



Homeland
Security

March 13, 2007

MEMORANDUM FOR: Steve Kempf, Jr.
Director
FEMA Region II

FROM: C. David Kimble
Director
Eastern Regional Office

A handwritten signature in black ink that reads "C. David Kimble".

SUBJECT: *Audit of Personnel Costs Claimed by New York State Emergency
Management Office Under FEMA Grant Programs
Audit Report Number DA-07-10*

We performed an audit of the personnel costs claimed by the New York State Emergency Management Office (SEMO) under various FEMA grant programs. The objective of the audit was to determine whether the costs claimed were properly supported and not duplicated among grant programs. Audit fieldwork was completed in November 2005. However, issuance of this report was delayed due to key staff being reassigned to activities related to the unprecedented Gulf Coast hurricanes of 2005.

The Governor of New York designated the Director of SEMO as the Governor's Authorized Representative for FEMA grant programs. As such, SEMO has responsibility for the overall administration of FEMA assistance provided to state and local governments and nonprofit organizations within the State. The FEMA assistance programs include:

- Public Assistance (PA) which provides assistance for debris removal, emergency protective measures, and repair or replacement of damaged facilities pursuant to Presidential disaster declarations;
- Hazard Mitigation (HM) which provides assistance for protecting infrastructures and mitigating damages that may be sustained in the future;
- Flood Mitigation Assistance (FMA) which provides funds for reducing the risk of flood damages to insurable structures under the National Flood Insurance Program;

- Emergency Management Performance Grants (EMPG), which provides assistance to prepare for future disasters and emergencies. This grant program was established during fiscal year 2000 by consolidating six separate grants of which four had been used to provide assistance under Comprehensive Cooperative Agreements (see Exhibit A); and
- Terrorism Consequence Management Preparedness Assistance (TCMPA), which provides funds under the EMPG umbrella for developing and improving capabilities of the State and its political subdivisions to prepare for, respond to, and recover from acts of terrorism involving weapons of mass destruction.

The audit covered the period August 1998 to December 2004. During this period, SEMO received awards of \$20,239,335 and claimed \$22,049,135 of personnel costs. The difference of \$1,809,800 was associated primarily with the FY 2002 EMPG program in which SEMO's recorded personnel costs significantly exceeded the award amount. SEMO received \$13,564,917 of FEMA funds as reimbursement for the personnel costs incurred under the grant programs.

We performed this audit under the authority of the Inspector General Act of 1978, as amended, and according to *Government Auditing Standards* issued by the Comptroller General of the United States. The audit included a review of SEMO's grant accounting system, a judgmental sample of expenditures, interviews of SEMO and FEMA personnel, and other auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

SEMO did not properly account for FEMA grant funds. Moreover, SEMO's claim included \$653,408 of duplicative personnel costs (salaries and fringe benefits).

- A. Poor Grant Accounting. Federal regulation (44 CFR § 13.20) provides that fiscal controls and accounting procedures of a state must be sufficient to identify the receipt and expenditure of funds under each grant award to permit the preparation of accurate financial reports. SEMO, however, did not maintain adequate accounting records to support the expenditures claimed under FEMA's grants.

Under the PA and HM programs, SEMO established a single account within the State Controller's accounting system to account for all grant funds received each year. However, the costs claimed under a specific PA or HM grant could not be systematically traced to SEMO's accounting records to verify the accuracy and eligibility of the costs claimed.

For grants awarded under the EMPG, FMA, and TCMPA grants, which FEMA awarded annually, SEMO established separate accounts within the State Controller's accounting system to accumulate expenditures under each grant. The grant expenditures were recorded by cost category, i.e., salaries, non-personal services, etc., with the salary costs supported by entries in the State's payroll system. However, we found inconsistencies between the amount SEMO claimed under the grants and the amount that was recorded in the respective grant account.

To illustrate, SEMO claimed \$429,457 under the FY 2000 FMA grant, which included \$61,740 of salary costs. However, there were no expenditures recorded in the FMA grant account. Similarly, SEMO claimed \$540,426 under the FY 2000 TCMPA grant, which included \$156,000

of salary costs. However, only \$67,185 of the total expenditures was recorded in the TCMPA account. We determined that these inconsistencies were primarily attributable to posting errors and SEMO's practice of recording expenditures in the EMPG account that were also claimed under the other FEMA grants (see Duplicate Claims finding below).

- B. Duplicate Claims. SEMO claimed \$653,408 of duplicate salary costs (see Exhibits B and B-1). Accordingly, we question the \$653,408 of duplicate cost claimed. The duplicate claims were made once under the FY 1998 through 2002 EMPG program and again under the following FEMA programs:

Description of Program	Duplicate Amount	Work Period
1998--2002 FMA	\$252,464	8/6/98 to 9/25/02
Hazard Mitigation	\$295,886	8/6/98 to 3/13/02
Public Assistance	\$105,058	8/6/98 to 9/29/99
Total	\$653,408	

The majority of the duplicate claims between the EMPG and HM programs involved salaries of SEMO's senior management officials who were designated as in-kind matching contributions in the grant award agreements.

Also, contrary to U.S. Office of Management and Budget Circular A-87 (2 CFR Part 225, Appendix B, Section 8h), SEMO did not maintain personnel activity reports or equivalent reports identifying the program that benefited from the employees' salary costs. Personnel activity reports are needed to support the salaries distributed among the federally funded activities and programs. If properly used, these reports could have prevented the occurrence of duplicate claims among the programs.

In May 2003, we reported the lack of personnel activity reports in Report No. DA-10-03, *Audit of FEMA Disaster No. 1391-DR-NY*, covering SEMO's activities under the PA program from September 2001 through September 2002. In FEMA Region II's response to our report, dated February 3, 2004, the Acting Regional Director stated that SEMO had implemented a personnel activity reporting system to comply with Federal regulations. Accordingly, no recommendation is made in this report to address the deficiency.

RECOMMENDATIONS

We recommend that the Regional Director, FEMA Region II:

1. Require SEMO to establish accounting procedures to ensure that its accounting system adequately supports SEMO's costs claimed under each FEMA grant; and
2. Disallow the \$653,408 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the audit results with SEMO and FEMA officials on November 15, 2005. SEMO officials agreed with our findings regarding two of the employees' salaries (Program Manager and Chief of Recovery), and withheld comments pending further review of the remaining employees' salary costs.

Please advise this office by May12, 2007, of the actions taken to implement the recommendations. Should you have any questions, please call me at (404) 832-6702. Key contributors to this assignment were Helen Greeson and Sharon Mitchell.

cc: DHS Audit Liaison
FEMA Audit Liaison
Regional Director, FEMA Region IV
Deputy Director, Gulf Coast Recovery
Chief Financial Director, Gulf Coast Recovery

New York State Emergency Management Office
Listing of Programs under FEMA's Cooperative Agreement
Fiscal Year 1998 and 1999

Program	Description
State and Local Assistance (SLA)	Provides funds to States and local governments to develop comprehensive disaster preparedness and assistance plans, programs, capabilities, and organizations.
Superfund Amendments and Reauthorization Act (SARA)	Provides funds to support programs designed to improve emergency planning, preparedness, mitigation, response, and recovery capabilities with special emphasis on hazardous chemicals.
Disaster Preparedness Improvement Grants (DPIG)	Provides funds to maintain and improve comprehensive disaster preparedness and to mitigate natural hazards.
Mitigation Assistance Program (MAP)	Provides funds for developing and implementing comprehensive all-hazards mitigation programs.
Comprehensive Assistance Program (CAP)	Provides technical assistance to communities for achieving and maintaining compliance with National Flood Insurance Program (NFIP) regulations and reducing flood hazards.
Earthquake Program (EP)	Provides funds for developing and implementing earthquake mitigation programs.

New York State Emergency Management Office
Schedule of Duplicate Costs Claimed for Personnel Salary Costs
Under FEMA Grant Programs

Employee Title	Description of Program	Duplicate Costs Claimed	Period Cost Incurred
Program Manager	FY 1998 FMA and SLA-50%	\$ 11,374	08/6/98 – 09/30/98
	FY 1999 FMA and SLA-50%	\$ 68,100	10/1/98 – 09/29/99
	FY 2000 FMA and EMPG	\$ 61,740	09/30/99 – 09/27/00
	FY 2001 FMA and EMPG	\$ 59,440	09/28/00 – 09/26/01
	FY 2002 FMA and EMPG	\$ 51,810	09/27/01 – 09/25/02
Total—FMA		<u>\$252,464</u>	
Communications Specialist	HM and FY 1998, 1999 SLA-50% & 2000 EMPG	\$ 7,097 ¹	08/6/98 – 01/5/00
Governor's Authorized Representative	HM and FY 1998, 1999 SLA-50% & 2000 EMPG	\$ 33,276 ¹	08/6/98 – 01/5/00
Communications Director	HM and FY 1998, 1999 SLA-50% & 2000 EMPG	\$ 20,481 ¹	08/6/98 – 01/5/00
	HM and FY 2000 EMPG	\$ 5,651 ¹	01/6/00 – 09/27/00
	HM and FY 2001 EMPG	\$ 8,119 ²	09/28/00 – 09/26/01
	HM and FY 2002 EMPG	\$ 4,461 ³	09/27/01 – 03/13/02
Counsel	HM and FY 1998, 1999 SLA-50% & 2000 EMPG	\$ 20,277 ¹	08/6/98 – 01/5/00
	HM and FY 2000 EMPG	\$ 21,488 ¹	01/6/00 – 09/27/00
	HM and FY 2001 EMPG	\$ 30,045 ¹	09/28/00 – 09/26/01
	HM and FY 2002 EMPG	\$ 14,978 ¹	09/27/01 – 03/13/02
Deputy Director	HM and FY 1998, 1999 SLA-50% & 2000 EMPG	\$ 40,411 ¹	08/6/98 – 01/5/00
	HM and FY 2000 EMPG	\$ 27,927 ¹	01/6/00 – 09/27/00
	HM and FY 2001 EMPG	\$ 40,565 ¹	09/28/00 – 09/26/01
	HM and FY 2002 EMPG	\$ 21,110 ¹	09/27/01 – 03/13/02
Total—HM		<u>\$295,886</u>	
Senior Budget Analyst	PA and FY 1998 SLA-50%	\$ 4,265	08/6/98 – 09/30/98
	PA and FY 1999 SLA-50%	\$ 19,128	10/1/98 – 03/31/99
Chief of Recovery	PA and FY 1998 SLA-100%	\$ 8,159	08/20/98 – 09/30/98
	PA and FY 1999 SLA-100%	\$ 73,506	10/1/98 – 09/29/99
Total—PA		<u>\$105,058</u>	
Total Questioned Costs		<u>\$653,408</u>	

¹ These duplicate claims were designated as in-kind non-federal matching contributions in the respective programs.

² Under the EMPG program, \$6,230 duplicate claims were designated as in-kind non-federal matching contributions and \$1,889 supported the use of federal funds. Yet, under the HM program, the same \$8,119 (\$6,230 + \$1,889) duplicate claims were designated as in-kind non-federal matching contributions.

³ Under the EMPG program, these duplicate claims supported the use of federal funds and, under the HM program, were designated as in-kind matching contributions.

New York State Emergency Management Office
Public Assistance and Hazard Mitigation Programs
Breakdown of Duplicate Personnel Salary Costs By Disaster

<u>Employee Title</u>	<u>Program</u>	<u>Period Cost Incurred</u>	<u>Duplicate Amount</u>	<u>Breakdown By Disaster</u>	<u>Disaster No.</u>
Communications Specialist	Hazard Mitigation	8/6/98 – 1/5/00	\$ 7,097	Not Available ⁴	
Governor's Authorized Representative	Hazard Mitigation	8/6/98 – 1/5/00	\$ 33,276	Not Available ⁴	
Communications Director	Hazard Mitigation	8/6/98 – 1/5/00	\$ 20,481	Not Available ⁴	
	Hazard Mitigation	1/6/00 – 9/27/00	\$ 5,651	\$ 4,747	1196
				\$ 282	1233
				\$ 509	1244
				\$ 113	1296
	Hazard Mitigation	9/28/00 – 9/26/01	\$ 8,119	\$ 4,217	1196
				\$ 110	1233
				\$ 198	1244
				\$ 1,819	1296
				\$ 1,775	1335
	Hazard Mitigation	9/27/01 – 3/13/02	\$ 4,461	\$ 1,207	1196
				\$ 1,627	1296
				\$ 1,627	1335
Counsel	Hazard Mitigation	8/6/98 – 1/5/00	\$ 20,277	Not Available ⁴	
	Hazard Mitigation	1/6/00 – 9/27/00	\$ 21,488	\$18,050	1196
				\$ 1,074	1233
				\$ 1,934	1244
				\$ 430	1296
	Hazard Mitigation	9/28/00 – 9/26/01	\$ 30,045	\$15,543	1196
				\$ 401	1233
				\$ 721	1244
				\$ 6,770	1296
				\$ 6,610	1335
	Hazard Mitigation	9/27/01 – 3/13/02	\$ 14,978	\$ 4,168	1196
				\$ 5,405	1296
				\$ 5,405	1335
Deputy Director	Hazard Mitigation	8/6/98 – 1/5/00	\$ 40,411	Not Available ⁴	
	Hazard Mitigation	1/6/00 – 9/27/00	\$ 27,927	\$23,459	1196
				\$ 1,396	1233
				\$ 2,513	1244
				\$ 559	1296
	Hazard Mitigation	9/28/00 – 9/26/01	\$ 40,565	\$21,051	1196
				\$ 548	1233
				\$ 987	1244
				\$ 9,099	1296
				\$ 8,880	1335
	Hazard Mitigation	9/27/01 – 3/13/02	\$ 21,110	\$ 5,798	1196
				\$ 7,656	1296
				\$ 7,656	1335
Total—Hazard Mitigation			<u>\$295,886</u>		

⁴ FEMA Region II did not maintain records identifying the amount allotted by disaster.

New York State Emergency Management Office
Public Assistance and Hazard Mitigation Programs
Breakdown of Duplicate Personnel Salary Costs By Disaster

<u>Employee Title</u>	<u>Program</u>	<u>Period Cost Incurred</u>	<u>Duplicate Amount</u>	<u>Breakdown By Disaster</u>	<u>Disaster No.</u>
Senior Budget Analyst	Public Assistance	08/6/98 – 09/30/98	\$ 4,265	\$ 2,346	1095
				\$ 426	1148
				\$ 640	1196
				\$ 341	1233
				\$ 512	1244
	Public Assistance	10/1/98 – 03/31/99	\$ 19,128	\$10,521	1095
				\$ 1,913	1148
				\$ 2,869	1196
				\$ 1,530	1233
				\$ 2,295	1244
Chief of Recovery	Public Assistance	08/20/98 – 09/30/98	\$ 8,159	\$ 4,487	1095
				\$ 816	1148
				\$ 1,224	1196
				\$ 653	1233
				\$ 979	1244
	Public Assistance	10/1/98 – 09/29/99	\$ 73,506	\$21,064	1095
				\$ 6,964	1148
				\$11,413	1196
				\$ 5,493	1233
				\$ 9,208	1244
Total—Public Assistance				\$19,364	1296
			<u>\$105,058</u>		