

**Early Warning Audit of  
FEMA Public Assistance  
Grants to Polk County  
School Board, Florida**





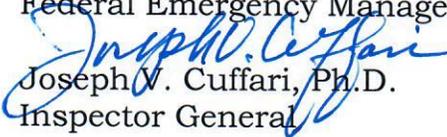
## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

July 20, 2020

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

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

SUBJECT: *Early Warning Audit of FEMA Public Assistance Grants to Polk County School Board, Florida*

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

The report contains 13 recommendations aimed at improving FEMA's management of Public Assistance (PA) program grant funds awarded to disaster areas. Your office concurred with all recommendations.

Based on information provided in your response to the draft report, we consider recommendations 1 through 13 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](mailto: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, Federal Emergency Management Agency



# DHS OIG HIGHLIGHTS

## *Early Warning Audit of FEMA Public Assistance Grants to Polk County School Board, Florida*

July 20, 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 recipients (FDEM) and subrecipient (PCSB) established and implemented policies, procedures, and practices to ensure that they accounted for and expended Public Assistance grant funds awarded to disaster areas in accordance with Federal regulations and FEMA guidance.

### What We Recommend

We made 13 recommendations that, when implemented, should improve PCSB'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](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

### What We Found

Cotton & Company LLP found that FEMA did not ensure that the Florida Department of Emergency Management (FDEM) monitored the Polk County School Board (PCSB) to ensure that it established and implemented policies, procedures, and practices to account for and expend Public Assistance (PA) grant funding in accordance with Federal regulations and FEMA guidance. Specifically, PCSB:

- was unable to support \$46,168 in spoilage costs;
- received funding for \$26,911 in ineligible contract costs;
- requested and disbursed funding received through a Florida PA grant for ineligible contract costs incurred under Project 2658 for debris removal and related costs;
- charged \$897 in unallowable costs associated with ineligible fringe benefits for substitute employees; and
- charged \$329 in unallowable costs, including fringe costs, associated with incorrect hourly rates for four employees.

These deficiencies occurred because FEMA and FDEM did not ensure that the PCSB had adequate policies, procedures, and practices to manage and account for PA grant funds. Because of these deficiencies, there is an increased risk that PA program funds were mismanaged and used for unallowable activities.

### FEMA Response

FEMA concurred with our 13 recommendations. We included a copy of FEMA's management comments in their entirety in appendix B.



*Answers Questioned*

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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 Polk County School Board (PCSB) 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 subawards.

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 PCSB, we did not perform a financial audit, the purpose of which would be to render an opinion on PCSB'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,

A handwritten signature in black ink, appearing to read "Michael W. Gillespie".

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 Department of Emergency Management
OIG	Office of Inspector General
PA	Public Assistance
PCSB	Polk County School Board

PW  
RFR

Project Worksheet  
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 to certain non-profit organizations. The Stafford Act can authorize PA grants, among other things, for:

- Assistance for debris removal (Category A);
- Assistance essential to meet immediate threat to life and property resulting from a major disaster (Category B); and
- Assistance for the repair, restoration, and replacement of damaged facilities (Categories C-G), including certain hazard mitigation measures.

Polk County is located in central Florida, between the cities of Tampa and Orlando. It is Florida's fourth-largest geographic county, with a land mass of 2,011 square miles. There are 154 public schools in Polk County serving more than 100,000 students through both traditional K-12 schools and a variety of other programs. On September 10, 2017, Hurricane Irma struck Polk County as a Category 2 storm with sustained winds of 100 miles per hour. The hurricane caused damage to buildings, trees, and the electrical supply causing spoilage of supplies. On September 10, 2017, the President issued a major disaster declaration for the State of Florida.

FEMA disburses PA funds to the Florida Department of Emergency Management (FDEM). FDEM in turn passes funds to local subrecipients through FloridaPA, the web-based grant funds management system. Per Federal grant requirements, FDEM is responsible for monitoring subrecipients to ensure that they manage PA funds appropriately, in accordance with FEMA program guidance and other Federal grant requirements.

As of January 31, 2019, FEMA's Emergency Management Mission Integrated Environment (EMMIE) system indicated that Polk County School Board (PCSB) had submitted 23 Project Worksheets (PWs)<sup>1</sup> to FEMA, requesting a total of \$1,265,483 in PA funding. As of that date, FEMA had obligated \$248,795 for 1 of the 23 projects.

The Department of Homeland Security (DHS), Office of Inspector General (OIG) engaged Cotton & Company LLP (referred to as "we" in this report) to conduct a performance audit of FEMA PA subaward funds awarded to PCSB for damages

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<sup>1</sup> 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 2018, p.174).

resulting from Hurricane Irma. The overall objective of this audit was to determine whether FEMA ensured that Florida (the recipient) and PCSB (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 PCSB, FDEM, FEMA, and the DHS OIG.

### Results of Audit

FEMA did not ensure that the FDEM monitored the PCSB to ensure that PCSB 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.

Our audit identified the following findings:

**Table 1: Results of Audit**

No.	Finding	Questioned Costs
1	PCSB Included Unsupported Food Spoilage and Vaccine Costs in Its Requests for Reimbursement	\$ 46,168
2	PCSB Requested Funding for Ineligible Contract Costs	\$ 26,911
3	PCSB Claimed Unallowable Fringe Benefit Costs	\$ 897
4	PCSB Used Incorrect Hourly Rates in Its Requests for Reimbursement for Force Account Labor	\$ 329
5	PCSB Was Unable to Provide Documentation to Support an Estimated Insurance Reimbursement for FEMA-Funded Projects	
6	FDEM's Subrecipient Monitoring Process Needs Improvement	
	<b>Total</b>	<b>\$ 74,305</b>

Source: Cotton & Company LLP results of audit testing.

These findings are discussed in greater detail below.

## **Finding 1 – PCSB Included Unsupported Food Spoilage and Vaccine Costs in Its Requests for Reimbursement**

PCSB was unable to support \$45,450 in food spoilage costs that it included in its Request for Reimbursement (RFR) for Project 1870, Spoilage. Specifically, PCSB requested that FEMA reimburse \$248,414 in food spoilage costs that Polk County schools incurred as a result of power outages caused by Hurricane Irma. We reviewed the spoilage reports for 85 of the Polk County schools and noted that 36 of the 85 reports either contained errors or did not contain adequate information to support the amounts claimed. In particular, we noted that some schools:

- Did not include the quantity of items spoiled when claiming reimbursement for certain items.
- Included improper quantity counts in their reports. For example, the spoilage report form included the cost of an item and the number of units in the pre-populated form. When completing the form, schools reported the quantity of the spoiled item by the case or portion of the case, rather than individually as shown on the form.
- Added new lines to the spoilage form for items that were pre-populated elsewhere on the form. This caused the schools to incorrectly value the items, as they did not use the correct pricing in the added lines.
- Incorrectly calculated the line item for the total amount of spoilage. The spoilage report form did not automatically multiply the quantity amounts by the price; instead, the schools were required to perform the calculations manually. We noted errors in some schools' manual calculations.

As a result of these issues, we questioned \$45,450, or 18 percent of the total amount claimed for food spoilage.

In addition, PCSB was unable to provide support for vaccine spoilage costs reimbursed under Project 1870. Specifically, we requested documentation to support the \$18,865 that PCSB claimed for replacement vaccines. However, PCSB was unable to provide vendor invoices or other documentation to support \$718 of these costs.

According to 2 Code of Federal Regulations (CFR) 200.400(d), *Policy Guide*:

*The accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to the Federal award.*

According to 2 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.*

According to 2 CFR 200.302, *Financial Management*:

*...the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.*

PCSB did not have internal controls in place to ensure that amounts claimed for federal reimbursement were accurate and supported by adequate documentation. In particular, PCSB did not verify the completeness, accuracy, or reasonableness of the amounts reported for spoilage before submitting its RFR.

## **Conclusion**

PCSB claimed \$46,168 in unsupported spoilage costs under Project 1870. The Federal share for this project was 75%, so FEMA reimbursed \$34,626 of the unsupported amount.

## **Recommendations**

**Recommendation 1:** We recommend that the Regional Administrator, FEMA Region IV, determine the allowability of the \$46,168 in unsupported spoilage costs and collect any amount that is determined to be unallowable from PCSB.

**Recommendation 2:** We recommend that the Regional Administrator, FEMA Region IV, direct the State of Florida to provide additional technical assistance and monitoring for PCSB's projects to ensure that PCSB establishes internal controls to verify that costs claimed are allowable and supported.

## **Finding 2 – PCSB Requested Funding for Ineligible Contract Costs**

PCSB requested and received funding through FloridaPA grants for ineligible contract costs incurred under Project 2658 for debris removal and related costs. Specifically, we noted that PCSB claimed costs incurred for debris removal services provided by its contractor. However, although PCSB provided

invoices and copies of checks to support the amounts claimed, it was unable to provide a copy of its executed contract. In addition, we noted the invoices indicated that PCSB paid the contractor on a cost-plus-percentage-of-cost (cost-plus) basis. Costs incurred under cost-plus contracts are unallowable per FEMA policy. We therefore questioned the entire amount claimed for this project, or \$26,911.

According to FEMA Public Assistance Program and Policy Guide FP 104-009-2/April 2017: Section V, (G), (2). *Contracts:*

*FEMA does not reimburse costs incurred under a cost plus a percentage of cost contract or a contract with a percentage of construction cost method.*

According to 2 CFR 200.400(d), *Policy Guide:*

*However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to the Federal award.*

PCSB was unable to locate the executed contract and was not aware that cost-plus basis procurements were unallowable.

## **Conclusion**

PCSB received funding for \$26,911 in ineligible contract costs under Project 2658 although it has not yet submitted RFRs for this project.

## **Recommendations**

**Recommendation 3:** We recommend that the Regional Administrator, FEMA Region IV, ensure that the State of Florida does not reimburse PCSB for the \$26,911 in ineligible costs.

**Recommendation 4:** We recommend that the Regional Administrator, FEMA Region IV, direct the State of Florida to provide additional technical assistance and monitoring for PCSB's projects to ensure that PCSB policies and contracts comply with the applicable regulations.

## **Finding 3 – PCSB Claimed Unallowable Fringe Benefit Costs**

PCSB requested reimbursement under Project 2658 through FloridaPA for fringe benefits related to ineligible employees. Specifically, PCSB submitted a total of \$235,140 in RFRs for force account labor under this project. We reviewed the payroll records that PCSB provided to support these RFRs and noted that PCSB applied the fringe benefit rate to all 17 substitute employees

listed in the RFRs. PCSB's labor policy states that substitute employees "shall have no seniority rights nor accrue fringe benefits." Because the substitute employees did not receive fringe benefits from PCSB, PCSB did not incur all fringe benefit costs claimed for these employees and therefore should not have included the costs in its RFRs.

According to PCSB's Custodial/Maintenance/Vehicle Services Labor Policy, Section E: *Substitute Employees*:

*Substitute employees may be hired to fill vacant positions for no more than thirty (30) consecutive work days, except when they are hired to work for a regular employee who is not able to work because of a disability, a duly authorized leave, vacation, or a suspension. Substitute employees hired to work for a regular employee who is unable to work because of a disability, a duly authorized leave, vacation, or a suspension, shall be notified, in writing, they are working only until the regular employee returns to work. Said substitute employee shall sign the letter as an acknowledgement. Persons so hired shall have no seniority rights nor accrue fringe benefits.*

According to 2 CFR 200.403(c), *Factors Affecting Allowability of Costs*:

*...Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.*

According to PCSB personnel, staff members did not understand how to apply the fringe benefit rate to substitute employees when requesting reimbursement.

## **Conclusion**

PCSB charged Project 2658 for \$897 in unallowable costs associated with ineligible fringe benefits for substitute employees.

## **Recommendations**

**Recommendation 5:** We recommend that the Regional Administrator, FEMA Region IV, ensure that the State of Florida does not reimburse PCSB for the \$897 in unallowable costs.

**Recommendation 6:** We recommend that the Regional Administrator, FEMA Region IV, direct the State of Florida to provide additional technical assistance and monitoring for PCSB's projects to provide FEMA with reasonable assurance that PCSB will properly account for costs related to force account labor.

#### **Finding 4 – PCSB Used Incorrect Hourly Rates in Its Requests for Reimbursement for Force Account Labor**

PCSB used incorrect hourly rates in its RFRs for force account labor under Project 2658. Specifically, PCSB submitted a total of \$235,140 in RFRs for force account labor under this project through FloridaPA. We selected a sample of 65 PCSB employees whose labor was included in this total and reviewed the documentation that PCSB provided to support the amounts reported in the RFRs. We noted that the hourly rates recorded on the timesheets and payroll records for four of the employees did not agree with the hourly rates claimed on the RFRs, for a net difference of \$329.

According to 2 CFR 200.400(d), *Policy Guide*:

*The accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to the Federal award.*

According to 2 CFR 200.84:

*Questioned cost means a cost that is questioned by the auditor because of an audit finding:*

*...(b) Where the costs, at the time of the audit, are not supported by adequate documentation;*

According to 2 CFR 200.403(c), *Factors Affecting Allowability of Costs*:

*...Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.*

According to PCSB personnel, staff members did not realize that they should verify the hourly rates when requesting reimbursement for project costs to ensure that PCSB's complex accounting system has applied the correct hourly rate for each employee.

## **Conclusion**

PCSB charged Project 2658 for \$329 in unallowable costs, including fringe costs associated with the incorrect hourly rates for four employees.

## **Recommendations**

**Recommendation 7:** We recommend that the Regional Administrator, FEMA Region IV, ensure that the State of Florida does not reimburse PCSB for the \$329 in unallowable costs.

**Recommendation 8:** We recommend that the Regional Administrator, FEMA Region IV, work with the State of Florida to request that PCSB review the hourly wage amounts for all employees and adjust the RFR accordingly.

**Recommendation 9:** We recommend that the Regional Administrator, FEMA Region IV, direct the State of Florida to provide additional technical assistance and monitoring for PCSB's projects to provide FEMA with reasonable assurance that PCSB will properly account for costs related to force account labor.

## **Finding 5 – PCSB Was Unable to Provide Documentation to Support an Estimated Insurance Reimbursement for FEMA-Funded Projects**

PCSB was unable to provide documentation to support the anticipated or actual insurance proceeds that would reduce FEMA's share of the disaster costs because it is in litigation with the insurance carriers regarding the amount of estimated damages. PCSB provided a proposed interim statement of loss from Hurricane Irma, dated August 1, 2019, that showed an adjusted net claim of \$445,354 for damage to buildings and structures and for food spoilage. PCSB's representative noted that a third party that the insurance carriers had appointed to review the damage prepared this statement. However, PCSB did not agree with the estimate and is currently in litigation with the insurance carriers. PCSB was unable to provide an estimate of the damages that insurance proceeds would ultimately cover, or of the extent to which these proceeds relate to FEMA-funded projects. We were therefore unable to determine the amount of actual or potential claim proceeds that PCSB should have deducted from the eligible project costs.

According to 44 CFR 206.250(c), entities must deduct actual and anticipated insurance recoveries from otherwise eligible costs.

According to FEMA Public Assistance Program and Policy Guide, FP 104-009-2/April 2017: Section IV, P, 1. *Insurance Proceeds*:

*FEMA cannot provide PA funding that duplicates insurance proceeds. Consequently, FEMA reduces eligible costs by the amount of*

- *Actual insurance proceeds, if known; or*
- *Anticipated insurance proceeds based on the Applicant's insurance policy, if the amount of actual insurance proceeds is unknown. FEMA subsequently adjusts the eligible costs based on the actual amount of insurance proceeds the Applicant receives.*

*FEMA requires the Applicant to take reasonable efforts to pursue claims to recover insurance proceeds that it is entitled to receive from its insurer(s). If the Applicant expends costs to pursue its insurance claim, FEMA offsets the insurance reduction with the Applicant's reasonable costs to pursue the claim.*

PCSB is in ongoing litigation with its insurance carriers regarding the amount of the claim reimbursement. As a result, it is unable to provide documentation to support an agreed-upon amount and how it should apply this amount to PCSB projects.

### **Conclusion**

PCSB may receive reimbursement from FEMA for project costs that will be eligible for reimbursement by the insurance carrier once the litigation is settled.

### **Recommendations**

**Recommendation 10:** We recommend that the Regional Administrator, FEMA Region IV, direct the State of Florida to monitor the progress of PCSB's litigation with the insurance carrier and ensure that PCSB subsequently includes appropriate insurance payments against claims.

**Recommendation 11:** We recommend that the Regional Administrator, FEMA Region IV, direct the State of Florida to determine the allowability of the amounts that PCSB claims for insurance-related costs and collect any amounts that the State of Florida determines to be unallowable.

### **Finding 6 – 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's fiscal year (FY) 2018 Single Audit reported significant noncompliance with respect to FDEM's subrecipient monitoring. Instead of evaluating risk, 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 a number of unsupported and/or unallowable costs that

FDEM deemed allowable and allocable. FDEM reimbursed those costs to the subrecipient. FDEM's cost-validation process therefore does not appear to have been effective.

FDEM representatives provided information regarding the status of actions that it 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 (SOP) for the subrecipient compliance program, which 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 but 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. 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 12:** 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 sufficiently addresses the requirements of 2 CFR 200.331.

**Recommendation 13:** 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 12, 2020. FEMA concurred with all thirteen 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 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 reduce the approved subgrant as necessary if PCSB is unable to provide sufficient documentation that the spoilage costs are allowable.

**Recommendation 2.** FEMA will work with the State to provide additional technical assistance and monitoring for PCSB projects.

**Recommendation 3.** FEMA will reduce the approved subgrant as necessary if PCSB is unable to provide sufficient documentation that the contract costs are eligible.

**Recommendation 4.** FEMA will work with the State to provide additional technical assistance and monitoring for PCSB projects.

**Recommendation 5.** FEMA will reduce the approved subgrant as necessary if PCSB is unable to provide sufficient documentation that the fringe benefit costs are allowable.

**Recommendation 6.** FEMA will work with the State to provide additional technical assistance and monitoring for PCSB projects.

**Recommendation 7.** FEMA will reduce the approved subgrant as necessary if PCSB is unable to provide sufficient documentation that the force account labor costs are allowable.

**Recommendation 8.** FEMA will work with the State to request that PCSB review the hourly wage amounts for all employees and adjust the RFR accordingly.

**Recommendation 9.** FEMA will work with the State to provide additional technical assistance and monitoring for PCSB projects.

**Recommendation 10.** FEMA will work with the State to monitor PCSB's litigation with the insurance carrier and ensure PCSB includes appropriate insurance payments against claims.

**Recommendation 11.** FEMA will work with the State to determine the allowability of the amounts PCSB claims for insurance-related costs and reduce the approved subgrants for any benefits duplicated by insurance.

**Recommendation 12.** FEMA will work with the State to assess the status and adequacy of DEM's corrective actions and confirm its revised subrecipient monitoring program sufficiently addresses the requirements of 2 CFR 200.331.

**Recommendation 13.** FEMA will work with the State to amend its approved PA Administrative Plan to reflect the processes 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 Polk County School Board (PCSB) 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 they accounted for and expended PA grant funds awarded to disaster areas 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, as well as 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 the claimed project costs.

We selected our sample of projects for testing from a universe of projects downloaded from FEMA's computerized information system (EMMIE). We verified whether source documents supported the payments and claimed costs. We did not place any significant reliance on or test the data from EMMIE, but deemed it sufficient to meet our audit objective. We compared FEMA's obligated amounts to the State of Florida's payments and the subrecipient's claimed costs and verified whether source documents supported the payments and claimed 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.

## Appendix B FEMA Comments to the Draft Report



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

**FEMA**

June 12, 2020

MEMORANDUM FOR: Joseph V. Cuffari  
Inspector General

FROM: Gracia B. Szczech   
Regional Administrator  
FEMA Region IV

SUBJECT: Management Response to Draft Report: "Early Warning Audit  
of FEMA Public Assistance Grants in Polk County School Board  
Florida"  
(Project No. 19-006-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 and providing technical assistance to enhance the subrecipients knowledge in the requirements of the program to better prepare them for reimbursement. FEMA will continue its review to assure expenditures of Disaster Relief funds are managed appropriately.

The draft report contained thirteen 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-19-006-AUD-FEMA**

**OIG recommended that the Regional Administrator, FEMA Region IV:**

**Recommendation 1:** Determine the allowability of the \$46,168 in unsupported spoilage costs and collect any amount that is determined to be unallowable from PCSB.

**Response:** Concur. FEMA will make reductions to the approved subgrant as necessary if PCSB is unable to provide sufficient documentation that the spoilage costs are allowable. Expected Completion Date (ECD): 06/30/2021.

**Recommendation 2:** Direct the State of Florida to provide additional technical assistance and monitor for PCSB's projects to ensure that PCSB establishes internal controls to verify that costs claimed are allowable and supported.

**Response:** Concur. FEMA Region IV will work the State of Florida to provide additional technical assistance and monitoring for PCSB projects to ensure PCSB establishes internal controls. ECD: 06/30/2021.

**Recommendation 3:** Ensure that the State of Florida does not reimburse PCSB for \$26,911 in ineligible costs.

**Response:** Concur. FEMA will make reductions to the approved subgrant as necessary if PCSB is unable to provide sufficient documentation that the contract costs are eligible. ECD: 06/30/2021.

**Recommendation 4:** Direct the State of Florida to provide additional technical assistance and monitor for PCSB's projects to ensure that PCSB policies and contracts comply with the applicable regulations.

**Response:** Concur. FEMA Region IV will work with the State of Florida to provide additional technical assistance and monitor for PCSB projects to ensure PCSB policies and contracts comply with the applicable regulations. ECD: 06/30/2021.

**Recommendation 5:** Ensure that the State of Florida does not reimburse PCSB for the \$897 in unallowable costs.

**Response:** Concur. FEMA will make reductions to the approved subgrant as necessary if PCSB is unable to provide sufficient documentation that the fringe benefit costs are allowable. (ECD): 06/30/2021.

**Recommendation 6:** Direct the State of Florida to provide additional technical assistance and monitor for PCSB's projects to provide FEMA with reasonable assurance that PCSB will properly account for costs related to force account labor.

**Response:** Concur. FEMA Region IV will work the State of Florida to provide additional technical assistance and monitoring for PCSC projects to ensure they are properly accounting for costs related to force account labor. ECD: 06/30/2021.

**Recommendation 7:** Ensure that the State of Florida does not reimburse PCSB for the \$329 in unallowable costs.

**Response:** Concur. FEMA will make reductions to the approved subgrant as necessary if PCSB is unable to provide sufficient documentation that the force account labor costs are allowable. ECD: 06/30/2021.

**Recommendation 8:** Work with the State of Florida to request that PCSB review the hourly wage amounts for all employees and adjust the RFR accordingly.

**Response:** Concur. FEMA Region IV will work with the State of Florida to request that PCSB review the hourly wage amounts for all employees and adjust the RFR accordingly. ECD: 06/30/2021.

**Recommendation 9:** Direct the State of Florida to provide additional technical assistance and monitor for PCSB's projects to provide FEMA with reasonable assurance that PCSB will properly account for costs related to force account labor.

**Response:** Concur. FEMA Region IV will work the State of Florida to provide additional technical assistance and monitoring for PCSC projects to ensure they are properly accounting for costs related to force account labor. ECD: 06/30/2021.

**Recommendation 10:** Direct the State of Florida to monitor the progress of PCSB's litigation with the insurance carrier and ensure that PCSB subsequently includes appropriate insurance payments against claims.

**Response:** Concur. FEMA Region IV will work with the State of Florida monitor the progress of PCSB's litigation with the insurance carrier and ensure that PCSB subsequently includes appropriate insurance payments against claims. ECD: 06/30/2021.

**Recommendation 11:** Direct the State of Florida to determine the allowability of the amounts that PCSB claims for insurance-related costs and collect any amounts that the State of Florida determines to be unallowable.

**Response:** Concur. In accordance with Section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, FEMA Region IV will work with the State of Florida to determine the allowability of the amounts that PCSB claims for insurance-related costs and make necessary reductions to the approved subgrants for any benefits duplicated by insurance. ECD: 06/30/2021.

**Recommendation 12:** Assess the status and adequacy of FDEM's corrective actions and confirm that its revised subrecipient monitoring program sufficiently addresses the requirements of 2 CFR 200.331.

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

**Recommendation 13:** 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**  
**Summary of Potential Monetary Benefits**

<b>Recommendation</b>	<b>Type of Potential Monetary Benefit</b>	<b>Amount</b>	<b>Federal Share</b>
	Funds Put to Better Use	\$ -	\$ -
3,5,7	Questioned Costs - Ineligible	28,137	28,137
1	Questioned Costs - Unsupported	46,168	34,626
	<b>Totals</b>	<b>\$ 74,305</b>	<b>\$ 62,763</b>

Source: Cotton & Company LLP analysis of the County's claimed costs.

## **Appendix D**

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