

**Early Warning Audit of
FEMA Public Assistance
Grants to Collier County,
Florida**





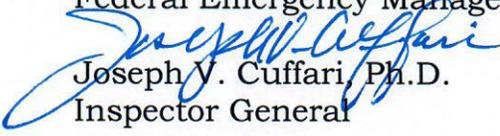
OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

July 10, 2020

MEMORANDUM FOR: The Honorable Pete T. Gaynor
Administrator
Federal Emergency Management Agency

FROM: 
Joseph Y. Cuffari, Ph.D.
Inspector General

SUBJECT: *Early Warning Audit of FEMA Public Assistance
Grants to Collier County, Florida*

Attached for your information is our final report, *Early Warning Audit of FEMA Public Assistance Grants to Collier County, Florida*. We incorporated the formal comments from the Federal Emergency Management Agency in the final report.

The report contains four recommendations aimed at improving FEMA's management of Public Assistance (PA) program grant funds awarded to disaster areas. Your office concurred with four recommendations.

Based on information provided in your response to the draft report, we consider recommendations 1 through 4 open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts. Please send your response or closure request to OIGAuditsFollowup@oig.dhs.gov.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Sondra McCauley, Assistant Inspector General for Audits at (202) 981-6000.

Attachment

cc: Gracia B. Szczech, Regional Administrator, Region IV, FEMA



DHS OIG HIGHLIGHTS

Early Warning Audit of FEMA Public Assistance Grants in Collier County, Florida

July 10, 2020

Why We Did This Audit

The DHS Office of Inspector General contracted with Cotton & Company LLP to conduct an audit to determine whether FEMA ensured that the recipient (FDEM) and its subrecipient (the County) established and implemented policies, procedures, and practices to ensure that PA grant funds awarded to disaster areas are accounted for and expended in accordance with Federal regulations and FEMA guidance.

What We Recommend

We made four recommendations that, when implemented, should improve Collier County, Florida's management of FEMA PA funds.

For Further Information:

Contact our Office of Public Affairs at (202) 981-6000, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov

What We Found

Cotton & Company LLP found that FEMA generally ensured that the Florida Division of Emergency Management (FDEM) monitored Collier County, Florida (the County) to ensure that the County established and implemented policies, procedures, and practices to account for and expend Public Assistance (PA) program grant funding in accordance with Federal regulations and FEMA guidance. We noted, however, that more can be done.

Specifically, the County could not provide documentation to support \$4,602 in force account costs claimed. Additionally, FDEM's subrecipient monitoring process needs improvement. FDEM has not evaluated the risk of subrecipients' noncompliance with Federal requirements, obtained subrecipient audit reports, or developed plans for monitoring subrecipients.

These deficiencies occurred because FDEM and the County did not always have adequate policies, procedures, and practices in place. Because of these deficiencies, there is an increased risk that PA programs were mismanaged and that funds were used for unallowable activities.

FEMA Response

FEMA concurred with our four recommendations. We included a copy of FEMA's management comments in their entirety in appendix B.

Ms. Sondra F. McCauley
Assistant Inspector General for Audits
Office of Inspector General
U.S. Department of Homeland Security

Dear Ms. McCauley:

Cotton & Company LLP performed an early warning audit of FEMA Public Assistance (PA) subgrants awarded to Collier County, Florida (the County) for damages resulting from Hurricane Irma. We performed the audit in accordance with our Task Order No. HSIQAQ-17-A-00003, dated September 26, 2018. Our report presents the results of the audit and includes recommendations to help improve FEMA's management of the audited PA subgrants.

We conducted our audit in accordance with applicable *Government Auditing Standards*, 2011 revision (the *Standards*). The audit was a performance audit, as defined by Chapter 6 of the *Standards*, and included a review and report on program activities with a compliance element. Although the audit report comments on costs claimed by the County, we did not perform a financial audit, the purpose of which would be to render an opinion on the County's financial statements, or on the funds claimed in the Financial Status Reports submitted to the Department of Homeland Security (DHS).

This report is intended solely for the use of the DHS Office of Inspector General and DHS management and is not intended to be, and should not be, relied upon by anyone other than these specified parties.

We appreciate the opportunity to have conducted this audit. Should you have any questions or need further assistance, please contact us at (703) 836-6701.

Sincerely,



Michael W. Gillespie, CPA, CFE
Partner

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Abbreviations

CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FY	Fiscal Year
FDEM	Florida Division of Emergency Management
OIG	Office of Inspector General
PA	Public Assistance
RFR	Request for Reimbursement

Background

The *Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988*, as amended, 42 U.S. Code (U.S.C.) 5121-5207 (Stafford Act) authorizes the Public Assistance (PA) Program. Following a major Presidential disaster declaration, the Stafford Act authorizes the Federal Emergency Management Agency (FEMA) to provide PA funding for disaster relief to state, local, and tribal governments and certain non-profit organizations. The Stafford Act can authorize PA grants, among other things, for:

- Assistance for debris removal (Category A);
- Emergency protective measures (Category B); and
- Assistance for the repair, restoration, and replacement of damaged facilities (Categories C-G), including certain hazard mitigation measures.

Collier County (the County) in Florida is in the Naples-Immokalee-Marco Island Metropolitan Statistical Area and includes the Cape Coral-Fort Myers-Naples Combined Statistical Area. Its population as of the 2010 census was 321,520. On September 10, 2017, Hurricane Irma struck the County as a Category 3 storm with maximum sustained winds of 112 miles per hour (mph). A wind gust of 142 mph was reported at the Naples Municipal Airport, and storm surge peaked at 5.14 feet in Naples. Winds left a total of 197,630 individuals, or approximately 94 percent of the County's electrical subscribers, without power. Property damages reached \$320 million in unincorporated areas of the County alone. The hurricane caused major damage to homes, buildings, bridges, boats, roads, the electrical supply, sanitation, the water supply, and the fuel supply in the County. On September 10, 2017, the President issued a major disaster declaration for the State of Florida.

FEMA disburses PA funds to the Florida Division of Emergency Management (FDEM). FDEM in turn passes funds to local subrecipients. Per Federal grant requirements, FDEM is responsible for monitoring these subrecipients to ensure they manage PA funds appropriately, in accordance with FEMA program guidance and other Federal grant requirements.

As of April 30, 2019, the County had submitted 137 Project Worksheets (PWs)¹ to FEMA, requesting a total of \$89,126,115 in PA grant funding. FEMA obligated \$52,467,010 for 91 of the 137 projects.

Cotton & Company LLP (referred to as "we" in this report) was engaged by the Department of Homeland Security (DHS), Office of Inspector General (OIG) to conduct a performance audit of FEMA PA subgrant funds awarded to the

¹ A Project Worksheet is the primary form used to document the location, damage description and dimensions, scope of work, and cost estimate for each project (Public Assistance Program and Policy Guide, April 2017, p.164).

County for Hurricane Irma. The overall objective of this audit was to determine whether FEMA ensured that Florida (the recipient) and the County (the subrecipient) established and implemented policies, procedures, and practices to account for and expend PA grant funds awarded for damages caused by Hurricane Irma in accordance with Federal regulations and FEMA guidance.

Appendix A provides additional detail regarding the objective, scope, and methodology of this audit. We designed this performance audit to meet the objectives identified in the Objective, Scope, and Methodology section of this report. We conducted the audit in accordance with Generally Accepted Government Auditing Standards, issued by the Government Accountability Office. We communicated the results of our audit and the related findings and recommendations to the County, FDEM, FEMA, and the DHS OIG.

Results of Audit

FEMA generally ensured that the County established and implemented policies, procedures, and practices to account for and expend PA program grant funding in accordance with Federal regulations and FEMA guidance. We noted, however, that more can be done.

Our audit identified two findings related to documentation to support force account costs and subrecipient monitoring, which we discuss below.

Finding 1 – The County Could Not Provide Documentation to Support All Force Account Costs Claimed and Reimbursed

The County could not provide documentation to support all force account costs claimed and reimbursed for Projects #42 and #4128. The County's force account claims were based on spreadsheets accumulated by County employees that detailed labor hours and pay rates claimed for each employee. We tested 154 force account labor transactions totaling \$418,877 for Project #42 and 12 force account labor transactions totaling \$35,539 for Project #4128. The County provided employee timesheets and/or activity logs to support claimed labor hours, as well as pay stubs and/or payroll ledgers to support pay rates claimed. We verified that each transaction was supported by time records (i.e., timesheets and/or activity logs) signed by the employee and approved by the supervisor, as well as that these time records supported the claimed hours. However, the activity log documentation did not support 77 hours reflected on the County's Request for Reimbursements (RFRs) to FEMA for seven employees on Project #42 and 15 hours for two employees on Project #4128.

The County's internal control procedures did not detect these errors and inconsistencies before the County submitted the RFRs to FDEM (the recipient). The County failed to reconcile spreadsheets and activity logs to their payroll

system in their Systems Applications and Products (SAP) system. The FDEM review of amounts requested for reimbursement also did not detect these issues prior to payment.

According to 2 Code of Federal Regulations (CFR) §200.403, *Factors Affecting Allowability of Costs*:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:
...*(g) Be adequately documented*

The Federally Funded Subaward and Grant Agreement between the State of Florida and Collier County, dated February 21, 2018, also requires the following.

Attachment B, *Scope of Work, Deliverables and Financial Consequences*:

Deliverables: Large Projects - Any request for reimbursement shall provide adequate, well organized and complete source documentation to support all costs related to the Project...

Attachment G, *Public Assistance Program Guidance*:

Project Documentation - The Sub-recipient must maintain all source documentation supporting the project costs.... The Sub-recipient must retain sufficient records to show its compliance with the terms of this Agreement, including documentation of all program costs, in a form sufficient to determine compliance with the requirements and objectives under this Agreement and all other applicable laws and regulations, for a period of five (5) years from the date of the Sub-recipient account closeout by FEMA.

Conclusion

The County received reimbursement for \$4,602 in force account labor that was not supported by the documentation provided, as follows:

- Project #42: \$4,073, and
- Project #4128: \$529.

Recommendations

Recommendation 1: We recommend that the Regional Administrator, FEMA Region IV, work with the State of Florida to review all force account costs claimed for FEMA reimbursement, disallow all costs that are not adequately supported, and require the County to return FEMA's share of the disallowed costs.

Recommendation 2: We recommend that the Regional Administrator, FEMA Region IV, provide technical assistance and monitor the County's projects to provide FEMA with reasonable assurance that the County will properly account for force account labor and retain supporting documentation.

Finding 2 – FDEM's Subrecipient Monitoring Process Needs Improvement

FDEM's subrecipient monitoring process needs improvement. Specifically, FDEM has not evaluated the risk of subrecipients' noncompliance with Federal requirements, obtained subrecipient audit reports, or developed plans for monitoring subrecipients. The State of Florida fiscal year (FY) 2018 Single Audit reported significant noncompliance with respect to FDEM's subrecipient monitoring. FDEM has relied on 100 percent validation of subrecipients' costs prior to reimbursement and monitoring of subrecipients' quarterly reports to minimize the risk of noncompliance. However, we identified force account costs of \$4,602 that were not supported as allowable and allocable but that FDEM had reimbursed to the subrecipient.

FDEM representatives provided information regarding the status of actions that FDEM has taken to implement a subrecipient monitoring program. FDEM has established a Compliance Unit that will oversee subrecipient risk assessments, monitoring, and obtaining and reviewing Single Audit reports. It has developed a standard operating procedure for the subrecipient compliance program that is awaiting final management approval. For the 2017/2018 fiscal year, FDEM pulled reports from its FloridaPA system of record to identify the population of audits and is in the process of reviewing those reports. For current and future years, FDEM has purchased an audit tracking module as part of the grants management software.

According to 2 CFR 200.331, *Requirements for pass-through entities*:

All pass-through entities must:

...(b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described

in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

- (1) The subrecipient's prior experience with the same or similar subawards;*
- (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F - Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;*
- (3) Whether the subrecipient has new personnel or new or substantially changed systems; and*
- (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).*

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and performance reports required by the pass-through entity.*
- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.*
- (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521 Management decision.*

... (f) Verify that every subrecipient is audited as required by Subpart F - Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 200.501 Audit requirements.

(g) Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

FDEM did not assess the risk of noncompliance, nor did it review subrecipients' Single Audit reports and follow up on audit findings. FDEM's policies and procedures did not adequately address Federal uniform guidance requirements for evaluating and monitoring subrecipients. FDEM had alternative procedures for monitoring subrecipients that it considered sufficient to minimize the risk of noncompliance, including validating all costs reported by subrecipients prior to reimbursement and reviewing the quarterly reports submitted to FDEM.

FEMA approved FDEM's 2017 PA Administrative Plan, which detailed FDEM's administrative processes for managing FEMA's PA program funding, however it did not include steps to meet the requirements of 2 CFR 200.331.

Conclusion

Without reviewing subrecipient audit reports, evaluating the risk of noncompliance, and developing monitoring plans, the grantee increases the risk of undetected significant deficiencies and grant noncompliance by the subrecipients. The FY 2018 Single Audit report stated that, in FY 2018, FDEM was responsible for 1,068 active large projects related to 19 declared disasters, with obligations totaling \$896,642,516.

Recommendations

Recommendation 3: We recommend that the Regional Administrator, FEMA Region IV, assess the status and adequacy of FDEM's corrective actions and confirm that its revised subrecipient monitoring program addresses the requirements of 2 CFR 200.331.

Recommendation 4: We recommend that the Regional Administrator, FEMA Region IV, amend the approved PA Administrative Plan to reflect the processes that FDEM has implemented to strengthen its subrecipient monitoring.

FEMA Comments and OIG Analysis

FEMA provided its written response to this report on June 11, 2020. FEMA concurred with all four recommendations and indicated that it would complete its implementation of the recommendations by June 30, 2021. If implemented, the actions that FEMA outlined in its response will satisfy the intent of all of the recommendations. We have summarized FEMA's comments in response to each recommendation below and have included a copy of its comments in their entirety in appendix B.

Recommendation 1. FEMA will obtain and review the force account documentation and will reduce the approved subgrant as necessary if the County is unable to provide sufficient documentation demonstrating the eligibility of the force account costs.

Recommendation 2. FEMA will work with the State to provide additional technical assistance and monitoring for the County's projects.

Recommendation 3. FEMA will work with the State to assess the status and adequacy of the State's corrective actions and confirm that the actions address the requirements of 2 CFR 200.331.

Recommendation 4. FEMA will work with the State to amend its approved PA Administrative Plan to reflect the processes that the State has implemented to strengthen its subrecipient monitoring.

Appendix A

Objective, Scope, and Methodology

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*.

Cotton & Company performed an early warning audit of FEMA Public Assistance (PA) subgrants awarded to Collier County, Florida (the County) for damages resulting from Hurricane Irma. The overall objective of the audit was to determine whether FEMA ensured that recipients and subrecipients established and implemented policies, procedures, and practices to ensure that PA grant funds awarded to disaster areas are accounted for and expended in accordance with Federal regulations and FEMA guidance. We conducted the performance audit to identify areas of non-compliance with grant requirements where Federal disaster funding may be at risk and where the subrecipient may need additional technical assistance or monitoring to ensure compliance.

Our audit scope included a review of FEMA and the State of Florida's policies, procedures, and practices for ensuring that subrecipients account for and expend PA grant funds in accordance with Federal regulations and FEMA guidance. We reviewed the subrecipient's policies, procedures, and business practices for accounting for and expending grant funds and contracting for grant funds awarded or that may be awarded. Our audit scope also included determining whether the subrecipient's policies, procedures, and business practices enable the subrecipient to account for and expend FEMA grant funds according to Federal regulations and FEMA guidance. We conducted interviews with FEMA, State, and subrecipient officials. We reviewed documents that support the eligibility of the subrecipient, the projects, and claimed project costs.

We conducted this performance audit between February and December 2019 pursuant to the *Inspector General Act of 1978*, as amended, and according to Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives. We did not place any significant reliance on data from FEMA's computerized information system because we compared FEMA's obligated costs to State payments and subgrantee claimed costs. We also verified that payments and claimed costs were supported by source documents.

Appendix B FEMA Comments to the Draft Report



U.S. Department of Homeland Security
3003 Chamblee-Tucker Rd
Atlanta, GA 30341

FEMA

June 11, 2020

MEMORANDUM FOR: Joseph V. Cuffari
Inspector General

FROM: Gracia B. Szczek 
Regional Administrator
FEMA Region IV

SUBJECT: Management Response to Draft Report: "Early Warning Audit
of FEMA Public Assistance Grants in Collier County Florida"
(Project No. 19-010-AUD-FEMA)

Thank you for the opportunity to review and comment on this draft report. The Federal Emergency Management Agency (FEMA) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

FEMA remains committed to supporting our state, local, and tribal partners in strengthening areas within the Public Assistance program, including improving subrecipient monitoring to avoid the possibility for the potential of funding unsupported costs. FEMA will continue its review to assure expenditures of Disaster Relief funds are managed appropriately.

The draft report contained four recommendations with which FEMA concurs pending additional review. Please see the attached for our detailed response to each of the recommendations.

Again, thank you for the opportunity to review and comment on this draft report. Technical comments were previously provided under separate cover. Please feel free to contact me if you have any questions. We look forward to working with you in the future.

Attachment

**Attachment: FEMA Management Response to Recommendations
Contained in OIG-19-010-AUD-FEMA**

OIG recommended that the Regional Administrator, FEMA Region IV:

Recommendation 1: Work with the State of Florida to review all force account costs claimed for FEMA reimbursement, disallow all costs that are not adequately supported, and require the County to return FEMA's share of the disallowed costs.

Response: Concur. FEMA Region IV will review the documentation currently on file and will work with the State of Florida and the County to acquire any additional documentation. FEMA will make reductions to the approved subgrant as necessary if the County is unable to provide sufficient documentation demonstrating the eligibility of its force account costs.
Expected Completion Date (ECD): 06/30/2021.

Recommendation 2: Provide technical assistance and monitor the County's projects to provide FEMA with reasonable assurance that the County will properly account for force account labor and retain supporting documentation.

Response: Concur. FEMA Region IV will work the State of Florida to provide additional technical assistance and monitoring for the County's projects. ECD: 06/30/2021.

Recommendation 3: Assess the status and adequacy of FDEM's corrective actions and confirm that its revised subrecipient monitoring program addresses the requirements of 2 CFR 200.331.

Response: Concur. FEMA Region IV will work with the State of Florida to assess the status and adequacy of the State's corrective actions and confirm that addresses the requirements of 2 C.F.R. § 200.331. ECD: 06/30/2021.

Recommendation 4: Amend the approved PA Administrative Plan to reflect the processes that FDEM has implemented to strengthen its subrecipient monitoring.

Response: Concur. FEMA Region IV will work with the State of Florida to amend their approved PA Administrative Plan to reflect the processes that the State has implemented to strengthen its subrecipient monitoring. ECD: 06/30/2021.

Appendix C Report Distribution

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