



DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General
Dallas Field Office - Audit Division
3900 Karina Street, Room 224
Denton, Texas 76208

July 15, 2003

MEMORANDUM

TO: Laurence W. Zensinger
Acting Director, Recovery Division
Emergency Preparedness and Response Directorate
Tonda L. Hadley

FROM: Tonda L. Hadley, Field Office Director

SUBJECT: Los Alamos Family Council, Inc., Los Alamos, New Mexico
Crisis Counseling Program Grant for the Cerro Grande Fire
FEMA Disaster Number 1329-DR-NM
Audit Report Number DD-10-03

The Office of Inspector General (OIG) audited Federal Emergency Management Agency (FEMA) Crisis Counseling Program funds paid to the Los Alamos Family Council, Inc. (LAFC), a not-for-profit corporation located in Los Alamos, New Mexico. The objective of the audit was to determine whether LAFC accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

LAFC received an award of \$968,542 from the New Mexico Department of Health (NMDH), a FEMA grantee, to provide services authorized under the FEMA Crisis Counseling Program's Immediate Services Program (ISP) and Regular Services Program (RSP) after the Cerro Grande Fire that occurred in May 2000. The award provided 100 percent FEMA funding for immediate and regular services under the Crisis Counseling Program. These services provided immediate crisis counseling, including screening, diagnostic, and counseling techniques, and outreach services, such as public information, community networking, consultation, and education applied to meet mental health needs immediately after the Cerro Grande Fire.

The audit covered the period May 4, 2000, to December 27, 2002, during which NMDH disbursed \$968,542 for program costs. The OIG verified 100 percent of funds disbursed; tested 100 percent of payroll costs, which comprised 62 percent of total documented program costs; and relied on audited LAFC financial statements to compile the remaining 38 percent of total documented program costs.

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included tests of LAFC's accounting records, a judgmental sample of expenditures, procedures to provide a sufficient basis for reliance on the work of other auditors, and other auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

LAFC could not provide evidence that \$177,301, or 18 percent of the \$968,542 received under FEMA's Crisis Counseling Program, was spent for approved program activities. Based on audited financial statements, LAFC spent the \$177,301 on activities that were appropriate under its charter; however, the expenditures could not be allocated to the Crisis Counseling Program. For example, LAFC provided community education, prevention services and rehabilitation related to mental health, alcoholism, and other substance abuse. LAFC also administered youth activity centers and the maternal and child health program. OMB Circular A-122, Attachment A, paragraph A.2.a, requires that, to be allowable, costs must be allocable to the federal award. Therefore, the OIG questioned \$177,301 of costs that were ineligible because they were not allocable to the Crisis Counseling Program.

The LAFC Executive Director agreed with our findings, stating that LAFC has made significant changes to its accounting system to identify costs with specific projects. The Director also stated that, if FEMA requires them to repay the \$177,301, "it would create an enormous hardship on the Center and possibly put them out of business." The accounting firm that prepared LAFC's financial statements for the years 2000 through 2002 confirmed that LAFC had made significant improvements to its accounting system.

RECOMMENDATION

The OIG recommended that the Federal Emergency Management Agency, in coordination with the New Mexico Department of Health, disallow \$177,301 of questionable costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

On July 7, 2003, the OIG discussed the audit results with LAFC officials who agreed with the findings. The OIG discussed the audit results with NMDH and FEMA officials on July 7 and July 8, 2003, respectively.

Please advise this office by August 14, 2003, of the actions taken or planned to implement the audit recommendation. Please include target completion dates for any planned actions. If you have any questions concerning this report, please call me at (940) 891-8900. Major contributors to this report were Tonda Hadley and Charles Riley.