA notifies the Division that the federal share is available, but in a federal account (Smartlink) until the Division is ready to make payment to the subgrantee. In cases where the federal share is less than 100% of the approved project costs, the Division provides matching funds (state match) to state agencies and local governments. The Division provides the entire required match amount for state agencies and one-half of the required match amount for local governments. In cases of extreme hardship, the

Division also provides the local government's portion of the match (waiver of state match).

### **Payment and Closeout**

For small projects, the Division makes federal share, state match, and waiver of state match payments to subgrantees based on the cost estimates provided in each project worksheet. The Division is required to make payment of the federal share to the subgrantee as soon as practicable after FEMA has obligated the funds.

For large projects, the Division makes federal share, state match, and waiver of state match payments to subgrantees based on actual costs. The Division makes progress payments to subgrantees on large projects as actual costs are documented using Requests for Reimbursement (RFRs), which are submitted to the Division for approval.

After all payments on a project are complete, closeout is performed to certify that all recovery work has been completed, any appeals have been resolved, and all eligible costs have been reimbursed to the subgrantee.

### **Deobligation**

A deobligation occurs when FEMA determines, at any point in the processes described above, that it has overpaid on a PA project. FEMA may deobligate funding on a PA project for various reasons, including:

- The subgrantee was advanced funds but did not complete the project;
- A determination was made after obligation of funds that the project was entirely, or partially, ineligible; and
- An audit identified issues resulting in questioned costs.

During deobligation, FEMA removes the deobligated federal share funding from Smartlink. The Division must recoup its payment of the federal share, and any state match and waiver of state match payments, from the subgrantee. Deobligated PA funding owed to the Division by subgrantees is reported as accounts receivable on the Division's financial statements.

### **Recoupment**

Currently, the Division uses the following methods to recoup a deobligation from a subgrantee:

- Invoicing the subgrantee to request re-payment of the deobligated funds;
- Establishing a re-payment plan with the subgrantee; and
- Offsetting the deobligation with payments made to the subgrantee on other project worksheets in the same event and project worksheets in different events.

## Management Costs

Under the PA Program, the Division is provided funding from FEMA for state management of PA subgrants. FEMA regulations governing reimbursement of management costs for the PA Program changed for events on or after November 13, 2007. The Division has PA subgrants in process from before and after the date of this change. FEMA regulations require different procedures for reimbursement of management costs depending upon the date of the event.

### Management Cost Funding for Events that Occurred Before November 13, 2007:

FEMA provides two types of management cost funding for these events:

- Statutory Administrative Allowance; and
- State Management Administrative Costs (SMAC).

The Statutory Administrative Allowance can be used for overtime pay, per diem, and travel expenses for Division staff. SMAC funding can be used for the straight-time salaries of Division staff performing grant management activities, and the straight-time and overtime salaries, per diem, and travel expenses of contractors hired by the Division to assist in grant management.

Currently, the Division is managing 12 events that occurred before November 13, 2007. The Division has already received the maximum Statutory Administrative Allowance for these events, and the SMAC funding available on the events was extended twice since it expired on December 31, 2013. The most recent SMAC funding extension expired on December 31, 2015, and FEMA denied the Division's request for another extension. Therefore, the Division is no longer eligible to receive funding from FEMA to manage the 12 open events that occurred before November 13, 2007.

### Management Cost Funding for Events on or After November 13, 2007:

FEMA provides two types of management cost funding for these events:

- State Management Costs (SMC); and
- Direct Administrative Costs (DAC).

SMC funding can be used for the indirect costs, administrative expenses, and other expenses that are reasonably incurred and are not directly chargeable to a specific project. The Division may request reimbursement for SMC incurred by both Division and contractor staff. The maximum amount of SMC funding for each event is 3.34 percent of the federal share.

The Division may also request reimbursement for DAC, which are costs that can be identified separately and assigned to a specific project. The time to conduct initial inspections, prepare and submit project worksheets, and make interim and final inspections of projects are allowable costs. To claim DAC, unlike SMC, the Division must separate costs and account for time on a project-by-project basis. There is no cap on FEMA's reimbursement of DAC. Since DAC are project costs, FEMA reimburses for

DAC in an amount which is limited to the actual reasonable costs incurred for a specific period and provides funding for DAC for individual projects rather than for entire events. The Division may request reimbursement for DAC incurred by both Division and contractor staff.

Currently, the Division is managing 10 events that occurred on or after November 13, 2007.<sup>1</sup> The Division is eligible to receive a total of \$11,000,195.76<sup>2</sup> in SMC for these events. As of December, 2015, the Division had expended \$2,437,650.81 of that funding. Once the SMC funding is exhausted, the Division must rely solely on DAC funding to manage these events.

## Results of Audit

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The objectives of this audit were to determine:

- Compliance with state and federal laws, rules, regulations, and guidance for payments to subgrantees;
- The effectiveness of the Division's recovery from subgrantees of deobligated funding; and
- If the Division is maximizing its reimbursement of management costs.

Based on our examination, we concluded that the Division did not consistently comply with state and federal regulations for payments to subgrantees under the PA Program.

We could not evaluate the effectiveness of the Division's recovery of deobligated funding due to weaknesses in its process for tracking accounts receivable. The weaknesses related to waiver of state match transactions, offset recoupment transactions, and data reconciliation. We determined that the balance of accounts receivable related to deobligations was not accurate, and without an accurate accounts receivable balance, we could not evaluate the effectiveness of the Division's recovery of deobligated funding.

We also concluded that the Division did not maximize its reimbursement of management costs during the audit period. Specifically, because the Bureau of Recovery did not track DAC time incurred by Division staff between July 1, 2014 and November 30, 2014, it cannot request reimbursement from FEMA for that time.

The findings related to our audit objectives are provided below:

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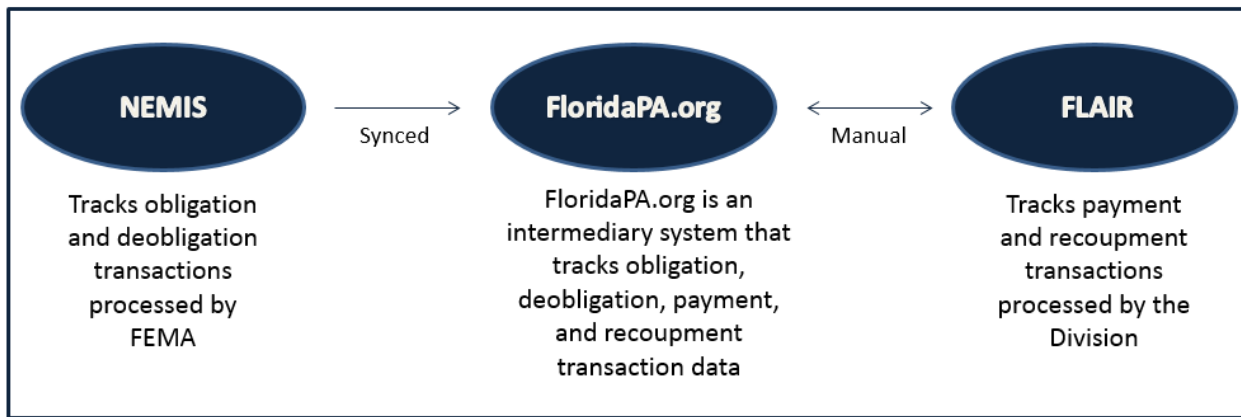
<sup>1</sup> The events audited in this engagement, PA grant numbers 4138 and 4177, occurred on or after November 13, 2007.

<sup>2</sup> This figure was calculated as of September 30, 2015.

**Finding 1 – FloridaPA.org Reconciliations**

FloridaPA.org is used by the Division’s Bureau of Recovery to track obligation, deobligation, payment, and recoupment transactions. FloridaPA.org is an intermediary system, which obtains obligation and deobligation transaction data from FEMA’s National Emergency Management Information System (NEMIS) and exchanges payment and recoupment transaction data with FLAIR, the State of Florida’s computer-based accounting system.

On a daily basis, a Bureau of Recovery staff member transfers obligation and deobligation data from NEMIS to FloridaPA.org. The transfer process is performed in a few steps and all data is transferred at once; this process does not require manual entry of individual transactions. The exchange of payment and recoupment transaction data between FloridaPA.org and FLAIR is manual, and requires staff to input data for individual transactions to transfer data between the systems. Below is an illustration of the data flow between NEMIS, FloridaPA.org, and FLAIR:



2 CFR 200.302, Financial Management, requires pass-through entities’ financial management systems to be sufficient to permit the preparation of reports required by general and program-specific terms and conditions. It also requires the systems be sufficient to trace funds to a level of expenditures adequate to establish that such funds have been used according to federal statutes, regulations, and the terms and conditions of the federal award.

The Auditor General’s Audit Report Number 2016-102 included a finding that the Division did not have procedures for reconciling FloridaPA.org to NEMIS to ensure that obligation and deobligation transaction data in FloridaPA.org is complete and accurate. The Division also does not have procedures for reconciling FloridaPA.org to FLAIR to ensure payment and recoupment transaction data in FloridaPA.org is complete and accurate. Without effective procedures for reconciliation between FloridaPA.org and

NEMIS and between FloridaPA.org and FLAIR, the risk is increased that the data in FloridaPA.org may not be accurate. Other factors that also increase this risk include:

- The exchange of payment and recoupment transaction data between FloridaPA.org and FLAIR is manual, which allows for human error; and
- Significant time lags exist between payment processing in FLAIR and FloridaPA.org updates to reflect paid status.

### **Recommendation**

We recommend that the Bureau of Finance, the Bureau of Recovery, and the IT section develop written procedures for reconciliations between FloridaPA.org and NEMIS and between FloridaPA.org and FLAIR to ensure complete and accurate obligation, deobligation, payment, and recoupment transaction data is timely recorded in FloridaPA.org.

### **Management Response**

***The Recovery Bureau concurs with the finding.***

*The Bureau of Recovery is working with the IT Section and Finance on a solution to this finding. A meeting was held during May of 2016 between the three sections, and additional meetings have been held individually in order to review options. With the pending FLAIR system change, the State's resources may be better suited to fix this issue once the new system is in place.*

***Estimated Completion Date: December 31, 2016***

## **Finding 2 – Review of Subgrantee Requests for Reimbursement (RFR)**

44 CFR 206.205, Payment of Claims, requires pass-through entities to certify that the approved work on large projects was completed and that reported costs were incurred in the performance of eligible work.

We examined a sample of RFRs to determine if the Bureau of Recovery's review process ensures that approved work was completed and that reported costs were incurred in the performance of eligible work. Bureau of Recovery staff was unable to demonstrate that the RFRs had been reviewed prior to payment and there was no documentation to support that a review process had been conducted.

The Bureau of Recovery has not required subgrantees to use the standard FEMA forms to document expenses. Each subgrantee currently creates its own expense forms to submit as supporting documentation for its RFRs. Bureau of Recovery staff stated that reviewing RFRs is difficult because of the differences in expense forms submitted by the subgrantees.

Without sufficient review of RFRs prior to payment, the Division may reimburse for unallowable expenses or overpay subgrantees.

### **Recommendation**

We recommend the Bureau of Recovery update its RFR review procedures to ensure that amounts requested for reimbursement are supported by documentation and each RFR is reviewed prior to payment. We also recommend the Bureau of Recovery require subgrantees to use the standard FEMA forms for tracking expenses.

### **Management Response**

***The Recovery Bureau concurs with this finding.***

*At the time of the audit, the Bureau of Recovery had RFR procedures that required the grant staff to review all expenditures. However, it was determined that a particular grant specialist was not reviewing the force account expenses as required by our RFR procedures at the time.*

*Since this audit finding the PA Grant Program Manager has shifted the workload of her grant staff to where only two staff are validating the documentation submitted with the RFR for Large Project Payments. These two grant staff have received training on the RFR procedures to include calculation of Force Account Labor. They are assisting the PA Grant Program Manager with updating the RFR procedures. Once the procedure has been adopted, all grant staff will be trained and given the responsibility of validating documentation of the RFR and processing of payments. After their initial training, all current grant staff will be retrained on this procedure once a year, and any incoming*



*grant staff will receive training on the RFR validation and payment process within the first three months of being hired.*

***Estimated Completion Date: July 29, 2016***

*In regard to the recommendation that the FEMA form be utilized instead of subgrantee provided forms, the Bureau is in the process of an overall modernization of the State-Subgrantee Funding Agreement, and the use of the FEMA form will be required in the next version of the Funding Agreement. The FEMA form has been made available on FloridaPA.org in the forms section located on the home page.*

***Estimated Completion Date: August 31, 2016***

### **Finding 3 – Timely Payment on Subgrantee RFRs**

44 CFR 206.205, Payment of Claims, requires pass-through entities to make payments of the federal share on small projects to subgrantees as soon as practicable after federal approval of funding. For large projects, 44 CFR 206.205, Payment of Claims, requires pass-through entities to certify that payments have been made in accordance with 44 CFR 13.21, Payment. 44 CFR 13.21, Payment, requires that the methods and procedures for payments shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee.

For future events, 2 CFR 200.305(3) will require pass-through entities to make payment on reimbursement requests from subgrantees within 30 calendar days from receipt of the request, unless the pass-through entity reasonably believes the request to be improper.

We examined the timeliness of a sample of 20 small and 13 large project payments and found that the Division is not in compliance with the requirements under 44 CFR 206.205 Payment of Claims, regarding timeliness of payments on small and large projects. For the items in the sample, we determined:

- The range of the number of days it took the Bureau of Recovery to advance small project payments to the Bureau of Finance was 26-99 days, with an average of 53 days;
- The range of the number of days it took the Bureau of Recovery to advance large project payments to the Bureau of Finance was 45-91 days, with an average of 54 days;
- The range of the number of days it took the Bureau of Finance to advance small project payments to DFS was 14-57 days, with an average of 37 days; and
- The range of the number of days it took the Bureau of Finance to advance large project payments to DFS was 7-62 days, with an average of 57 days.

### **Recommendation**

We recommend the Bureaus of Finance and Recovery develop and/or update procedures to track and monitor payments to identify preventable delays in payment processing and to ensure payments are processed in a timely manner. These procedures should incorporate the requirements from 2 CFR 200.305(3) to ensure payment on reimbursement requests from subgrantees within 30 calendar days from receipt of the requests.

## Management Response

### ***Finance & Recovery Bureau concur with this finding.***

*Finance currently has procedures in place to monitor payments received and processed in the unit. However, due to staff turnover and vacancies, the payments processed during this audit period were not all able to be submitted in a timely manner. Finance will continue to strive to pay all payments received from the program unit in the required time frames, even during times of staff deficiencies.*

*The Recovery Bureau is reviewing their current payment process to determine changes that need to occur in order to help expedite the PA Grant review of payments. Recovery will work with Finance to create a payment timeline and develop new procedures for expediting the payment process from beginning to end.*

### ***Estimated Completion Date: August 30, 2016***

*If changes need to be made to FloridaPA.org RFR & payment workflows, Recovery will set up a meeting with the IT Section and FloridaPA.org system designers to discuss these changes. We will continue to work and coordinate with the IT Section to upgrade FloridaPA.org.*

### ***Estimated Completion Date: September 29, 2016***

#### **Finding 4 – Timely Submission of Large Project Closeouts**

44 CFR 206.205 Payment of Claims, requires pass-through entities to submit large projects as soon as practicable after subgrantees have completed the approved work and requested payment.

We examined the timeliness of a sample of 13 large project closeouts and found that the Bureau of Recovery lacks adequate procedures to ensure large project closeouts are submitted as soon as practicable after subgrantees request closeout, and that unnecessary delays may sometimes exist in the Bureau of Recovery's process for submitting large project closeouts. For the items in the sample, we determined:

- 7 of the 13 projects in the sample were not yet eligible for submission to FEMA (closeout had not been requested by the subgrantee); and
- Of the 6 projects that have been submitted to the Division for closeout, none of them had been submitted to FEMA for closeout. Each of these projects was in Step 6 (State Review) of the workflow. The projects had been in Step 6 of the workflow for between 33 and 346 days.

#### **Recommendation**

We recommend the Bureau of Recovery develop and/or update procedures to ensure closeouts are submitted in a timely manner.

#### **Management Response**

***The Bureau of Recovery concurs with the finding.***

*The Bureau made changes to the large project closeout process on May 15, 2015. Procedures are in place to ensure timely submission of large projects. The Bureau is in the process of modifying the State-Subgrantee Funding Agreement, the changes to the large project closeout process will be reflected in the agreement.*

***Estimated Completion Date: August 31, 2016***

## **Finding 5 – State Match Payments to Non-Profit Organizations**

Section 252.37(5)(a), Florida Statutes, states: “Whenever the state accepts financial assistance from the Federal Government or its agencies under the federal Public Assistance Program and such financial assistance is conditioned upon a requirement for matching funds, the state shall provide the entire match requirement for state agencies and one-half of the required match for grants to local governments. The affected local government shall be required to provide one-half of the required match prior to receipt of such financial assistance.” Florida Statutes do not provide the Division authority to make payments of state match to non-profit organizations.

The Bureaus of Recovery and Finance lack internal controls to prevent payment of state match to non-profit subgrantees, which are not eligible to receive state match under the PA Program. Consequently, a \$504.05 state match payment under project 481 of PA grant number 4177 was made to a non-profit subgrantee. Without internal controls to prevent payment of state match payments to non-profits, the Division may continue to make these state match payments in error.

### **Recommendation**

We recommend the Bureau of Recovery recoup the payment of state match made in error to the non-profit subgrantee in the amount of \$504.05 under project number 481 of PA grant number 4177. We also recommend that the Bureaus of Recovery and Finance develop controls to prevent payment of state match under the PA Program to non-profit subgrantees.

### **Management Response**

***The Recovery Bureau concurs with this finding.***

*The funds have been recouped. We requested a meeting on June 1, 2016 with FloridaPA.org designers and the IT Section to ensure that when a new disaster is created within that system that it is set up with safeguards to prevent a state share from being obligated to a private non-profit account. We will continue to work and coordinate with the IT Section to upgrade FloridaPA.org.*

***Estimated Completion Date: September 29, 2016***

## **Finding 6 – Small Project Worksheet Certifications**

44 CFR 206.205 Payment of Claims, requires pass-through entities to certify, before event closeout, that all small projects were completed in accordance with FEMA approvals.

The Bureau of Recovery has not established adequate procedures for certifying that small projects were completed in accordance with FEMA approvals. FEMA allows the Bureau of Recovery to rely on subgrantees to self-certify, using the Project Completion and Certification Report (P4 Report), that small projects were completed; however, the Bureau of Recovery does not consistently require subgrantees to sign the report. The Bureau of Recovery does not perform site inspections on small projects and does not require subgrantees to submit supporting documentation for small project expenditures. Without requiring subgrantees to sign the P4 Report, the risk is increased that the Division may certify small projects that were not completed in accordance with FEMA approvals.

### **Recommendation**

We recommend the Bureau of Recovery establish written procedures for certifying that small projects were completed in accordance with FEMA approvals.

### **Management Response**

***The Recovery Bureau concurs with the findings.***

*The Recovery Bureau is developing a process for the certification of 100% complete small projects. When the process is completed, we will update the standard operation guide (SOG) to reflect the changes made to this process.*

***Estimated Completion Date: July 29, 2016***

*We requested a meeting with the IT Section and the FloridaPA.org system designer on June 1, 2016 to determine if an internal process could be added into FloridaPA.org for small project certification. We will continue to work and coordinate with the IT Section to upgrade FloridaPA.org.*

***Estimated Completion Date: September 29, 2016***

*The Bureau is in the process of modifying the State-Subgrantee Funding Agreement, the changes to the small project certification will be reflected in the agreement.*

***Estimated Completion Date: August 31, 2016***

## **Finding 7 – FloridaPA.org Export Capabilities**

The Bureau of Recovery is unable to export complete and accurate data from FloridaPA.org for waiver of state match payment transactions and offset recoupment transactions. Data for waiver of state match payment transactions does not export into Excel from FloridaPA.org. Furthermore, data for offset recoupment transactions exported into Excel from FloridaPA.org is incorrect. For offset recoupment transactions, FloridaPA.org exports the net amount of offset recoupment transactions (\$0) rather than the actual amount of the recoupments.

Tracking of payment and recoupment transaction data is required for the Division to determine the current balance of accounts receivables for the PA Program. Because FloridaPA.org lacks the capability to export the correct amounts of waiver of state payment and offset recoupment transactions, the Division must compile and enter these transactions manually when determining the current balance of accounts receivable for the PA Program.

### **Recommendation**

We recommend the Bureau of Recovery ensure FloridaPA.org is updated to include the capability to export the details of waiver of state match payment transactions and offset recoupment transactions.

### **Management Response**

***The Recovery Bureau concurs with this finding.***

*Since May 25, 2016, FloridaPA.org exports the waiver information.*

### ***Estimated Completion Date: Complete***

*On May 20, 2016, Recovery requested a system fix to export the offset information from FloridaPA.org. This system fix may require a meeting with the IT Section, MB3, and the FloridaPA.org system designer. We will continue to work and coordinate with the IT Section to upgrade FloridaPA.org.*

***Estimated Completion Date: September 29, 2016***

## **Finding 8 – Recoup/Deob Report**

The Division's Bureau of Recovery tracks accounts receivable for the PA Program using its Recoup/Deob Report, which is an Excel workbook that Bureau of Recovery staff creates on a weekly basis. Recovery's Recoup/Deob Report is created using data exported from FloridaPA.org, which is adjusted to reflect offset recoupment transactions that FloridaPA.org does not have the capability to export.

According to Recovery's 02/19/2016 Recoup/Deob Report, the current balance of accounts receivable for the PA Program is \$49,764,172.06 as of February 19, 2016. The balance of accounts receivable for the PA Program provided by Recoup/Deob Report is inaccurate because the report does not include waiver of state match transactions. FloridaPA.org currently lacks the capability to export data for waiver of state match payments, and the Bureau of Recovery has not established an alternative process for including waiver of state match payments into the Recoup/Deob Report. Bureau of Recovery staff was unaware that the Deob/Recoup Report did not include waiver of state match transactions.

Without an accurate recording of accounts receivable on the Recoup/Deob Report, the risk is increased that the amount of accounts receivable for the PA Program reported on the Division's financial statements may be incorrect.

### **Recommendation**

We recommend the Bureau of Recovery include waiver of state match transactions on the Recoup/Deob Report to ensure that its tracking of accounts receivable for the PA Program is accurate.

### **Management Response**

***The Recovery Bureau concurs with this finding.***

*The Recoup/Deob Report will be updated to include waiver of state match amounts.*

***Estimated Completion Date: July 01, 2016***



## **Finding 9 – Department of Homeland Security OIG Audit Report Monitoring**

The Department of Homeland Security (DHS) OIG audits PA Program funds awarded to entities throughout the nation. The objective is to determine whether entities account for and expend FEMA funds in accordance with federal regulations and FEMA guidelines. Each year DHS OIG publishes a capping report to summarize its audits of the PA Program. The FY 2013 report states “Federal regulations for grant administration require states, as grantees, to oversee subgrant activities and ensure that subgrantees are aware of and follow Federal regulations designed to ensure financially assisted activities comply with applicable laws and regulations. Many of our findings and reportable conditions indicate that states should do a better job of educating subgrantees and enforcing Federal regulations.”

The Bureau of Recovery is the bureau within the Division responsible for monitoring DHS OIG audit reports related to the PA Program; however, the Bureau of Recovery has not maintained a process to monitor DHS OIG audit reports related to the PA Program and is not monitoring the reports. Therefore, the Bureau of Recovery does not typically target its training and education of subgrantees to address findings and other information from the DHS OIG reports to minimize future deobligations.

### **Recommendation**

We recommend the Bureau of Recovery monitor the DHS OIG audit reports related to the PA Program. We also recommend the Bureau of Recovery incorporate the common findings and issues identified in the reports into its training and education of subgrantees to minimize future deobligations.

### **Management Response**

***The Bureau of Recovery concurs with the finding.***

*The Bureau of Recovery will ensure that tracking of the OIG Audits will continue, and will maintain the spreadsheet previously maintained by the Office of Inspector General.*

***Estimated Completion Date: September 29, 2016***

*On June 9, 2016 the Recovery Bureau assigned this task to the Public Assistance Appeals Officers. A meeting was requested with FloridaPA.org system designer and the IT Section on June 1, 2016 to discuss the development of a workflow in FloridaPA.org to track A-133 and OIG Audits.*

***Estimated Completion Date: September 29, 2016***

**Finding 10 – Tracking of Direct Administrative Costs (DAC)**

In order to request reimbursement for DAC incurred by Division and contractor staff, FEMA requires the Division to account for DAC time on a project-by-project basis.

We examined the Bureau of Recovery's tracking of DAC time during the audit period of July 1, 2014 to March 31, 2015. The Bureau of Recovery did not begin to track the DAC incurred by Division staff until December 1, 2014. Since DAC time incurred by Division staff was not tracked between July 1, 2014 and November 30, 2014, the Division is unable to request reimbursement from FEMA for the DAC incurred by Division staff between July 1, 2014 and November 30, 2014.

**Recommendation**

We recommend the Bureau of Recovery continue to track the DAC incurred by both Division staff and hired contractors to maximize the reimbursement of management costs from FEMA.

**Management Response**

***The Bureau of Recovery concurs with the finding.***

*The Bureau of Recovery has required all staff to record project specific activities since at least January 1, 2016, with those records being approved weekly by managers to ensure that all eligible DAC activities are being captured.*

***Estimated Completion Date: Complete***

## Finding 11 – Procedural Documents

On July 1, 2015, the Division adopted a Standard Operating System (SOP-DO-001-001) to ensure that the Division’s procedural documents are formally adopted and regularly reviewed. The Division’s Standard Operating System requires each bureau chief to ensure current and effective policies and procedures are in place for their area of responsibility.

During review of Bureau of Recovery and Bureau of Finance procedural documents relating to payments made under the PA Program, we identified the following documents that have not been formally adopted using the requirements contained in the Division’s Standard Operating System (SOP-DO-001-001):

- Disbursement of State Funds policy;
- PA Administrative Plan CY2014;
- Public Assistance SOGs and Workflows; and
- Grants Management Unit procedures.

Furthermore, the Grants Management Unit Procedures, specifically the Subrecipient Payment Processing (PA Grants) section, contains information that does not accurately reflect the current practices used to process PA grant payments.

## Recommendation

We recommend the Bureaus of Recovery and Finance use the requirements found in the Division’s Standard Operating System (SOP-DO-001-001) to review, update, and adopt the following procedural documents:

- Disbursement of State Funds policy;
- PA Administrative Plan CY2014;
- Public Assistance SOGs and Workflows; and
- Grants Management Unit procedures.

## Management Response

**Bureau of Recovery: *The Recovery Bureau concurs with this finding.***

*The Bureau will work with all owners of the identified plans and policies to ensure that all standard operating plans and procedures meet the requirement and crosswalk with their existing plans.*

***Estimated Completion Date: September 29, 2016***

**Bureau of Finance: *The Finance Bureau concurs with this finding.***

*The Bureau of Finance will update the mentioned documents based on the Standard Operating Procedure.*

***Estimated Completion Date: December 31, 2016***

## **ATTACHMENT 1 - Purpose, Scope, and Methodology**

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Pursuant to Section 20.055, Florida Statutes, the Division's Office of Inspector General conducts audits to promote accountability, integrity, and efficiency in government. This audit was performed as part of the Office of Inspector General's annual work plan.

The purpose of the audit was to determine compliance with state and federal laws, rules, regulation, and guidance for payment activities conducted by the Division under the PA Program.

The scope of this audit included payment activities conducted by the Division between July 1, 2014 and March 31, 2015 under PA grant numbers 4138 (Florida Severe Storms and Flooding) and 4177 (Florida Severe Storms, Tornadoes, Straight-line Winds, and Flooding).

Our methodology included:

- Reviewing applicable laws, rules, regulations and procedures;
- Reviewing prior audit reports;
- Interviewing appropriate Division and FEMA staff;
- Reviewing payment transactions and documentation; and
- Reviewing FloridaPA.org and FLAIR data.

## **ATTACHMENT 2 - Audit Team and Statement of Accordance**

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### **Audit Team**

Mandi Cohen, Auditor

Ronnie Atkins, CPA, CIA, CMA, CIG, Deputy Inspector General

### **Statement of Accordance**

Our audit was conducted under the authority of Section 20.055, Florida Statutes, and in conformance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, and Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General.

**ATTACHMENT 3 - Addressee and Distribution List**

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Bryan Koon, Director  
Jonathan Lord, Deputy Director  
Wes Maul, Chief of Staff

Copies distributed to:

Evan Rosenberg, Recovery Bureau Chief  
Phyllis Vaughn, Financial Management Administrator  
Kevin Smith, Chief Information Officer

Melinda M. Miguel, Chief Inspector General  
Sherrill F. Norman, Auditor General