

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

**State of New Mexico's Administration of the
Fire Management Assistance Grant Program
for the Atrisco Fire**



DS-08-10

September 2008

Office of Inspector General
Office of Emergency Management Oversight

U.S. Department of Homeland Security
300 Frank H Ogawa Plaza, Ste. 275
Oakland, CA 94612



Homeland
Security

September 26, 2008

Preface

The U.S. Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the Homeland Security Act of 2002 (*Public Law 107-296*) established by amendment to the Inspector General Act of 1978. This is one of a series of audits, inspections, and special reports published as part of our DHS oversight responsibilities to promote economy, effectiveness, and efficiency within the department.

The attached report presents the results of the audit of the State of New Mexico's administration of the Fire Management Assistance Grant Program for the Atrisco Fire. We contracted with the independent public accounting firm of Williams, Adley & Company, LLP to perform the audit. The contract required that Williams, Adley & Company, LLP perform its audit according to generally accepted government auditing standards, and guidance from the Robert T. Stafford Disaster Relief and Emergency Assistance Act, Title 44 of the Code of Federal Regulations, and the Office of Management and Budget. Williams, Adley & Company, LLP reported two areas in which the State of New Mexico's administration of the FMAG Program could be improved. The report contains three recommendations addressed to the Regional Administrator, Federal Emergency Management Agency, Region VI.

Williams, Adley & Company, LLP is responsible for the attached auditor's report dated August 29, 2008, and the conclusions expressed in the report. During the audit, the recommendations herein were discussed with those responsible for implementation but a formal exit conference was not held due to ongoing disaster activity in the State of New Mexico. It is our hope that this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.


Robert J. Lastrico
Western Regional Director



August 29, 2008

Western Regional Director
Office of Emergency Management Oversight
Office of Inspector General
U.S. Department of Homeland Security
300 Frank H. Ogawa Plaza, Suite 275
Oakland, California 94612

Williams, Adley & Company, LLP performed an audit of the State of New Mexico's management of the Federal Emergency Management Agency's funds awarded under the Fire Management Assistance Grant Program. The audit was performed in accordance with our Task Order TPD-ARC-BPA-07-0014 dated September 27, 2007.

This report presents the results of the audit and includes recommendations to help improve the management of the audited Fire Management Assistance Grant Program.

Our audit was conducted in accordance with applicable *Government Auditing Standards*, July 2007 revision. Although the audit report comments on costs claimed by the State of New Mexico, we **did not perform** a financial audit, the purpose of which would be to render an opinion on the State of New Mexico's financial statements or the funds claimed in the Financial Status Reports submitted to the Federal Emergency Management Agency.

We appreciate the opportunity to have conducted this audit. Should you have any questions, or if we can be of further assistance, please call me on (202) 371-1397.

Sincerely,

Williams, Adley & Company, LLP

A handwritten signature in cursive script that reads 'Charbet M. Duckett'.

Charbet Duckett
Partner

Table of Contents/Abbreviations

Executive Summary	1
Background	2
Results of Audit	3
Supporting Documentation for Grant Costs.....	3
Timelines for Submitting Project Worksheets	5
Appendices	
Appendix A: Objectives, Scope, and Methodology.....	7

Abbreviations

CFR	Code of Federal Regulations
DHS	U.S. Department of Homeland Security
FEMA	Federal Emergency Management Agency
FMAG Program	Fire Management Assistance Grant Program
GAR	Governor's Authorized Representative
OIG	Office of Inspector General
PW	Project Worksheet
OEM	Office of Emergency Management
OMB	Office of Management and Budget

Executive Summary

Williams, Adley & Company, LLP audited the State of New Mexico's (state) administration of the Fire Management Assistance Grant (FMAG) Program for the Atrisco Fire (FMAG Declaration 2472). The objective of the audit was to determine whether the state administered the FMAG Program in an efficient and effective manner. To accomplish the objective, we considered the overall impact of material deficiencies identified during the audit on grant program administration. Specifically, we determined how well the state (1) coordinated and communicated with the Federal Emergency Management Agency (FEMA) and subgrant applicants, (2) ensured compliance with federal laws and FEMA guidelines, and (3) accounted for and expended FMAG Program funds. See Appendix A for additional details on the objective, scope, and methodology of this audit.

FEMA Region VI awarded \$1,749,610 under the FMAG Declaration 2472 to the New Mexico Office of Emergency Management (OEM) on June 25, 2003. FEMA programmatically closed this declaration on August 24, 2005. Although the audit scope included a review of the costs reimbursed under the grant, a financial audit of those costs was not performed. Accordingly, we do not express an opinion on the state's financial statements or the funds claimed in the financial status reports submitted to FEMA.

OEM administered the FMAG Program effectively and efficiently but did not always comply with federal laws and FEMA guidelines. Specifically, the state (1) requested and FEMA Region VI paid \$815,795 in unsupported costs, and (2) submitted an extension request that FEMA approved for 6 months greater than the regulations allow.

We recommend that the Regional Administrator, FEMA Region VI (1) disallow the \$815,795 federal share of unsupported costs, (2) require OEM to comply with federal regulations and other federal guidelines regarding the supporting documentation needed when claiming FMAG costs, and (3) require OEM to establish firm deadlines for subgrantees to submit project worksheet information in order for OEM to comply with federal regulations regarding the submission of project worksheets to FEMA.

During the audit, the recommendations herein were discussed with those responsible for implementation but a formal exit conference was not held due to ongoing disaster activity in the State of New Mexico. Therefore, written or verbal comments were not obtained.

Background

The Robert T. Stafford Disaster Relief and Emergency Assistance Act, (Stafford Act), signed into law November 23, 1988, authorizes the President to provide federal funds to state and local governments under the FMAG Program for mitigation, management, and control of any fire burning on public or private forestland or grassland. The FMAG Program replaced the Fire Suppression Assistance Program on October 30, 2001. Title 44, Code of Federal Regulations (CFR), Part 204 provides the procedures for the declaration and grants management processes for the FMAG Program and details applicant eligibility and the eligibility of costs to be considered under the program.

Declaration Process

A declaration request must be submitted while a fire is burning uncontrolled and threatens such destruction as would constitute a major disaster. The Governor or the Governor's Authorized Representative (GAR) is authorized to submit requests to the FEMA Regional Administrator or Regional Fire Duty Liaison for fire management declarations. Due to the magnitude and impact of a fire, the Governor or GAR can expedite the declaration process by verbally requesting the declaration but must follow-up promptly after the date of an initial telephone request with all official forms and written information.

Upon declaration approval decision by FEMA, the Governor or GAR will enter into a standing FEMA/State Agreement (Agreement) for the declared fire and for future declared fires in that calendar year. The state must have a current and signed Agreement before receiving federal funding under the FMAG Program. The Agreement specifies the understandings, commitments, and conditions under which FEMA will provide federal assistance, including the 75% federal and 25% non-federal cost share provision and articles of agreement necessary for the administration of the grants. The Agreement must identify the state legislative authority for firefighting, as well as the state's compliance with the laws, regulations, and other provisions applicable to the FMAG Program.

Grant Application Process

Following a declaration, the state submits a grant application package for a grant to the FEMA Regional Administrator. The state should submit its grant application within 9 months of the declaration. The Regional Administrator may grant an extension of up to 3 months upon receipt of a written request from the state that includes justification for an extension. The grantee must document the total eligible costs for a declared fire on Project Worksheets

(PWs), which are submitted with the grant application. The Regional Administrator has 45 days from the receipt of the state's initial grant application, or an amendment to the state's grant application, to approve or deny the application package or amendment or to notify the state of a delay.

By submitting the PWs, the grantee certifies that all reported costs were incurred for work that was performed in compliance with laws, federal regulations, and FMAG Program policy and guidance, as well as the terms and conditions outlined for the administration of the grant in the FMAG Program FEMA/State Agreement. Upon approval of the grant application, FEMA obligates funds after determining that: (1) the state's eligible costs meet or exceed the individual or cumulative fire cost thresholds; and (2) the state has up-to-date State Administrative and Hazard Mitigation Plans approved by the Regional Administrator.

Subgrantee requests for FMAG Program funding are submitted on a Request for Fire Management Assistance Subgrant (FEMA Form 90-133) to the grantee according to state procedures and within timelines set by the grantee. This request must be submitted no later than 30 days after the close of the incident period. The grantee will review and forward the request to the Regional Administrator for final review and determination.

Results of Audit

OEM generally administered the FMAG Program for the Atrisco Fire in an efficient and effective manner. OEM properly coordinated and communicated with FEMA and subgrant applicants, and properly accounted for and maintained adequate documentation of expenditures made with the following exceptions.

Supporting Documentation for Grant Costs

OEM lacked sufficient supporting documentation for four of the seven subgrantees we reviewed because it did not require the subgrantees to provide supporting documents with their requests for reimbursement. Because a significant amount of the costs reimbursed to subgrantees could not be verified due to the lack of supporting documentation such as invoices and payroll records, we could not substantiate the nature, extent, allocability, allowability, and reasonableness of all expenditures. Consequently, we questioned \$815,795 that represents the federal share of costs claimed by OEM.

The New Mexico State Administrative Plan for the FMAG Program¹ requires subgrantees to keep complete records of all work (receipts, checks, job orders, contracts, equipment usage documentation, payroll information, etc.) funded under the Public Assistance program for 3 years from the date final payment was received. During this period, all project worksheets are subject to state and federal audit or review. The last payment was received on June 25, 2005. In addition, 44 CFR 13.20 provides that all allowable cost must be properly accounted for with supporting documentation and Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, C. Basic Guidelines, j., requires that to be allowable under federal awards, costs must be adequately supported.

A Joint Powers Agreement between the State of New Mexico and the U.S. Forest Service did not require the U.S. Forest Service to provide the state with supporting documentation. However, both the FMAG grant agreement and the Joint Powers Agreement required retention of the supporting documentation according to the Administrative Plan. Despite these requirements, most U.S. Forest Service expenditure documents were no longer available due to the U.S. Forest Service's less restrictive records retention policy.

Irrespective of the Joint Powers Agreement, 44 CFR 204.3 requires that PWs identify actual costs incurred by eligible applicants as a result of firefighting activities. In addition, section 204.53 says that by submitting an applicant's PW, the grantee is certifying that all costs reported were incurred for work that was performed according to FEMA laws, regulations, policy and guidance applicable to the FMAG Program. Without supporting documentation, the grantee cannot be certain that all costs reported by the subgrantees were incurred.

Recommendations

We recommend that the Regional Administrator, FEMA Region VI:

Recommendation #1. Disallow the \$815, 795 federal share of unsupported costs.

Recommendation #2. Require OEM to comply with 44 CFR and OMB criteria regarding the supporting documentation needed when claiming FMAG costs.

¹ Section VI-Direction and Control, Part D-Records & Reports. #4-Documentation.

Management Comments

During the audit, the above recommendations were discussed with those responsible for implementation but a formal exit conference was not held due to ongoing disaster activity in the State of New Mexico. Formal comments to this report will be solicited after report issuance.

Timelines For Submitting Project Worksheets

OEM should have enforced the PW submission guidelines for its subgrantees and FEMA Region VI should have required OEM to submit the PWs within the regulatory timeframes. Because these guidelines and timelines were not enforced or required, FEMA did not receive accurate cost information in a timely manner and grant closeout was delayed due to the late submission of the PW from the grantee.

According to 44 CFR 204.52(c)(2) and (3), the grantee will determine the deadline for an applicant (i.e., subgrantees) to submit completed PWs, but the deadline must be no later than 6 months from close of the incident period. At the request of the grantee, the Regional Administrator may grant an extension of up to 3 months when such request is sufficiently justified by the grantee.

The incident period ended July 6, 2003 making the original deadline for the submission of PWs January 6, 2004. However, due to billing delays encountered by one subgrantee, the New Mexico Energy, Minerals, and Natural Resources Department, the state submitted, and FEMA approved, two extension requests each for 6 additional months rather than the a one-time 3 month extension allowed by federal regulations. Based on the regulations, the PW should have been submitted no later than April 6, 2004 (assumes an approved 3-month extension) but with the two approved extensions, the submission deadline became December 24, 2004. While the New Mexico Energy, Minerals, and Natural Resources Department was given until December 2004 to submit its PW, it submitted the final PW on September 2, 2004, 14 months after the end of the incident period and 8 months later than allowed for by the regulations.

Recommendation

We recommend that the Regional Administrator, FEMA Region VI:

Recommendation #3. Require OEM to establish firm deadlines for subgrantees to submit project worksheet information in order for OEM to

comply with federal regulations regarding the submission of the PWs to FEMA.

Management Comments

Although audit results and conclusions and were discussed during the audit, we were unable to obtain written and verbal comments at the conclusion of the audit due to ongoing disaster activity in the State of New Mexico. Formal comments to this report will be solicited after report issuance.

Objective

The objective of the audit was to determine whether the state administered the FMAG Program in an efficient and effective manner. To accomplish the objective, we considered the overall impact of material deficiencies identified during the audit on grant program administration. Specifically, we determined how well the state (1) coordinated and communicated with FEMA and subgrant applicants, (2) ensured compliance with federal laws and FEMA guidelines, and (3) accounted for and expended FMAG Program funds.

We were not engaged to and did not perform a financial statement audit, the objective of which would be to express an opinion on specified elements, accounts, or items. Accordingly, we were neither required to nor expressed an opinion on the costs claimed for the grant programs included in the scope of the audit. Had we been required and performed additional procedures or conducted an audit of the financial statements according to generally accepted auditing standards, other matters might have come to our attention that would have been reported. This report relates only to the programs specified and does not extend to any financial statements of the state.

Scope

We audited the Atrisco Fire (FMAG Declaration 2472) that was awarded by FEMA to the state on June 25, 2003. The grant totaling \$1,749,610 was programmatically closed on August 24, 2005.² This FEMA grant award, which was administered by FEMA Region VI, was selected for review because the award was significantly higher than other fire declarations within the same FEMA Region. OEM administered the FMAG Program.

Methodology

We performed fieldwork at FEMA Region VI, New Mexico Office of Emergency Management, the Bernalillo County Sheriff Department, City of Albuquerque, New Mexico Department of Public Safety, and New Mexico Energy, Minerals, and Natural Resources Department. To obtain an understanding of the grant procedures, we reviewed FEMA regulations; the Stafford Act, as amended; pertinent sections of Title 44 of the CFR, and the OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*.

² FMAG programs are considered programmatically closed if all work has been completed and final costs submitted to FEMA have been obligated.

To achieve the objective of this audit, we:

- 1) Interviewed FEMA, state, and subgrantee personnel to obtain an understanding of policies and procedures followed and to identify potential internal control weaknesses and their causes;
- 2) Reviewed grant files to determine whether sufficient documentation was present to support proper administration of the grant;
- 3) Reviewed the state's internal controls over accounting for grants to ensure that the state properly recorded and reported grant expenditures;
- 4) Reviewed a statistical sample of project worksheets to determine whether grant monies were spent according to laws and regulations. We used appropriate formulas to develop a variable sampling approach coupled with the risk model promulgated by the American Institute of Certified Public Accountants.
- 5) Reviewed prior audit reports to determine whether deficiencies had been noted in the reports with respect to the state's administration of the FMAG Program or internal controls over grant fund accounting.

We conducted a performance audit by executing tests, conducting interviews, making observations and examining documentation in the following areas:

1. Applicant Eligibility
2. Cost Eligibility
3. Procurement
4. Grantee's Accounting System and Internal Controls
5. Project Worksheet Review
6. Grant Reporting

We conducted our work between November 2007 and March 2008 and performed our work according to the *Government Auditing Standards* prescribed by the Comptroller General of the United States (July 2007 Revision).



Additional Information and Copies

To obtain additional copies of this report, call the Office of Inspector General (OIG) at (202) 254-4199, fax your request to (202) 254-4305, or visit the OIG web site at www.dhs.gov/oig.

OIG Hotline

To report alleged fraud, waste, abuse or mismanagement, or any other kind of criminal or noncriminal misconduct relative to department programs or operations:

- Call our Hotline at 1-800-323-8603;
- Fax the complaint directly to us at (202) 254-4292,
- Email us at DHSOIGHOTLINE@dhs.gov; or
- Write to us at:
DHS Office of Inspector General/MAIL STOP 2600, Attention:
Office of Investigations - Hotline, 245 Murray Drive, SW, Building 410,
Washington, DC 20528.

The OIG seeks to protect the identity of each writer and caller.

