



Homeland Security

October 27, 2004

MEMORANDUM FOR: Edward G. Buikema
Regional Director, FEMA Region V

Tonda L. Hadley

FROM: Tonda L. Hadley
Field Office Director

SUBJECT: *Grant Management: Wisconsin's Compliance
With Disaster Assistance Program's Requirements*
Audit Report Number DD-01-05

This memorandum transmits the results of the subject audit performed by Foxx & Company, an independent accounting firm under contract with the Office of Inspector General (OIG). In summary, Foxx & Company determined that, for the most part, Wisconsin's Emergency Management agency (WEM) effectively managed FEMA's disaster assistance programs in accordance with federal requirements. However, as indicated by the reported findings, some weaknesses in internal controls and noncompliance situations were identified.

On October 18, 2004, you responded to the draft audit report, stating that you agreed with the majority of the recommendations. The report includes your response, in its entirety, as Management Comments. Your comments are also presented after each finding in the report, along with additional comments from the auditors (Foxx & Company and OIG).

The OIG appreciates your written comments on the final report and realizes that State officials were unable to respond due to deployment and other unforeseen events. As a result the recommendations remain unresolved. To resolve the recommendations, your written response should consider actions taken or to be taken by the State of Wisconsin and specify actual or target completion dates for each of the recommendations. We look forward to receiving your response by January 25, 2005.

We would like to thank your staff and the WEM staff for the courtesies extended to the auditors during their fieldwork. Should you have any questions concerning this report, please contact Paige Hamrick or me at (940) 891-8900.

cc: Mr. Michael Moline, Audit Coordinator, Region V
Mr. Bill Moore, Foxx & Company
Ms. Martha Barksdale, Project Officer/COTR

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

**Grant Management: Wisconsin's
Compliance With Disaster
Assistance Program's Requirements**



**Audit Conducted By:
Foxx & Company**

**Dallas Field Office
Office of Audits**

DD-01-05

October 2004

TABLE OF CONTENTS

I.	Executive Summary	1
II.	Background	4
III.	Objectives, Scope, and Methodology	6
IV.	Findings and Recommendations	8
A.	Financial Management	8
1.	Use of Administrative Allowances	8
B.	Program Management	10
1.	HMG and PA Project Monitoring	10
2.	PA Administrative Plans	12
3.	PA Quarterly Progress Reporting	13
4.	Payments for PA Small Projects	14
	Attachments	17
A.	Sources and Applications of Funds Schedules	18
B.	Schedule of Questioned Costs	29
C.	List of Acronyms	30
	Management Comments	31

I. EXECUTIVE SUMMARY

Foxx & Company has completed an audit of the State of Wisconsin's administration and management of Federal Emergency Management Agency¹ (FEMA) disaster assistance grant programs. The overall objective of this audit was to determine the effectiveness of the Wisconsin Emergency Management (WEM) agency's administration and management of disaster assistance programs authorized by the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 USC 5121 et seq. (Public Law 93-288, as amended) (Stafford Act) and applicable Federal regulations. On October 30, 2000, the President signed the Disaster Mitigation Act of 2000 (Public Law 106-390), amending the Stafford Act. The Disaster Mitigation Act of 2000 was not fully implemented by FEMA at the time of the audit.

This report focuses on WEM's (grantee) systems and processes for ensuring that grant funds were managed, controlled, and expended in accordance with the Stafford Act and the requirements set forth in Title 44 of the Code of Federal Regulations (44 CFR). Although the scope of the audit included a review of costs claimed, a financial audit of those costs was not performed. Accordingly, we do not express an opinion on the grantee's financial statements or the funds claimed in the Financial Status Reports (FSRs) submitted to FEMA. The funds awarded and costs claimed for the disasters included in the audit scope are presented in Attachment A of this report.

Our audit included nine major disasters and one emergency declared by the President of the United States between July 1992 and September 2002. The Federal share of obligations for the nine disasters and one emergency was over \$117 million. Federal funds claimed through September 30, 2002, were over \$106 million.

The audit concluded that the State of Wisconsin, for the most part, had effectively managed FEMA's disaster assistance programs in accordance with Federal requirements. However, as indicated by the reported findings, some weaknesses in internal controls and noncompliance situations were identified. Our report includes recommendations that, if implemented properly, would improve WEM's management, eliminate or reduce weaknesses in internal controls, and help to correct the noncompliance situations.

The findings summarized below are discussed in detail in the body of the report.

¹ Effective March 1, 2003, the Federal Emergency Management Agency became part of the Emergency Preparedness and Response Directorate of the Department of Homeland Security.

Financial Management

- **Use of Administrative Allowances**

WEM did not expend FEMA-approved administrative allowances in accordance with Federal requirements. For State fiscal years ending June 30, 2002 and 2003, WEM used \$31,727 of administrative allowance funds for expenses such as utilities, office supplies, printing costs, and other expenses that were not considered allowable extraordinary expenses. In addition, WEM allocated \$53,206 of allowable extraordinary expenses to specific Public Assistance (PA) and Hazard Mitigation Grants (HMG) programs without adequate supporting documentation.

Program Management

- **HMG and PA Project Monitoring**

WEM's project monitoring efforts did not comply with Federal requirements or FEMA guidance. WEM program officials did not make site visits or final inspections of HMG and PA projects. In addition, WEM did not receive quarterly status reports from PA subgrantees. As a result, WEM relied upon the results of initial inspections, subgrantee certifications, and subgrantee-provided closure documentation to determine if the costs claimed were appropriately supported; and, the work performed was completed in accordance with the scope of work approved by FEMA and in a satisfactory, timely manner.

- **PA Administrative Plans**

WEM did not submit required annual PA administrative plans since July 1997. In addition, WEM did not submit disaster-specific plans for five disasters. FEMA requires administrative plans to ensure that a grantee is prepared for future disasters and that the stated policies and procedures will effectively accomplish grant goals.

- **PA Quarterly Progress Reporting**

WEM did not report the status of individual PA projects for 7 of the 12 reporting quarters in fiscal years 2000 through 2002. Although WEM submitted five quarterly progress reports during this period, the reports did not contain required project specific status information. As a result, the Regional Office did not receive required status information that was essential for the performance of its oversight responsibilities for the PA programs.

- **Payments for PA Small Projects**

WEM did not always pay subgrantees for small projects in a timely manner. Federal regulations require that payments to subgrantees for small projects be made as soon as practicable after Federal funding is approved. We found that subgrantees for 78 percent of the small projects sampled were paid between 39 and 108 days after Federal funding was approved. The remaining 22 percent of the subgrantees received payment within 31 days after funding approval. Timely payments for small projects are important to prevent unnecessary financial hardship on subgrantees, which could also result in slow payments to vendors and contractors or delays in work.

II. Background

Federal assistance supplements a State's response efforts after large disasters and emergencies. When Federal assistance is needed, a Governor can request the President of the United States to declare a major disaster and thereby make relief grants available through FEMA.² FEMA, in turn, makes grants to State agencies, local governments, certain other non-profit organizations, private citizens, and other qualifying organizations through a designated agency within the State.

Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended

The Stafford Act governs disasters declared by the President of the United States.³ Title 44 of the CFR provides further guidance and requirements for administering disaster-relief grants awarded by FEMA.

The three major disaster assistance grant programs included in the audit were:

- Individual and Family Grants
- Public Assistance Grants
- Hazard Mitigation Grants

Individual and Family Grants (IFG) are awarded to individuals and families who, as a result of a disaster, are unable to meet disaster-related expenses and needs. To obtain assistance under this type of grant, the Governor must express an intention to implement the IFG program. The Governor's request must include an estimate of the size and cost of the program. The IFG program is funded by FEMA (75 percent) and the State (25 percent).

Public Assistance (PA) Grants are awarded to State agencies, local governments, private non-profit organizations, Indian tribes or authorized tribal organizations, and Alaskan native village or organizations for the repair/replacement of facilities, removal of debris, and establishment of emergency protective measures necessary as a result of a disaster. At least 75 percent of approved individual project costs are paid by FEMA and the remainder of the cost is paid by non-Federal sources.

Hazard Mitigation Grants (HMG) are awarded to States to help reduce the potential for future disaster damages. The State, as the grantee, is responsible for setting priorities for the selection of specific projects, but each project must be approved by FEMA. HMG grants can be awarded to State agencies, local governments, private non-profit organizations or institutions, Indian tribes or authorized tribal organizations, and Alaskan native villages or organizations. The FEMA share of project cost cannot exceed 75 percent. The amount of Federal assistance under the HMG program is limited pursuant to Section 404 of the Stafford Act to 15 percent of the

² Effective March 1, 2003, the Federal Emergency Management Agency became part of the Emergency Preparedness and Response Directorate of the Department of Homeland Security.

estimated aggregate amount of grants to be made (less any associated administrative costs) for a declared disaster.

Wisconsin Emergency Management

The Wisconsin Emergency Management (WEM) agency was the central point of coordination within the State for disaster response and recovery efforts in support of local governments. The agency worked with Federal, State and local government agencies, and volunteer and private partners with a mission to support the State's 72 counties by providing emergency management services to the State's citizens.

WEM was an organizational component of the Wisconsin Department of Military Affairs. The agency's staff included 39 full-time, 9 part-time, and 9 temporary employees at the time of our audit. In addition to the central office in Madison, Wisconsin, WEM had six Regional Offices located throughout the State.

WEM personnel managed the IFG, PA and HMG programs. An Individual Assistance Officer managed the IFG program, a Public Assistance Officer managed the PA program, and a Hazard Mitigation Officer manages the HMG program. Other agency employees assist the three program officers. Financial responsibility for the IFG, PA, and HMG programs reside with WEM's Administrative Services.

III. Objectives, Scope, and Methodology

The **objectives** of this audit were to determine if the State of Wisconsin had:

- Administered FEMA disaster assistance programs in accordance with the Stafford Act and applicable Federal regulations,
- Properly accounted for and expended FEMA disaster assistance funds, and
- Operated and functioned appropriately to fulfill its administrative, fiscal, and program responsibilities.

The **scope** of the audit included the nine major disasters and one emergency listed below. These disasters and the emergency were declared between July 1992 and September 2002. As agreed with the Office of Inspector General (OIG), we concentrated on four of the most current disasters for testing the systems and processes used by the grantee. We expanded our tests to include other disasters when justified by the issues identified.

Declaration			Disaster Programs		
Number	Date	Disaster	IFG	PA	HMG
DR 994	07/02/92	Severe Storms and Flooding	Closed	Closed	Closed
DR 1180	07/07/97	Severe Storms and Flooding	Closed	Open	Closed
DR 1236	07/24/98	Tornadoes, Severe Storms and Flooding	N/A	Open	Closed
DR 1238	08/12/98	Severe Storms and Flooding	Closed	Open	Open
DR 1284	08/16/99	Severe Storms and Flooding	N/A	Open	Open
DR 1332*	06/23/00	Tornadoes, Severe Storms and Flooding	Closed	Open	Open
EM-3163	01/24/01	Snow Storm	N/A	Open	N/A
DR 1369*	05/11/01	Severe Storms and Flooding	Closed	Open	Open
DR 1429*	07/19/02	Severe Storms and Flooding	N/A	Open	Open
DR 1432*	09/10/02	Tornadoes, Severe Storms and Flooding	Open	Open	Open

*Indicates that this disaster was one of the four originally tested during the audit.

The cut-off date for the audit was September 30, 2002. However, we also reviewed current activities related to conditions found during our audit to determine whether changes in WEM's policies or procedures had occurred relative to the conditions noted during the audit.

Our audit fieldwork was initiated at FEMA Region V in Chicago, Illinois. Region V implements and administers FEMA disaster programs in the State of Wisconsin. Our **methodology** included interviews with FEMA Headquarters, Regional, and State officials to obtain an understanding of internal control systems and to identify current issues or concerns relative to WEM's management of disaster programs. Our audit considered FEMA and State policies and

procedures, as well as the applicable Federal requirements. Documentation received from WEM, FEMA Headquarters, the Regional Office, and the Disaster Finance Center in Berryville, Virginia, was reviewed.

We selected and tested individual recipient files and representative projects to help ensure that the disaster assistance programs had been conducted in compliance with applicable regulations. We also reviewed the State's procurement and property management procedures for compliance with Federal regulations. We evaluated current systems and procedures to identify systemic causes of internal control system weaknesses or noncompliance situations. Our review included all aspects of **program management** including application, approval, monitoring, and reporting.

We reviewed prior audits conducted within the timeframe of the disasters included in our scope, including Office of Management and Budget (OMB) Circular A-133 audit reports. Our audit scope did not include interviews with subgrantees or visits to their project sites. We also did not evaluate the technical aspects of the disaster related repairs.

The audit was conducted in accordance with *Government Auditing Standards* as prescribed by the Comptroller General of the United States (Yellow Book-1999 Revision). We were not engaged to and did not perform a financial statement audit, the objective of which would be to express an opinion on specified elements, accounts, or items. Accordingly, we do not express an opinion on the costs claimed for the disasters under the scope of the audit. If we had performed additional procedures or conducted an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported. This report relates only to the accounts and items specified. The report does not extend to any financial statements of WEM or the State of Wisconsin and should not be used for that purpose.

IV. Findings and Recommendations

The findings and recommendations focus on the State's systems and procedures for ensuring that grant funds were managed, controlled, and expended in accordance with the Stafford Act and applicable Federal regulations. The findings from the audit concern the grantee's financial and program management activities for the PA and HMG programs. These findings are summarized below.

The State of Wisconsin, for the most part, had effectively managed FEMA's disaster assistance programs in accordance with Federal requirements. However, some weaknesses in internal controls and noncompliance situations were identified in the audit. Our report includes recommendations that, if implemented properly, would improve WEM's management, eliminate or reduce weaknesses in internal controls, and help to correct the noncompliance situations.

A. Financial Management

1. Use of Administrative Allowances

WEM did not expend FEMA-approved administrative allowances in accordance with Federal requirements. For State fiscal years ending June 30, 2002 and 2003, WEM used \$31,727 of administrative allowance funds for expenses, such as utilities, office supplies, printing costs, and other expenses that were not considered allowable extraordinary expenses. In addition, WEM allocated \$53,206 of allowable extraordinary expenses to specific PA and HMG program without adequate supporting documentation.

Under the PA and HMG programs, WEM received administrative allowances from FEMA for costs associated with the administration of disaster assistance programs. Federal regulations at 44 CFR 206.228(a)(2), *Statutory Administrative Costs* (PA), and 44 CFR 206.439(b)(1), *Statutory administrative costs* (HMG), restrict the use of administrative allowances to extraordinary costs. Extraordinary costs include costs incurred by State employees for travel, per diem, and overtime related to the preparation of applications for assistance and quarterly reports, the conduct of final audits and the completion of related field inspections. In addition, OMB Circular A-87 states that a cost is allocable to a cost objective if goods and services involved are chargeable or assignable to such costs objectives in accordance with the relative benefits received. OMB Circular A-87 further provides that any cost allocable to a particular Federal award may not be charged to other Federal awards.

We tested WEM's use of the FEMA-awarded administrative allowances for four of the most recent disasters. Our selections included four PA programs and three HMG programs under Disaster Nos. 1332, 1369, 1429, and 1432. The total awarded as administrative allowances for these PA and HMG programs as of June 30, 2002, was \$297,113. Of this amount, we tested transactions totaling \$74,573 (25 percent). The total awarded as administrative allowances for

the PA and HMG programs under Disaster Nos. 1429 and 1432 as of June 30, 2003, was \$89,585. Of this amount, we tested transactions totaling \$77,264 (86 percent).

WEM used \$31,727 (21 percent) of the \$151,837 tested for expenses that were not allowable extraordinary costs. WEM used the \$31,727 to pay for utilities, office supplies, printing costs, and other unallowable expenses. Our tests also showed that WEM allocated allowable extraordinary costs, totaling \$53,206 (35 percent) of the \$151,837 tested, to specific disasters without adequate documentation to support the allocations. These allowable costs included costs for hotels and state automobiles used by State employees.

WEM officials said their procedures for using administrative allowance funds were based upon advice received from FEMA Region V. However, documentation was not provided to support that the Regional Office had provided such advice.

Conclusions and Recommendations

WEM used administrative allowance funds totaling \$31,727 to purchase items that were not allowable extraordinary costs. In addition, allowable costs totaling \$53,206 were allocated to specific PA and HMG programs without adequate supporting documentation. As a result, the \$84,933 drawn from SMARTLINK was questioned and should be returned to FEMA. (A schedule of questioned costs is included as Attachment B to this report.)

Accordingly, we recommend that the Regional Director, Region V:

1. Disallow the \$84,933 WEM used for unallowable or unsupported administrative allowance costs, and;
2. Require WEM to develop and implement effective internal control procedures to ensure that administrative allowance funds are properly documented and used only for extraordinary costs as defined by Federal regulations.

Management Response

FEMA, Region V, withheld commenting on the finding and recommendation concerning the use of administrative allowances until the Region and State have an opportunity to review the particular questioned costs.

Auditor's Additional Comment

This recommendation remains unresolved because the Region did not provide an action plan to (1) disallow the \$84,933 WEM used for unallowable or unsupported administrative allowance costs, and (2) require WEM to develop and implement effective internal control procedures to ensure that administrative allowance funds are properly documented and used only for extraordinary costs as defined by Federal regulations.

B. Program Management

1. HMG and PA Project Monitoring

WEM's project monitoring efforts did not comply with Federal requirements or FEMA guidance. WEM program officials did not make site visits or final inspections of HMG and PA projects. In addition, WEM did not receive quarterly status reports from PA subgrantees. As a result, WEM relied upon the results of initial inspections, subgrantee certifications, and subgrantee provided closure documentation to determine if the costs claimed were appropriately supported; and if the work performed was completed in accordance with the scope of work approved by FEMA and in a satisfactory, timely manner.

Federal regulation 44 CFR 13.40(a), *Monitoring by grantees*, states that the grantee is responsible for day-to-day management of grant and subgrant supported activities. The grantee must assure compliance with applicable Federal requirements. Furthermore, grantee monitoring must cover each program, function or activity. Title 44 CFR 13.40(c), *Construction performance reports*, further states that on-site technical inspections "...are relied on heavily by Federal agencies to monitor progress under construction grants and subgrants."

a. HMG Projects

According to FEMA's *Hazard Mitigation Grant Program Desk Reference*, a State is required to oversee the implementation of HMG projects with monitoring activities that include site visits. In addition, the October 2000 FEMA/WEM Memorandum of Understanding for Wisconsin to be an HMG program managing State requires that WEM conduct a final site visit for each approved project under Disaster Nos. 1284 and 1332, and all future declared disasters with HMG programs.

Our review of four projects funded under Disaster No. 1332 and six projects funded under Disaster No. 1369, revealed no evidence that site visits were made by WEM program officials. In addition, there was no evidence that WEM made final inspections of five of the ten completed projects as of December 31, 2002.

The State's Hazard Mitigation Officer (SHMO) said that WEM's procedures for monitoring HMG projects did not include routine project site visits or final inspections. The official stated that WEM relied upon photos, maps, and other closure documentation submitted by subgrantees to WEM as evidence of project completion. The SHMO also said that a shortage of program staff, time required to make these visits, and the lack of expertise to evaluate the technical aspects of projects were the reasons site visits and final inspections were not made.

b. PA Projects

According to FEMA's *Public Assistance Guide* (FEMA 322), good project management from beginning to end will ensure that all parties concerned will see successful restoration of facilities,

expedited payment of funds, and efficient closeout of PA grants. Our review of PA project files revealed no evidence that WEM program officials made site visits or that the subgrantees submitted quarterly status reports as required by the FEMA approved administrative plan. In addition, there was no evidence that WEM had made any final inspections of completed projects.

According to the Public Assistance Officer (PAO), WEM's procedures for monitoring PA projects did not include routine project site visits or final inspections. WEM also did not enforce the requirement that subgrantees submit quarterly progress reports. The PAO stated that WEM relied on FEMA's initial inspections and closeout documentation submitted by subgrantees, such as certifications of project completion, to determine if projects were completed and ready to be closed. The PAO also said that a lack of technical expertise to evaluate the technical aspects of projects, a shortage of program staff, and the workload required were the reasons site visits and final inspections were not made.

Conclusions and Recommendations

Site visits, subgrantee quarterly progress reports, and final inspections are essential elements of a grantee's responsibility to monitor HMG and PA projects. These activities provide assurances that progress is being made and that the projects are being completed in accordance with the scope of work approved by FEMA. The absence of effective procedures for conducting and documenting required monitoring activities precludes reviews of project status by FEMA and other outside reviewers. The final inspection is of particular importance for determining if the final payment should be made. In addition, WEM should have reacted to the need for additional staff to comply with Federal requirements and to accomplish the workload of newly declared disasters.

Accordingly, we recommend that the Regional Director, Region V, require WEM to:

1. Develop and implement procedures to ensure that Federally required monitoring activities for approved HMG and PA projects are performed and documented, and;
2. Evaluate the agency's current staffing to determine if additional staff or training is needed, or other alternatives might exist, to ensure compliance with Federal requirements and to meet the demands of workloads created by newly declared disasters.

Management Response

FEMA, Region V, withheld commenting on the finding and recommendation concerning HMG project monitoring to allow the State more time to explore other resources that may be available to meet the HMG project monitoring requirements. The Regional Director stated that in the interim, the Region would work with the State to prepare an action plan to address the recommendations.

The Region concurred with the finding and recommendation concerning PA project monitoring. The Regional Director said that the Region would work with the State to (1) develop and implement procedures for monitoring approved PA projects, and (2) identify necessary personnel resources to meet the demands of PA workloads.

Auditor's Additional Comment

This recommendation remains unresolved because the Region did not provide an action plan for WEM to (1) develop and implement procedures to ensure that Federally required monitoring activities for approved HMG and PA projects are performed and documented, and; (2) evaluate the agency's current staffing to determine if additional staff or training is needed, or other alternatives might exist, to ensure compliance with Federal requirements and to meet the demands of workloads created by newly declared disasters

2. PA Administrative Plans

PA program administrative plans were not prepared and submitted to the region for review and approval as required. During the audit, we determined that WEM had not submitted required annual PA administrative plans since July 1997. In addition, WEM did not submit disaster-specific plans for five disasters. FEMA requires administrative plans to ensure that a grantee is prepared for future disasters and that the stated policies and procedures will effectively accomplish grant goals.

According to 44 CFR 206.207(b)(3), *State administrative plan (PA)*, a grantee is to submit a revised plan to the Regional Director each year for review and approval. This section also requires a grantee to prepare amendments to the plans to meet current policy guidance for each disaster for which PA is included.

WEM officials said the required plans were not submitted because of the agency's increased workload from managing several disasters and a lack of adequate resources to manage that workload. WEM did submit disaster-specific plans for Disaster Nos. 1180, 1369, 1429, and Emergency No. 3163. However, there was no evidence that showed WEM prepared and submitted disaster-specific plans for Disaster Nos. 1236, 1238, 1284, 1332, or 1432.

Conclusions and Recommendations

FEMA requires administrative plans to ensure that grantees are prepared for future disasters and that the stated policies and procedures will effectively accomplish grant goals. WEM needs to improve its procedures for the preparation and submission of required administrative plans for the PA grant program. These procedures should ensure that PA administrative plans are prepared and submitted to the Regional Office as required.

Accordingly, we recommend that the Regional Director, Region V, require WEM to develop and implement procedures to ensure that PA administrative plans are prepared and submitted in

accordance with Federal requirements. In addition, the recommendation concerning staffing options for meeting project monitoring requirements (See Recommendation B.1) is also applicable to this finding concerning administrative plans.

Management Response

FEMA, Region V, concurred with the finding and recommendation concerning the preparation and submission of PA administrative plans to the Region for review and approval. The Regional Director stated that the Region would work with the State's PA program staff to update PA administrative plans as required. Furthermore, the Regional Director said that the Region would institute a tracking report in 2005 that is to serve as a reminder of recurring PA program requirements such as the PA administrative plans.

Auditor's Additional Comment

This recommendation remains unresolved because the Region did not provide an action plan for WEM to (1) develop and implement procedures to ensure that PA administrative plans are prepared and submitted in accordance with Federal requirements, and (2) address the recommendation concerning staffing options for meeting project monitoring requirements (See Recommendation B.1) that is also applicable to this finding concerning administrative plans.

3. PA Quarterly Progress Reporting

WEM did not report the status of individual PA projects for 7 of the 12 reporting quarters in fiscal years 2000 through 2002. Although WEM submitted five quarterly progress reports during this period, the reports did not contain required project specific status information. As a result, the Regional Office did not receive required status information that was essential for the performance of its oversight responsibilities for the PA programs.

Title 44 CFR 206.204(f), *Progress reports*, requires grantees to submit PA quarterly progress reports to the Regional Director. These reports are to describe the status of projects for which a final payment of the Federal share has not been made and outline any problems or circumstances expected to result in non-compliance with the approved grant conditions.

The PAO said that the increased workload from several disasters and a lack of resources prevented WEM from preparing the required reports. Although WEM subsequently hired an additional staff person, and prepared and submitted reports starting with the third quarter, FY 2002, those reports did not contain the project status information that is required by Federal regulations and FEMA guidance.

Conclusions and Recommendations

Grantees' quarterly progress reports on PA projects are an important source of information for FEMA to exercise its management and oversight responsibilities for PA programs. The reports

are to provide the status of each project for which final payment has not been made. When properly prepared, the reports can alert the Regional Office on a timely basis of the need for action to help prevent or reduce delays in completing and/or closing projects. WEM's quarterly reporting procedures for the PA program did not result in reports to the Regional Office that complied with Federal requirements.

As a recipient of Federal grant funds, WEM is required to comply with Federal regulations for quarterly project status reporting. Accordingly, we recommend that the Regional Director, Region V, require WEM to develop and implement procedures for ensuring that required PA quarterly progress reports are submitted and that the reports contain appropriate project-specific information for the Regional Office's review. In addition, the recommendation concerning staffing options for meeting project monitoring requirements (See Recommendation B.1) is also applicable to this finding concerning quarterly progress reporting.

Management Response

FEMA, Region V, concurred that the State did not submit all required quarterly progress reports for the PA program during the audited period. The Regional Director stated that the Region's PA program staff would continue to work with the State to improve compliance with specific project reporting requirements. In addition, the Regional Director said that the Region's PA staff would use the tracking report to be instituted in 2005 (See *Management Response* B.2) to ensure timely receipt of quarterly progress reports.

Auditor's Additional Comment

This recommendation remains unresolved because the Region did not provide an action plan for WEM to (1) develop and implement procedures for ensuring that required PA quarterly progress reports are submitted and that the reports contain appropriate project-specific information for the Regional Office's review, and (2) address the recommendation concerning staffing options for meeting project monitoring requirements (See Recommendation B.1) that is also applicable to this finding concerning quarterly progress reporting.

4. Payments for PA Small Projects

WEM did not always pay subgrantees for small projects in a timely manner. Federal regulations require that payments to subgrantees for small projects be made as soon as practicable after Federal funding is approved. We found that subgrantees for 78 percent of the small projects sampled were paid between 39 and 108 days after Federal funding was approved. Timely payments for small projects are important to prevent unnecessary financial hardship on subgrantees, which could also result in slow payments to vendors and contractors or delays in work.

Title 44 CFR 206.205(a), *Payment of claims/Small Projects*, requires that the final payment of the Federal share for small projects be made to the grantee upon approval of the Project

Worksheet. The Regulation also states that the grantee will make payment of the Federal share to the subgrantee "as soon as practicable" after Federal approval of funding. For the purpose of determining what is practicable, we considered the provision of the Federal Prompt Payment Act and the prompt payment standards set forth in 5 CFR 1315.4(g)(1), *Prompt payment standards*. We concluded that payment within 30 days of project approval would meet the timeliness requirement.

We reviewed 18 small PA projects for compliance with the timely payment requirements. Nine of the projects were from Disaster No. 1332 and nine were from disaster No. 1369. The number of days from FEMA's approval to when the grantee paid the subgrantee averaged 60 days. The range of days was from 25 to 108 days.

WEM's procedures for making payments to PA subgrantees were not adequate to ensure that payments to subgrantees for small projects were made in a timely manner. WEM included a significant involvement on the part of County Emergency Management Directors throughout the State. The Directors were the primary contact for the subgrantees during the project approval and payment process. For example, the PAO said that, in most cases, WEM relied upon the Directors for communications with the PA applicants and for the distribution of payments for approved projects.

In addition, the PAO said that WEM's procedures for paying subgrantees did allow payment to be made until the subgrantee signs and returns the DMA⁴ Forms 1017 and 1017A. By completing these Forms, the subgrantee certifies that all Federal laws relating to the granting of the Federal funds will be adhered to and that the funds will be used for the purpose for which they had been awarded. The PAO said that the subgrantees are not always prompt in returning the completed Forms 1017 and 1017A. In this regard, we noted that the County Directors interacted between WEM and the subgrantees for the completion of the Forms 1017 and 1017A, as well as for the subsequent distribution of payments to subgrantees. The PAO also said that significant workloads from other disasters had caused some of the delays in the timeliness of the grantee's payments to subgrantees.

Conclusions and Recommendations

It is important that payments to subgrantees for small projects be made in a timely manner. Excessive delays in payments for small projects result in subgrantees covering project expenses without the availability of the Federal share.

Accordingly, we recommend that the Regional Director, Region V, require WEM to develop and implement procedures for ensuring that payments for PA small projects are made in a timely manner. In addition, the recommendation concerning staffing options for meeting Federal requirements (See Recommendation B.1) is also applicable to this finding.

⁴ DMA – Department of Military Affairs

Management Response

FEMA, Region V, agreed that payments for PA small projects should be made within 30 days of project approval. The Regional Director said that the Regional staff would work with the State to identify options for improving the timeliness of these payments.

Auditor's Additional Comment

This recommendation remains unresolved because the Region did not provide an action plan for WEM to (1) develop and implement procedures for ensuring that payments for PA small projects are made in a timely manner, and (2) address the recommendation concerning staffing options for meeting Federal requirements (See Recommendation B.1).

ATTACHMENTS

**State of Wisconsin
Sources and Applications of Funds
As of September 30, 2002**

All Disaster Nos. 994 through 3163

	<u>Public Assistance</u>	<u>Individual & Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
Award Amounts (FEMA approved)				
Federal Share	\$76,394,302	\$13,685,286	\$27,509,294	\$117,588,882
Local Match/State Share	\$20,741,915	\$4,451,801	\$9,014,888	\$34,208,604
Total Award Amounts	\$97,136,217	\$18,137,087	\$36,524,182	\$151,797,489
Sources of Funds				
Federal Share (SMARTLINK)	\$69,746,343	\$13,685,286	\$22,022,350	\$105,453,979
Local Match/State Share	\$18,548,089	\$4,451,801	\$7,204,197	\$30,204,087
Total Sources of Funds	\$88,294,432	\$18,137,087	\$29,226,547	\$135,658,066
Total Undrawn Authorizations	\$6,647,959	\$0	\$5,486,944	\$12,134,903
Federal Share	\$70,413,944	\$13,685,286	\$22,049,363	\$106,148,593
Local Match/State Share	\$18,216,114	\$4,451,801	\$7,151,737	\$29,819,652
Total Application of Funds	\$88,630,058	\$18,137,087	\$29,201,100	\$135,968,245
Balance of Federal Funds On Hand	(\$667,601)	\$0	(\$27,013)	(\$694,614)

**State of Wisconsin
Sources and Applications of Funds
As of September 30, 2002
Disaster No. 994
Declared July 2, 1993**

	<u>Public Assistance</u>	<u>Individual & Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
Award Amounts (FEMA approved)				
Federal Share	\$20,102,533	\$1,168,967	\$10,892,519	\$32,164,019
Local Match/State Share	\$2,165,631	\$374,997	\$3,534,822	\$6,075,450
Total Award Amounts	\$22,268,164	\$1,543,964	\$14,427,341	\$38,239,469
Sources of Funds				
Federal Share (SMARTLINK)	\$20,102,533	\$1,168,967	\$10,892,519	\$32,164,019
Local Match/State Share	\$2,165,631	\$374,997	\$3,534,822	\$6,075,450
Total Sources of Funds	\$22,268,164	\$1,543,964	\$14,427,341	\$38,239,469
Total Undrawn Authorizations	\$0	\$0	\$0	\$0
Application of Funds (Expenditures)				
Federal Share	\$20,102,533	\$1,168,967	\$10,892,519	\$32,164,019
Local Match/State Share	\$2,165,631	\$374,997	\$3,534,822	\$6,075,450
Total Application of Funds	\$22,268,164	\$1,543,964	\$14,427,341	\$38,239,469
Balance of Federal Funds On Hand	\$0	\$0	\$0	\$0

**State of Wisconsin
Sources and Applications of Funds
As of September 30, 2002
Disaster No. 1180
Declared July 7, 1997**

	<u>Public Assistance</u>	<u>Individual & Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
Award Amounts (FEMA approved)				
Federal Share	\$4,969,263	\$4,498,159	\$4,867,932	\$14,335,354
Local Match/State Share	\$1,639,857	\$1,484,389	\$1,602,948	\$4,727,194
Total Award Amounts	\$6,609,120	\$5,982,548	\$6,470,880	\$19,062,548
Sources of Funds				
Federal Share (SMARTLINK)	\$4,749,203	\$4,498,159	\$4,867,932	\$14,115,294
Local Match/State Share	\$1,567,237	\$1,484,389	\$1,602,948	\$4,654,574
Total Sources of Funds	\$6,316,440	\$5,982,548	\$6,470,880	\$18,769,868
Total Undrawn Authorizations	\$220,060	\$0	\$0	\$220,060
Application of Funds (Expenditures)				
Federal Share	\$4,751,051	\$4,498,159	\$4,867,932	\$14,117,142
Local Match/State Share	\$1,510,675	\$1,484,389	\$1,602,948	\$4,598,012
Total Application of Funds	\$6,261,726	\$5,982,548	\$6,470,880	\$18,715,154
Balance of Federal Funds On Hand	(\$1,848)	\$0	\$0	(\$1,848)

**State of Wisconsin
Sources and Applications of Funds
As of September 30, 2002
Disaster No. 1236
Declared July 24, 1998**

	<u>Public Assistance</u>	<u>Individual & Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
Award Amounts (FEMA approved)				
Federal Share	\$6,572,683	\$0	\$1,486,050	\$8,058,733
Local Match/State Share	\$2,168,985	\$0	\$490,397	\$2,659,382
Total Award Amounts	\$8,741,668	\$0	\$1,976,447	\$10,718,115
Sources of Funds				
Federal Share (SMARTLINK)	\$6,493,026		\$1,344,107	\$7,837,133
Local Match/State Share	\$2,142,699	\$0	\$443,555	\$2,586,254
Total Sources of Funds	\$8,635,725	\$0	\$1,787,662	\$10,423,387
Total Undrawn Authorizations	\$79,657	\$0	\$141,943	\$221,600
Application of Funds (Expenditures)				
Federal Share	\$6,502,237		\$1,343,159	\$7,845,396
Local Match/State Share	\$2,070,836		\$424,628	\$2,495,464
Total Application of Funds	\$8,573,073	\$0	\$1,767,787	\$10,340,860
Balance of Federal Funds On Hand	(\$9,211)	\$0	\$948	(\$8,263)

**State of Wisconsin
Sources and Applications of Funds
As of September 30, 2002
Disaster No. 1238
Declared August 12, 1998**

	<u>Public Assistance</u>	<u>Individual & Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
Award Amounts (FEMA approved)				
Federal Share	\$2,639,064	\$4,010,738	\$3,466,618	\$10,116,420
Local Match/State Share	\$870,891	\$1,285,556	\$1,143,984	\$3,300,431
Total Award Amounts	\$3,509,955	\$5,296,294	\$4,610,602	\$13,416,851
Sources of Funds				
Federal Share (SMARTLINK)	\$2,264,232	\$4,010,738	\$3,173,678	\$9,448,648
Local Match/State Share	\$747,197	\$1,285,556	\$1,047,314	\$3,080,067
Total Sources of Funds	\$3,011,429	\$5,296,294	\$4,220,992	\$12,528,715
Total Undrawn Authorizations	\$374,832	\$0	\$292,940	\$667,772
Application of Funds (Expenditures)				
Federal Share	\$2,546,419	\$4,010,738	\$3,176,160	\$9,733,317
Local Match/State Share	\$812,385	\$1,285,556	\$1,023,042	\$3,120,983
Total Application of Funds	\$3,358,804	\$5,296,294	\$4,199,202	\$12,854,300
Balance of Federal Funds On Hand	(\$282,187)	\$0	(\$2,482)	(\$284,669)

**State of Wisconsin
Sources and Applications of Funds
As of September 30, 2002
Disaster No. 1284
Declared August 16, 1999**

	<u>Public Assistance</u>	<u>Individual & Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
Award Amounts (FEMA approved)				
Federal Share	\$4,081,931		\$641,888	\$4,723,819
Local Match/State Share	\$1,347,037	\$0	\$211,823	\$1,558,860
Total Award Amounts	\$5,428,968	\$0	\$853,711	\$6,282,679
Sources of Funds				
Federal Share (SMARTLINK)	\$3,890,460		\$142,994	\$4,033,454
Local Match/State Share	\$1,283,852	\$0	\$47,188	\$1,331,040
Total Sources of Funds	\$5,174,312	\$0	\$190,182	\$5,364,494
Total Undrawn Authorizations	\$191,471	\$0	\$498,894	\$690,365
Application of Funds (Expenditures)				
Federal Share	\$3,890,460		\$142,994	\$4,033,454
Local Match/State Share	\$1,231,111		\$42,404	\$1,273,515
Total Application of Funds	\$5,121,571	\$0	\$185,398	\$5,306,969
Balance of Federal Funds On Hand	\$0	\$0	\$0	\$0

**State of Wisconsin
Sources and Applications of Funds
As of September 30, 2002
Disaster No. 1332
Declared June 23, 2000**

	<u>Public Assistance</u>	<u>Individual & Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
Award Amounts (FEMA approved)				
Federal Share	\$10,839,142	\$3,459,363	\$3,454,058	\$17,752,563
Local Match/State Share	\$3,576,917	\$1,132,872	\$1,139,839	\$5,849,628
Total Award Amounts	\$14,416,059	\$4,592,235	\$4,593,897	\$23,602,191
Sources of Funds				
Federal Share (SMARTLINK)	\$9,931,580	\$3,459,363	\$1,484,745	\$14,875,688
Local Match/State Share	\$3,277,421	\$1,132,872	\$489,966	\$4,900,259
Total Sources of Funds	\$13,209,001	\$4,592,235	\$1,974,711	\$19,775,947
Total Undrawn Authorizations	\$907,562	\$0	\$1,969,313	\$2,876,875
Application of Funds (Expenditures)				
Federal Share	\$9,962,849	\$3,459,363	\$1,510,187	\$14,932,399
Local Match/State Share	\$3,177,205	\$1,132,872	\$489,583	\$4,799,660
Total Application of Funds	\$13,140,054	\$4,592,235	\$1,999,770	\$19,732,059
Balance of Federal Funds On Hand	(\$31,269)	\$0	(\$25,442)	(\$56,711)

State of Wisconsin
Sources and Applications of Funds
As of September 30, 2002
Disaster No. 1369
Declared May 11, 2001

	<u>Public Assistance</u>	<u>Individual & Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
Award Amounts (FEMA approved)				
Federal Share	\$19,555,041	\$548,059	\$2,700,229	\$22,803,329
Local Match/State Share	\$6,453,164	\$173,987	\$891,076	\$7,518,227
Total Award Amounts	\$26,008,205	\$722,046	\$3,591,305	\$30,321,556
Sources of Funds				
Federal Share (SMARTLINK)	\$17,023,226	\$548,059	\$116,375	\$17,687,660
Local Match/State Share	\$5,617,665	\$173,987	\$38,404	\$5,830,056
Total Sources of Funds	\$22,640,891	\$722,046	\$154,779	\$23,517,716
Total Undrawn Authorizations	\$2,531,815	\$0	\$2,583,854	\$5,115,669
Application of Funds (Expenditures)				
Federal Share	\$17,123,310	\$548,059	\$116,412	\$17,787,781
Local Match/State Share	\$5,481,992	\$173,987	\$34,310	\$5,690,289
Total Application of Funds	\$22,605,302	\$722,046	\$150,722	\$23,478,070
Balance of Federal Funds On Hand	(\$100,084)	\$0	(\$37)	(\$100,121)

**State of Wisconsin
Sources and Applications of Funds
As of September 30, 2002
Disaster No. 1429
Declared July 19, 2002**

	<u>Public Assistance</u>	<u>Individual & Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
Award Amounts (FEMA approved)				
Federal Share	\$2,290,972			\$2,290,972
Local Match/State Share	\$756,021	\$0	\$0	\$756,021
Total Award Amounts	\$3,046,993	\$0	\$0	\$3,046,993
Sources of Funds				
Federal Share (SMARTLINK)	\$3,890			\$3,890
Local Match/State Share	\$1,284	\$0	\$0	\$1,284
Total Sources of Funds	\$5,174	\$0	\$0	\$5,174
Total Undrawn Authorizations	\$2,287,082	\$0	\$0	\$2,287,082
Application of Funds (Expenditures)				
Federal Share	\$246,892			\$246,892
Local Match/State Share	\$75,282			\$75,282
Total Application of Funds	\$322,174	\$0	\$0	\$322,174
Balance of Federal Funds On Hand	(\$243,002)	\$0	\$0	(\$243,002)

**State of Wisconsin
Sources and Applications of Funds
As of September 30, 2002
Disaster No. 1432
Declared September 10, 2002**

	<u>Public Assistance</u>	<u>Individual & Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
Award Amounts (FEMA approved)				
Federal Share	\$0	\$0	\$0	\$0
Local Match/State Share	\$0	\$0	\$0	\$0
Total Award Amounts	\$0	\$0	\$0	\$0
Sources of Funds				
Federal Share (SMARTLINK)	\$0	\$0	\$0	\$0
Local Match/State Share	\$0	\$0	\$0	\$0
Total Sources of Funds	\$0	\$0	\$0	\$0
Total Undrawn Authorizations	\$0	\$0	\$0	\$0
Application of Funds (Expenditures)				
Federal Share	\$0	\$0	\$0	\$0
Local Match/State Share	\$0	\$0	\$0	\$0
Total Application of Funds	\$0	\$0	\$0	\$0
Balance of Federal Funds On Hand	\$0	\$0	\$0	\$0

Note: As of the cut-off date for the audit, WEM had not completed any financial transactions.

**State of Wisconsin
Sources and Applications of Funds
As of September 30, 2002
Disaster No. 3163
Declared January 24, 2001**

	<u>Public Assistance</u>	<u>Individual & Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
Award Amounts (FEMA approved)				
Federal Share	\$5,343,673			\$5,343,673
Local Match/State Share	\$1,763,412	\$0	\$0	\$1,763,412
Total Award Amounts	\$7,107,085	\$0	\$0	\$7,107,085
Sources of Funds				
Federal Share (SMARTLINK)	\$5,288,193			\$5,288,193
Local Match/State Share	\$1,745,104	\$0	\$0	\$1,745,104
Total Sources of Funds	\$7,033,297	\$0	\$0	\$7,033,297
Total Undrawn Authorizations	\$55,480	\$0	\$0	\$55,480
Application of Funds (Expenditures)				
Federal Share	\$5,288,193			\$5,288,193
Local Match/State Share	\$1,690,997			\$1,690,997
Total Application of Funds	\$6,979,190	\$0	\$0	\$6,979,190
Balance of Federal Funds On Hand	\$0	\$0	\$0	\$0

Attachment B

WEM
Schedule of Questioned Costs

<u>Disaster Number</u>	<u>Amount</u>	<u>Finding Reference</u>
1332	\$2,155	A.1.
1369	\$39,478	A.1.
1429	\$19,015	A.1.
1432	<u>\$24,285</u>	A.1.
Total:	<u>\$84,933</u>	

Attachment C**List of Acronyms**

CFR	Code of Federal Regulations
DHS	Department of Homeland Security
DMA	Department of Military Affairs
FEMA	Federal Emergency Management Agency
FSR	Financial Status Report
HMG	Hazard Mitigation Grant
SHMO	State Hazard Mitigation Officer
IFG	Individual and Family Grant
OIG	Office of Inspector General
OMB	Office of Management and Budget
PA	Public Assistance
PAO	Public Assistance Officer
WEM	Wisconsin Emergency Management

MANAGEMENT COMMENTS