

# Department of Homeland Security **Office of Inspector General**

**New York City Department of Correction Has Adequate  
Policies, Procedures, and Business Practices  
in Place to Effectively Manage  
FEMA Public Assistance Grant Funds**






**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

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

September 12, 2014

MEMORANDUM FOR: Laura Phillips  
Executive Director  
Sandy Recovery Office New Jersey and New York  
Federal Emergency Management Agency



FROM: John V. Kelly  
Assistant Inspector General  
Office of Emergency Management Oversight

SUBJECT: *New York City Department of Correction Has Adequate Policies, Procedures, and Business Practices in Place to Effectively Manage FEMA Public Assistance Grant Funds*  
FEMA Disaster Number 4085-DR-NY  
Audit Report Number OIG-14-141-D

We audited the capability of New York City's Department of Correction (Department) to manage Public Assistance grant funds (Public Assistance Identification Number 081-51000-17). Our audit objective was to determine whether the Department's policies, procedures, and business practices are adequate to account for and expend Federal Emergency Management Agency (FEMA) grant funds according to Federal regulations and FEMA guidelines. We conducted this audit early in the Public Assistance process to identify areas where the Department may need additional technical assistance or monitoring to ensure compliance. In addition, by undergoing an audit early in the grant cycle, grant recipients have the opportunity to correct non-compliance with Federal regulations before they spend the majority of their funding. It also allows them the opportunity to supplement deficient documentation or locate missing documentation before too much time elapses.

The New York State Division of Homeland Security and Emergency Services (New York State), a FEMA grantee, awarded the Department \$20.1 million for damages resulting from Hurricane Sandy, which occurred on October 29, 2012. The award provided 90 percent funding for debris removal (Category A), Emergency Protective Measures (Category B), and permanent work (Categories C, E, and G) for eight projects. We reviewed three projects with awards totaling \$3.5 million (see Exhibit, Schedule of Projects Reviewed). The audit covered the period from October 27, 2012, through February 18, 2014. At the time of our audit, the Department had completed Category A



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and B work, and had started some permanent work; however, it had not yet filed any claims for reimbursement with New York State.

We conducted this performance audit between February 2014 and July 2014 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. We conducted this audit by applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We interviewed Department, FEMA, New York State, New York City Office of Management and Budget, and New York City Office of the Comptroller officials; gained an understanding of the Department's method of accounting for disaster-related costs and its procurement policies and procedures; reviewed judgmentally selected (generally based on type and amount) project costs for the projects included in our audit scope; and performed other procedures considered necessary to accomplish our objective. As part of our standard auditing procedures, we also notified the Recovery Accountability and Transparency Board of all contracts the subgrantee awarded to determine whether the contractors were debarred or whether there were any indications of other issues related to those contractors that would indicate fraud, waste, or abuse. The Recovery Accountability and Transparency Board determined that none of the contractors was debarred and no other issues came to its attention related to those contractors that would indicate fraud, waste, or abuse. We did not perform a detailed assessment of the Department's internal controls over its grant activities because it was not necessary to accomplish our audit objective.

### BACKGROUND

The Department is a New York City agency located in East Elmhurst (Queens), New York. It has detention facilities in the Bronx, Brooklyn, Manhattan, and Queens, as well as in Bellevue Hospital, Elmhurst Hospital, Rikers Island, and Hart Island. Hurricane Sandy made landfall in the New York area on October 29, 2012, resulting in significant damage caused by high winds, heavy rains, and excessive storm surge. The storm left debris, silt, and downed trees and limbs and damaged numerous Department facilities. Figure 1 shows an example of damage at Rikers Island.



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**Figure 1: Damage to Facility at Rikers Island, New York**



Source: City of New York Department of Correction

**RESULTS OF AUDIT**

The Department has adequate policies, procedures, and business practices in place to account for and expend Public Assistance grant funds according to Federal regulations and FEMA guidelines. The Department accounted for disaster costs on a project-by-project basis and adequately supported the costs. Further, the Department has adequate procurement policies and procedures in place to ensure compliance with Federal procurement requirements of 44 Code of Federal Regulations (CFR) 13.36. Therefore, this report contains no recommendations, and we consider it closed.

**Accounting for Project Costs**

The Department has adequate policies and procedures in place to ensure it accounts for disaster costs on a project-by-project basis and adequately supports the costs as Federal regulations require.

At the time of our audit, the Department had not submitted any claims for project costs to New York State. However, the Department provided us documentation for



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\$7,504,422 of costs it had incurred and intended to claim for disaster-related activities as of February 2014. The Department identified the costs by project, which included costs for force account labor, direct administrative tasks, equipment, and materials. We reviewed project documentation for approximately \$523,000 of costs the Department incurred for three projects and determined that it properly charged costs to the specific projects and maintained appropriate documentation to support the costs.

### **Procurement Practices**

The Department has adequate procurement policies and procedures in place to ensure compliance with Federal procurement requirements of 44 CFR 13.36. At the time of our audit, the Department had not yet awarded contracts for FEMA-authorized work. However, we reviewed the Department's written contracting policies and procedures and discussed its procurement practices with Department contracting officials. We concluded that the Department's procurement policies, procedures, and business practices were adequate to ensure compliance with the requirements of 44 CFR 13.36. The policies and procedures provide reasonable assurance that the Department (1) awards contracts using full and open competition; (2) conducts cost and price analyses, as appropriate, to determine reasonable contract costs; (3) includes applicable Federal contract provisions in the contracts; and (4) takes affirmative steps to solicit minority-owned and women-owned businesses. Therefore, if the Department adheres to its policies and procedures in future contract awards for FEMA-authorized work, those awards should comply with 44 CFR 13.36.

### **DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP**

We discussed the results of our audit with Department, New York State, and FEMA officials during our audit and included their comments in this report, as appropriate. We also provided a draft report in advance to these officials and offered to have exit conferences. The Department and New York State declined exit conferences because there were no negative findings. On August 13, 2014, we held an exit conference with FEMA officials, who said they appreciated the proactive nature of our capacity audits.

This report contains no recommendations; therefore, we consider it closed.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to appropriate congressional committees with oversight and



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appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Major contributors to this report are David Kimble, Director; William Johnson, Audit Manager; Mark S. Phillips, Auditor-in-Charge; and John Jadick, Program Analyst.

Please call me with any questions at (202) 254-4100, or your staff may contact David Kimble, Director, Eastern Regional Office, at (404) 832-6702.



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**Exhibit**

**Schedule of Projects Reviewed**

<b>Project Number</b>	<b>Category of Work</b>	<b>Gross Award Amount</b>	<b>Insurance Reductions</b>	<b>Net Award Amount</b>
2728	B	\$3,410,161	\$0	\$3,410,161
1504	A	51,328	0	51,328
1505	E	41,088	0	41,088
<b>Totals</b>		<b>\$3,502,577</b>	<b>\$0</b>	<b>\$3,502,577</b>

Source: FEMA Project Worksheets





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DHS OIG Budget Examiner

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**Subgrantee**

Commissioner, New York City Department of Correction





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**Congress**

Senate Committee on Appropriations, Subcommittee on Homeland Security

Senate Committee on Homeland Security and Governmental Affairs

House Committee on Appropriations, Subcommittee on Homeland Security

House Committee on Homeland Security

House Committee on Oversight and Government Reform

House Committee on Transportation and Infrastructure

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