Department of Homeland Security

Office of Inspector General

Capping Report:
FY 2012 FEMA Public Assistance and Hazard Mitigation Grant and Subgrant Audits

OIG-13-90

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May 21, 2013

MEMORANDUM FOR: Joseph Nimmich
Associate Administrator, Response and Recovery
Federal Emergency Management Agency

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

SUBJECT: *Capping Report: FY 2012 FEMA Public Assistance and Hazard Mitigation Grant and Subgrant Audits*

This capping report summarizes the results of Public Assistance (PA) program and Hazard Mitigation Grant Program (HMGP) grant and subgrant audits performed during fiscal year (FY) 2012. We reviewed audit findings and recommendations made to Federal Emergency Management Agency (FEMA) officials as they related to the PA and HMGP program funds that FEMA awards to State, local, and tribal governments, and eligible nonprofit organizations. The objectives of this report were to identify frequently reported audit findings and quantify the financial significance of these findings.

We discussed this report with representatives from FEMA's Office of the Associate Administrator, Response and Recovery, and Office of Assistant Administrator, Recovery, on March 21, 2013. Although our conclusion offers FEMA several suggestions for improving PA and HMGP program grant administration, this report contains no formal recommendations. Therefore, we consider this report closed and require no further actions from FEMA.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to appropriate 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 at (202) 254-4100, or your staff may contact Tonda Hadley, Director, Central Regional Office, at (214) 436-5200.

Attachment

Background

In FY 2012, we issued 59 audit reports on grantees and subgrantees awarded FEMA PA and HMGP funds between November 2002 and December 2009 as a result of 31 presidentially declared disasters in 16 States and 1 U.S. Territory.[1] The objective of those 59 audits was to determine whether the grantees and subgrantees accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines. Our HMGP audit objectives also included determining whether the projects met FEMA eligibility requirements and project management complied with applicable regulations and guidelines. Appendix A lists the 59 audit reports and provides a link to our web page where copies can be obtained.

Our PA and HMGP audits covered subgrantees that had (1) completed all work approved by FEMA and reported final costs to the grantee, which in turn had requested final FEMA payment; (2) completed all work and reported final costs to the grantee that had not yet requested final FEMA payment; (3) completed selected projects but had not reported final project costs to the grantee; or (4) projects in progress or projects that had not yet started. The subgrantees we audited received awards totaling $1.52 billion for debris removal; emergency protective measures; or permanent repair, restoration, and replacement of damaged facilities. We audited $1.25 billion of the $1.52 billion, or 82 percent of the amounts awarded to the recipients audited.

We conducted this performance audit and the 59 performance audits discussed in this report under the authority of the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained during this audit and during the 59 performance audits provided a reasonable basis for our findings and conclusions based on our audit objectives. We conducted these audits according to the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disasters. Our review included analyses of (1) findings and recommendations in our FY 2012 grant audit reports and (2) applicable Federal regulations, Office of Management and Budget (OMB) grant and audit guidance, and FEMA PA and HMGP guidance applicable to the conditions noted.

[1] Of the 59 audits, 17 were audits of subgrantees that suffered damage from Hurricane Katrina declared in August 2005.

Results of Review

Of the 59 audit reports we issued in FY 2012, 54 reports contained 187 recommendations resulting in potential monetary benefits of $415.6 million.[2] This amount included $267.9 million in questioned costs that we recommended FEMA disallow as ineligible or unsupported, and $147.7 million in unused funds that we recommended FEMA deobligate and put to better use. The $415.6 million in potential monetary benefits represents 33 percent of the $1.25 billion we audited, compared with 28 percent in FY 2011, 13 percent in FY 2010, and 15 percent in FY 2009.[3] The FY 2012 increase in potential monetary benefits is due in part to increases in funds put to better use stemming from problems with project cost estimating or funds that other Federal agencies should have provided.

As stated in our three previous capping reports, we continue to find problems with grant management and accounting, ineligible and unsupported costs, and noncompliance with Federal contracting requirements. New significant issues this year include problems with cost estimating under FEMA's "50 Percent Rule" and problems with subgrantees not having legal responsibility over their damaged facilities.

As discussed in this report, ineligible costs occurred for numerous reasons, but undoubtedly better grant management would improve subgrantees' compliance with Federal regulations and FEMA guidelines and decrease ineligible costs. Also, the amount of unneeded funding would decrease sharply if FEMA and grantees more closely managed grant funding and deobligated unneeded funds faster. Table 1 categorizes our audit findings and the 187 recommendations into four broad types.

[2] Five FY 2012 audit reports had no findings or reportable conditions.
[3] Our FY 2011 capping report reported $336.9 million in potential monetary benefits out of $1.2 billion in PA and HMGP funds audited (Report OIG-12-74); our FY 2010 capping report reported $165 million in potential monetary benefits out of $1.2 billion in PA funds audited (Report DD-11-17); and our FY 2009 capping report reported $138 million in potential monetary benefits out of $933 million in PA funds audited (Report DS-11-01).

Table 1. Fiscal Year 2012 Public Assistance and Hazard Mitigation Grant Program Potential Monetary Benefits by Finding Type

Types of Findings	Number of Resulting Recommendations	Amounts Questioned in Our Reports
A. Ineligible Work or Costs	85	$246,475,048
B. Funds Put to Better Use	25	147,698,246
C. Unsupported Costs	26	21,418,885
D. Grant Management and Administrative Issues	51	0
Totals	187	$415, 592,179

A. Ineligible Work or Costs

As illustrated in table 2, we questioned $246.5 million in costs as ineligible for FEMA reimbursement.

Table 2. Fiscal Year 2012 Public Assistance and Hazard Mitigation Grant Program Ineligible Work or Cost by Type

Subtypes of Ineligible Work or Costs	Number of Resulting Recommendations	Amounts Questioned in Our Reports
1. Legal Responsibility	3	$ 98,197,351
2. Project Cost Estimating	4	31,099,228
3. Contracting Practices	10	21,746,755
4. Other Ineligible Work/Costs	68	95,431,714
Totals	85	$246,475,048

1. Legal Responsibility. We reported three instances where grantees awarded subgrantees $98.2 million under projects for which they were not legally responsible. Federal regulation 44 CFR 206.223(a)(3) requires the subgrantee to be legally responsible for the facility to be eligible for Federal disaster assistance. For example, in Audit Report DD-12-12, *Legal Responsibility Issues Related to FEMA Public Assistance Grant Funds Awarded to the Orleans Parish Criminal Sheriff's Office, Orleans Parish, Louisiana*, we questioned $97.9 million obligated for work related to properties that the subgrantee did not own and was not legally responsible to repair. Also, the *Public Assistance Guide* (FEMA 322, October 1999, p. 25) states that an eligible applicant must be legally responsible for the damaged facility at the time of the disaster. If the applicant is the lessee (tenant), facility repairs are not eligible unless the lease specifically states that the lessee is responsible for the repairs.

In determining property ownership and legal responsibility, FEMA and grantee officials should not rely on the word of the subgrantee as they did with the Orleans Parish Criminal Sheriff's Office. Rather, FEMA or the grantee should verify which entity has legal responsibility. Relying on the subgrantee's word, rather than legal documentation, to determine ownership provides no assurance that Federal funds are going to an eligible entity.

2. Project Cost Estimating.[4] We reported four instances where FEMA officials incorrectly estimated and calculated project costs related to $31.1 million in ineligible project costs. Moreover, in three of the four instances, FEMA misapplied the "50 Percent Rule" to determine project eligibility and replaced damaged facilities. The 50 Percent Rule states that a facility is generally eligible for replacement when the estimated repair cost exceeds 50 percent of the estimated replacement cost. In two of the instances when FEMA misapplied the 50 Percent Rule, FEMA relied on inaccurate documentation that the subgrantee provided. For example, in DS-12-03, *FEMA Public Assistance Grant Funds Awarded to Paso Robles Joint Unified School District, California*, we identified $10.2 million as ineligible. FEMA officials used incorrect square footage because they used calculations provided by the school district that did not account for codes and standards.

   We also reported an instance where FEMA officials approved an ineligible HMGP project because neither FEMA nor the grantee reviewed the subgrantee's Benefit/Cost Analysis (BCA).[5] FEMA provides mitigation grants under HMGP with the stipulation that the project be cost effective. Proving cost effectiveness generally requires the benefits of a project to at least equal the costs. In our Audit Report DD-12-13, *FEMA Hazard Mitigation Grant Program Funds Awarded to Comal County, Texas*, we questioned $16.3 million as ineligible because the county used an unapproved BCA methodology that did not factor in the net present value of future benefits as FEMA requires. Using an approved BCA methodology that calculated the net present value of future benefits would have proven that the project was not cost effective.

   FEMA needs to ensure that PA and HMGP applicants spend Federal funds only on eligible projects. In making project decisions that require careful calculations to determine project eligibility, FEMA and grantee officials should verify itemized costs and benefits needed to correctly implement FEMA calculation tools, such as the Cost Estimating Format and BCA.

[4] We also identified significant problems with project cost estimating under Funds Put to Better Use (table 4).
[5] FEMA and grantees use the BCA to evaluate the cost effectiveness of HMGP applications.

3. Contracting Practices. We reported 10 instances where subgrantees did not comply with Federal procurement regulations for contracts totaling $21.7 million. Noncompliance with Federal procurement regulations results in high-risk contracts that potentially cost taxpayers millions of dollars in excessive costs and often does not provide open and free competition to all qualified bidders, including small firms and women- and minority-owned businesses. In addition, open and free competition helps to discourage and prevent favoritism, collusion, fraud, waste, and abuse.

   We considered the exigencies that often arise early after a disaster occurs and, as a general rule, did not question contracting practices or costs associated with those exigencies. However, subgrantee noncompliance remains a major concern to us. For example, in Audit Report DA-12-18, *FEMA Public Assistance Grant Funds Awarded to Henderson Point Water and Sewer District, Pass Christian, Mississippi*, we identified $4.1 million in contract costs where the district did not provide open and free competition or perform a price analysis to establish reasonable prices. District officials informed us that they did not openly compete the work because they were operating under a state of emergency at the time of the replacement and repair work. However, we did not agree and stated in our report that the work should have been openly competed because it was for permanent repair work, not emergency work.

   Although FEMA has remedies available when a grantee or subgrantee does not comply with applicable statutes or regulations, FEMA often does not hold grantees and subgrantees adequately accountable for noncompliance with procurement regulations. FEMA seldom disallows improper contract costs, citing that it has the authority to reimburse subgrantees for the reasonable cost of eligible work. Consequently, grantees and subgrantees have little incentive to follow procurement regulations. For example, as of November 30, 2012, of the 10 recommendations related to noncompliance with procurement regulations—

   - FEMA agreed or agreed in part to disallow costs we questioned in only one recommendation totaling $119,055, or less than 0.5 percent of the total $21,746,755 we questioned;

   - FEMA disagreed with our questioned costs in six recommendations totaling $14,541,377, or 67 percent of the total; and

   - FEMA had not responded to four recommendations totaling $7,086,323, or 33 percent of the total.

   The FY 2011 Capping Report included recommendations for noncompliance with procurement regulations that FEMA had not responded to when we issued the report. Since that time, FEMA has agreed with one recommendation and in part with a second recommendation ($67,409 out of $241,083). They also have disagreed with another recommendation related to debris removal totaling $40,552,442 because they believed the cost was reasonable. Thus, as of January 2013, the updated status of the 17 recommendations related to noncompliance with procurement regulations, as discussed in the FY 2011 Capping Report, are as follows:

- FEMA agreed to disallow $4,956,690 of the total $131,759,350 that we questioned, or less than 4 percent (agreed with three recommendations and partially agreed with another one);

- FEMA allowed $126,062,660 of the total $131,759,350 that we questioned, or more than 95 percent (disagreed with 12 recommendations and partially disagreed with another one); and

- FEMA had not responded to one recommendation totaling $740,000, or less than 1 percent of the total $131,759,350 that we questioned.

Under certain conditions, Federal regulations allow agencies to grant exceptions to Federal administrative requirements for grants.[6] However, the OMB allows these exceptions only on a case-by-case basis. FEMA codified OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* at 44 CFR Part 13, which states in part that Federal agencies may authorize exceptions to the administrative requirements on a case-by-case basis, but that only OMB may authorize exceptions for classes of grants or grantees (44 CFR 13.6). The *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-profit Organizations* (2 CFR Part 215) includes similar provisions, but adds, "exceptions from the requirements of this part shall be permitted only in unusual circumstances [2 CFR 215.4]."

Clearly, OMB's intent was not for Federal agencies to make exceptions to the procurement standards in the administrative requirements for grants a routine practice. Accordingly, we do not believe that it is prudent to waive Federal procurement standards unless lives and property are at stake, because the goals of proper contracting relate to more than just reasonable costs. Once the roads are clear, power is restored, and the danger is over, cities, counties, and other entities should follow Federal regulations or risk losing Federal funding.

[6] See 44 CFR Part 13, sections 13.6(b) and (c), and 13.43(a).

4. Other Ineligible Work or Costs. Table 3 lists other ineligible work or costs we questioned in FY 2012. Administrative allowance and insurance proceeds dominated the ineligible work or costs we questioned.

Table 3. Fiscal Year 2012 Public Assistance and Hazard Mitigation Grant Program Other Ineligible Work or Costs by Type

Other Ineligible Work or Costs	Number of resulting recommendations	Amounts questioned in our reports
Administrative allowance/overhead	2	$45,590,364
Insurance proceeds misapplied/misallocated	9	37,026,250
Excessive or unreasonable costs	10	4,504,274
Duplicate costs	8	3,774,597
Outside FEMA-approved scope	8	1,052,809
Miscellaneous ineligible costs	31	3,483,420
Totals	68	$95,431,714

The combined administrative allowance and insurance proceeds totaled more than half the total of this subtype of "other ineligible work or costs."

For example, in Audit Report DD-12-19, *Direct Administrative Costs Paid for FEMA Public Assistance Grant Funds*, we identified $45.5 million in questioned costs where FEMA inappropriately authorized the retroactive application of laws, regulations, and policies for two Louisiana disasters. We questioned these costs because any administrative costs claimed beyond the sliding-scale administrative allowance are duplicate costs.

Another substantial amount of questioned costs resulted from costs covered by insurance. We reported nine instances totaling $37.0 million where subgrantees and FEMA did not correctly apply or allocate insurance proceeds. For example, in Audit Report DD-12-10, *Insurance Allocations to FEMA Public Assistance Grant Funds Awarded to the Administrators of the Tulane Educational Fund, New Orleans, Louisiana*, we questioned $24.5 million as ineligible because subgrantee officials overstated FEMA's portion of losses because they did not properly allocate insurance proceeds to their damaged facilities. Additionally, in Audit Report DD-12-04, *FEMA Public Assistance Grant Funds Awarded to Cameron Parish School Board, Cameron, Louisiana*, Cameron Parish received $10.3 million in insurance proceeds. However, FEMA had not allocated $1 million that the parish received in flood insurance proceeds. FEMA should have completed its insurance review and allocated $1 million in applicable insurance proceeds. Federal regulations at 44 CFR 206.250(c) require FEMA to deduct actual or anticipated insurance recoveries that apply to eligible costs from project awards. This action prevents subgrantees from receiving duplicate benefits for losses, which is prohibited under section 312 of the Stafford Act. Although the subgrantee is responsible for reporting insurance proceeds, FEMA is responsible for completing an insurance review to determine insured losses. Completing this review prevents FEMA from overobligating Federal funds that otherwise could be put to better use.

B. Funds Put to Better Use

As illustrated in table 4, we reported 25 instances where subgrantees no longer needed project funding, or where FEMA funded ineligible activities, and recommended that FEMA deobligate $147.7 million.

Table 4. Fiscal Year 2012 Public Assistance and Hazard Mitigation Grant Program Funds Put to Better Use by Type

Subtypes of Funds Put to Better Use	Number of Resulting Recommendations	Amounts Questioned in Our Reports
1. Project Cost Estimating[7]	4	$ 84,419,152
2. Unused Obligated Funds	15	46,064,102
3. Funding from Other Agency	4	15,019,249
4. Miscellaneous Causes	2	2,195,743
Totals	25	$147,698,246

1. Project Cost Estimating. The majority of the obligated funds we recommended putting to better use resulted from ineligible projects or costs that were ineligible because of problems with cost estimating. For example, in DD-12-17, *FEMA's Decisions to Replace Rather than Repair Buildings at the University of Iowa*, we recommended that FEMA deobligate and put to better use $83.7 million in building replacement costs, in part because the buildings did not meet "50 Percent Rule" criteria for replacement.[8] In this audit, we identified significant errors in FEMA's Cost Estimating Format calculations.[9] Instead of developing a detailed scope of work

[7] FEMA disagreed with our recommendations to deobligate the $83.7 million we questioned in our University of Iowa (DD-12-17) report stating that FEMA's existing policy was ambiguous and that regardless, its own policies do not have the effect of law and cannot bind FEMA. On October 24, 2012, the Department of Homeland Security's Under Secretary for Management upheld FEMA's decisions saying that, based on the information provided, he could not determine whether FEMA's decisions were aberrations or poorly documented exercises of FEMA's latitude in making these types of decisions. Therefore, these questioned costs have been ruled eligible.

[8] According to Federal regulation 44 CFR 206.226(f)(1), "A facility is considered repairable when disaster damages do not exceed 50 percent of the cost of replacing a facility . . . ." FEMA refers to this regulation as the "50 Percent Rule" and implements it according to its Disaster Assistance Policy 9524.4. This policy provides the decision-making tool to determine whether FEMA should fund the repair or replacement of a disaster-damaged facility.

[9] We identified problems with project cost estimating under both Ineligible Work or Costs ($31,099,228) and Funds Put to Better Use ($84,419,152) totaling $115,518,380.

and itemized costs as FEMA's Cost Estimating Format required, FEMA Region VII officials inappropriately estimated replacement costs using gross square footage data rather than using detailed line-item costs based on construction drawings or other detailed descriptions.

2. Unused Obligated Funds. Another area where we identified funds put to better use related to funds not needed or work not started. For example, in Audit Report DS-12-06, *Interim Report on FEMA Public Assistance Grant Funds Awarded to Los Angeles County, California*, we identified $16.1 million in funds that FEMA should put to better use. After the county completed and accounted for all large projects as of May 2011, $16.1 million in unneeded funds remained obligated. Additionally, in Audit Report DD-12-05, *FEMA Public Assistance Grant Funds Awarded to Middle School Advocates, Inc., New Orleans, Louisiana*, we concluded that Middle School Advocates had not completed any authorized work or claimed any costs under its award. Our audit determined that Middle School Advocates did not plan to start any work to replace the damaged school as FEMA approved, but was pursuing an alternate project without FEMA's approval. We recommended that FEMA deobligate the entire award of $13.0 million and put those funds to better use.

   Deobligating unneeded funds sooner would (1) release funding to cover cost overruns on other projects associated with the disaster, (2) aid in closing out the subgrantee's PA application because projects would be settled throughout the life of the application, rather than after all work was completed, (3) provide a more accurate status of program costs for a disaster, and (4) be consistent with appropriation law that requires obligations in FEMA's accounting system be supported by bona fide needs. Grantees can improve their monitoring efforts by ensuring that unneeded funds are identified and returned to FEMA as soon as practicable after projects are completed.[10]

3. Funding from Other Agency. This year, we identified obligated funds that another Federal agency should have provided. FEMA obligated virtually all of these funds for repairs that were the responsibility of the U.S. Army Corps of Engineers. For example, in Audit Report DA-12-26, *FEMA Public Assistance Grant Funds Awarded to South Florida Water Management District Under Hurricane Frances*, we questioned $10 million for repairs to flood control facilities that were not eligible because the repairs were covered under the U.S. Army Corps of Engineers' Rehabilitation Inspection Program.

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[10] OIG Management Report OIG 10-49, *Opportunities to Improve FEMA's Disaster Closeout Process*, discusses several reasons for delays in the disaster closeout process. Grantee delays were attributed to staff shortages, inexperienced staff, conflicting priorities, and a need for closure incentives, which among other things, results in not performing final inspections and reconciliations of individual subgrantee projects when they are completed.

4. Miscellaneous Causes. The remaining $2.2 million in miscellaneous causes related to overstated funding and included unallowable sales tax when obligating a project.

C. Unsupported Costs

Our FY 2012 audits reported 26 instances in which we questioned $21.4 million where subgrantees did not adequately support costs claimed or to be claimed. For example in Audit Report DS-12-07, *FEMA Public Assistance Grant Funds Awarded to City of Atascadero, California*, we reported that the city did not support $3 million in architecture and engineering costs. Additionally, in Audit Report DD-12-15, *FEMA Public Assistance Grant Funds Awarded to Ochsner Clinic Foundation, New Orleans, Louisiana*, we reported that Ochsner did not support $2.4 million in contract costs.

Unsupported costs resulted because subgrantees (1) had not established fiscal and accounting procedures that would allow us to trace expenditures to confirm that subgrantees used Federal funds according to applicable laws, regulations, and FEMA policy or (2) did not maintain accounting records supported by source documents such as canceled checks, paid bills, and contracts. Further, the grantee did not always verify that costs claimed by its subgrantees met the standards for financial management or ensure that its subgrantees were aware of and followed record retention and access requirements.

D. Grant Management and Administrative Issues

Federal regulations require States, as grantees, (1) to ensure that subgrantees (such as cities and school districts) are aware of requirements that Federal regulations impose on them and (2) to manage the day-to-day operations of subgrant activity and monitor subgrant activity to ensure compliance with applicable Federal requirements.[11] Our reports included 51 grant management and administrative recommendations covering project accounting, general grant management, contracting practices, contract billings, and project costs.

We reported instances in which grantees could improve grant management. In some instances, grantees needed to (1) establish policies for recognizing direct administrative costs that are unreasonable or unnecessary, (2) submit FEMA quarterly reports with financial information in accordance with FEMA's *Public Assistance Guide* (FEMA 322), (3) submit closeout documentation for projects as soon as practicable, and (4) develop and implement oversight procedures to improve its monitoring of subgrantees. We also reported instances of improper project accounting where subgrantees did not account

[11] 44 CFR 13.37(a)(2) and 44 CFR 13.40(a).

for disaster expenditures on a project-by-project basis. Failure to perform project-by-project accounting increased the risk of duplicating disaster expenditures among projects.

Federal regulations establish uniform administrative rules for grants and procedures for PA and HMGP project administration. These rules and procedures require that grantees and subgrantees have fiscal controls, accounting procedures, and project administration procedures that provide FEMA assurance that (1) grant and subgrant financial and project status reports are accurately reported, (2) expenditures can be traced to a level that ensures that funds have not been used in violation of applicable statutes, and (3) grantee and subgrantees adhere to *Stafford Act* requirements and the specific provisions of applicable Federal regulations when administering PA grants.

Conclusion

This report marks the fourth consecutive year that we summarized the results of our PA and HMGP grant audits in hopes of identifying systemic problems. Our reports examined activities spanning many years and many declared disasters. Although our reports focus on problems we identify, it is important to recognize the exceptional work that FEMA and State and local emergency management officials perform in getting recovery money to those who need it. However, grantees and subgrantees did not always properly account for and expend FEMA PA and HMGP program funds. Federal regulations regarding grant administration require States, as grantees, to oversee subgrant activities and ensure that subgrantees are aware of and follow Federal regulations designed to ensure that financially assisted activities comply with applicable laws and regulations. Many of our findings and reportable conditions indicate that States should do a better job of educating subgrantees and enforcing Federal regulations.

It is FEMA's responsibility to hold States accountable for proper grant administration, especially with regard to contracting practices. Although, we questioned $110 million less in contract costs in FY 2012 than in FY 2011, subgrantees are still not fully complying with Federal procurement regulations.

Although FEMA has the authority to waive certain administrative requirements, it should not be standard practice to allow noncompetitive and cost-plus-a-percentage-of-cost contracts even when the costs are reasonable and for eligible work. Given the Federal Government's trillion-dollar annual budget deficit, all Federal agencies need to minimize Federal outlays whenever possible. As we stated in our FY 2011 Capping Report, FEMA should continue to use the remedies specified in Federal regulations (1) to hold grantees and subgrantees accountable for material noncompliance with

Federal statutes and regulations and (2) demand grantees and subgrantees properly account for and expend FEMA funds.

Additionally, FEMA should consider requesting that States (1) evaluate their capabilities to administer FEMA PA and HMGP grants, (2) identify gaps inhibiting effective grant and subgrant management and program and project execution, and (3) identify opportunities for FEMA technical assistance such as training and project monitoring. Finally, because PA and HMGP projects often take years to complete; constant grantee monitoring is critical to ensure that subgrantees follow applicable laws, regulations, and policies throughout the life of the projects.

This report provides a means for FEMA to (1) examine its regulations, policies, and procedures and assess the need for changes based on the recurring nature of our findings and (2) inform State emergency management officials (i.e., program grantees) of grant and subgrant activities that should be avoided or implemented. Providing this report to PA and HMGP program grantees will enable them to better ensure that subgrantees follow all laws, regulations, policies, and procedures and properly account for and expend FEMA funds.

Appendix A
FEMA Public Assistance and Hazard Mitigation Grant and Subgrant Audit Reports Issued in FY2012

	Report Number	Disaster Number(s)	Date Issued	Auditee
1	DA-12-01	1539, 1545, 1551, 1561, 1595, 1602	11/8/2011	Northwest Florida, Pensacola, Florida
2	DA-12-02	1604	12/1/2011	Long Beach School District, Long Beach, Mississippi
3	DA-12-03	1604	12/22/2011	FEMA's Implementation of the Mississippi Secondary Programmatic Agreement under Hurricane Katrina
4	DA-12-04	1609	1/3/2012	City of Miami Beach, Florida – Hurricane Wilma
5	DA-12-05	1602	1/6/2012	City of Miami Beach, Florida – Hurricane Katrina
6	DA-12-06	1552	2/3/2012	Puerto Rico Highway and Transportation Authority – Tropical Storm Jeanne
7	DA-12-07	1613	2/16/2012	Puerto Rico Highway and Transportation Authority – Flood Events of October 2005
8	DA-12-08	1818	2/17/2012	Kentucky National Guard
9	DA-12-09	1545	2/22/2012	City of Orlando, Florida – Hurricane Frances
10	DA-12-10	1539	3/22/2012	City of Orlando, Florida – Hurricane Charley
11	DA-12-11	1561	2/22/2012	City of Orlando, Florida – Hurricane Jeanne
12	DA-12-12	1813	3/14/2012	Massachusetts Department of Conservation and Recreation
13	DA-12-13	1604	3/20/2012	Harrison County Library System, Gulfport, Mississippi
14	DA-12-14	1862	3/27/2012	City of Virginia Beach, Virginia
15	DA-12-15	1609	4/2/2012	City of Coral Springs, Florida – Hurricane Wilma
16	DA-12-16	1609	5/1/2012	City of Pompano Beach, Florida – Hurricane Wilma
17	DA-12-17	1602	5/3/2012	City of Pompano Beach, Florida – Hurricane Katrina
18	DA-12-18	1604	5/11/2012	Henderson Point Water and Sewer District, Pass Christian, Mississippi
19	DA-12-19	1604	5/30/2012	Catholic Charities Housing Association of Biloxi, Inc., Biloxi, Mississippi
20	DA-12-20	1609	6/15/2012	City of Miramar, Florida – Hurricane Wilma
21	DA-12-21	1604	6/22/2012	City of Hattiesburg, Mississippi
22	DA-12-22	1604	7/18/2012	Long Beach Port Commission, Long Beach, Mississippi
23	DA-12-23	1539	8/27/2012	South Florida Water Management District Under Hurricane Charley
24	DA-12-24	1561	8/27/2012	South Florida Water Management District Under Hurricane Jeanne
25	DA-12-25	1595	8/27/2012	City of Pensacola, Florida – Hurricane Dennis
26	DA-12-26	1545	8/27/2012	South Florida Water Management District Under Hurricane Frances
27	DD-12-01	1678	11/1/2011	Grand River Dam Authority, Vinita, Oklahoma
28	DD-12-02	1626	11/1/2011	Prairie Land Electric Cooperative, Inc., Norton, Kansas
29	DD-12-03	1606	11/17/2011	Panhandle Regional Planning Commission, Amarillo, Texas
30	DD-12-04	1607	11/29/2011	Cameron Parish School Board, Cameron, Louisiana
31	DD-12-05	1603	2/22/2012	Middle School Advocates, Inc., New Orleans, Louisiana

Appendix A (continued)
FEMA Public Assistance and Hazard Mitigation Grant and Subgrant Audit Reports Issued in FY 2012

	Report Number	Disaster Number(s)	Date Issued	Auditee
32	DD-12-06	1603	2/22/2012	St. Charles Parish, Louisiana
33	DD-12-07	1699	4/4/2012	Wichita Public School District #259, Wichita, Kansas
34	DD-12-08	1674	4/11/2012	Dawson Public Power District, Lexington, Nebraska
35	DD-12-09	1708	4/11/2012	Harrison County, Missouri
36	DD-12-10	1603	4/19/2012	Administrators of the Tulane Educational Fund, New Orleans, Louisiana
37	DD-12-11	1603, 1786	5/11/2012	City of Bogalusa, Louisiana
38	DD-12-12	1603	5/30/2012	Orleans Parish Criminal Sheriff's Office, Orleans Parish, Louisiana
39	DD-12-13	1606	6/21/2012	Comal County, Texas
40	DD-12-14	1768	6/20/2012	City of Milwaukee, Wisconsin
41	DD-12-15	1603	6/20/2012	Ochsner Clinic Foundation, New Orleans, Louisiana
42	DD-12-16	1699	6/19/2012	City of Greensburg, Kansas
43	DD-12-17	1763	6/19/2012	University of Iowa
44	DD-12-18	1603, 1607, 1786	8/27/2012	St. Tammany Parish Sheriff's Office, Slidell, Louisiana
45	DD-12-19	1603, 1607	8/27/2012	Direct Administrative Costs for FEMA Public Assistance Grant Funds
46	DD-12-20	1786, 1792	9/12/2012	St. Charles Parish, Louisiana
47	DS-12-01	1628	12/16/2011	Town of Fairfax, California
48	DS-12-02	1628	12/16/2011	Marin Municipal Water District, California
49	DS-12-03	1505	2/9/2012	Paso Robles Joint Unified School District, California
50	DS-12-04	1628	3/8/2012	Napa County, California
51	DS-12-05	1628	3/8/2012	California Department of Parks and Recreation, Sacramento, California
52	DS-12-06	1577	3/14/2012	Los Angeles County, California
53	DS-12-07	1505	3/20/2012	City of Atascadero, California
54	DS-12-08	1628	3/20/2012	Amador County, California
55	DS-12-09	1669	4/12/2012	Alaska Department of Transportation & Public Facilities, Northern Region, Fairbanks, Alaska
56	DS-12-10	1440	5/22/2012	Alaska Department of Transportation & Public Facilities, Northern Region, Fairbanks, Alaska
57	DS-12-11	1628	7/3/2012	County of El Dorado, California
58	DS-12-12	1865	7/18/2012	Alaska Department of Transportation & Public Facilities, Central Region, Anchorage, Alaska
59	DS-12-13	1628	8/27/2012	City of Vacaville, California

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Appendix B
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Appendix C
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