



Federal Emergency Management Agency

Office of Inspector General – Audits Division
Western District Audit Branch
1111 Broadway, Suite 1200
Oakland, California 94607-4052

January 13, 2003

MEMORANDUM FOR: Jeff Griffin
Regional Director, Region IX

Robert J. Lastrico

FROM: Robert J. Lastrico
Western District Audit Manager

SUBJECT: Performance Audit Report: Management of FEMA
Disaster Grants Awarded Under the Stafford Act
State of Hawaii, Office of Civil Defense
Audit Report Number W-07-03

This memorandum transmits the results of the subject audit performed by Foxx & Company, Certified Public Accountants. In summary, the audit determined that the State of Hawaii, Department of Defense, Civil Defense Division could improve certain program procedures associated with the administration of disaster assistance funds. On December 10, 2002, you responded to the draft report (Exhibit B of the attached report). However, in order to resolve or close the six findings in the report, we require that additional actions be taken or information be provided. The table below identifies the actions or information that we would consider as sufficient to close the findings and associated recommendations:

<u>Finding Number</u>	<u>Finding Title</u>	<u>Additional Actions/Information Required</u>
A.1.	IFG Financial Reporting	Provide the actual or planned date when the recommended procedures were or will be developed and implemented for Financial Reporting for Disaster No. 1348 IFG Program.
A.2.	Interest Free Advances	Establish the liability and collect the amount of interest owed by the State for the Disaster No. 1348 loan.

Finding Number	Finding Title	Additional Actions/Information Required
A.3.	Allocation and Accounting Program costs	Establish procedures for complying with Federal requirements and ensure FEMA is reimbursed, as appropriate, for the ordinary costs of \$10,500 that were charged to the administrative allowance accounts.
A.4.	Advances to PA Subgrantees	Discontinue the practice of providing advances to subgrantees for large projects, determine if interest was earned by the subgrantees on the advances, and recoup the interest earned, as appropriate, in accordance with Federal requirements
B.1.	Timeliness of Payments to IFG Recipients	Review the causes of delays experienced under the IFG Program for potential benefit to the application, review, and approval process that will exist under the new IHP Program.
B.2.	Administrative and Program Plans	Provide the actual or planned date when recommended procedures were or will be developed and implemented for administrative and program plans for IFG and PA Programs.

Pursuant to FEMA Instruction 1270.1, by March 14, 2003, please provide us comments as to any additional actions you plan to take to resolve the findings and recommendations listed above. In addition, please advise this office of actual or target completion dates for any actions taken or planned to implement the recommendations in this report.

We would like to thank your staff and the State's Civil Defense Division staff for the courtesies extended the auditors during their fieldwork. Should you have any questions concerning this report, please contact Brian Byrne or me at (510) 627-7011.