

**DEPARTMENT OF HOMELAND SECURITY**  
**Office of Inspector General**

**Audit of the District of Columbia  
Administration of Disaster Assistance Funds**



**Office of Audits**

**DA-21-05**


**July 2005**



# Homeland Security

July 22, 2005

MEMORANDUM FOR: Patricia G. Arcuri  
Acting Regional Director, FEMA Region III

FROM:  Gary J. Barard  
Field Office Director

SUBJECT: Audit of the District of Columbia  
Administration of Disaster Assistance Funds  
Audit Report No. DA-21-05

Attached for your review and follow-up are five copies of the subject audit report that was prepared by an independent accounting firm, Leon Snead & Company under contract with the Office of Inspector General. In summary, Leon Snead & Company determined that the District of Columbia Emergency Management Agency should improve certain financial and program management procedures associated with the administration of disaster assistance funds.

On June 17, 2005 your office responded to the draft report. Based upon your response, Finding B.1 is closed and requires no additional action. Findings A.1 and B.2 are resolved, but requires an additional response describing actions taken to implement the recommendations.

Please advise the Atlanta Field Office-Audit Division by August 22, 2005, of the action taken. Should you have any questions, please contact George Peoples or me at (770) 220-5242.

Attachments



**LEON SNEAD  
& COMPANY, P.C.**

*Certified Public Accountants  
& Management Consultants*

416 Hungerford Drive, Suite 400  
Rockville, Maryland 20850  
301-738-8190  
fax: 301-738-8210  
leonsnead.companypc@erols.com

July 5, 2005

Department of Homeland Security  
Office of Inspector General  
Washington, DC 20528

Leon Snead & Company, P.C. conducted an audit of the District of Columbia Emergency Management Agency (Grantee) to assess its compliance with the Robert T. Stafford Disaster Relief and Emergency Assistance Act (as amended) and applicable federal regulations. The audit was conducted at the request of the Department of Homeland Security (DHS), Office of Inspector General.

The audit objectives were to determine if the Grantee administered grant programs in accordance with federal regulations, and accounted for, reported and used Federal Emergency Management Agency (FEMA) program funds properly. We found that the Grantee needed to: (1) document its internal control systems and project monitoring activities; (2) ensure federal funds are used properly; and (3) prepare required closeout documents for the IFG program.

The audit was performed under the authority of the Inspector General Act of 1978, as amended, and in accordance with generally accepted government auditing standards, DHS's Office of Inspector General audit guide and 44 Code of Federal Regulations (CFR). Although the audit report comments on certain financial related information, we did not perform a financial audit the purpose of which would be to render an opinion on financial statements. The scope of the audit consisted of financial and program activities for three Presidential disaster declarations open as of September 30, 2002. We reviewed 46 Public Assistance and Hazard Mitigation projects with federal share costs of about \$2.5 million. Administrative plans, disbursements, timeliness of payments and grant closeout requirements for the Individual and Family Grant program were also evaluated.

An exit conference was held to discuss the findings and recommendations included in the report with FEMA Region III officials on May 16, 2005, and the Grantee on May 17, 2005. We have included the written comments from Region III and the Grantee as Attachment B to this report. Leon Snead & Company, P.C. appreciates the cooperation and assistance received from Grantee and FEMA personnel during the audit.

Sincerely,

*Leon Snead & Company, P.C.*  
Leon Snead & Company, P.C.

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## I. EXECUTIVE SUMMARY

Leon Snead and Company, P.C. has completed an audit of disaster assistance grant programs administered by the District of Columbia Emergency Management Agency (Grantee). The audit objectives were to determine if the Grantee administered Federal Emergency Management Agency (FEMA) grant programs in accordance with federal regulations, and accounted for, reported and used program funds properly. This report focuses on the Grantee's systems and procedures for assuring that grant funds were managed, controlled, and expended in accordance with Robert T. Stafford Disaster Relief and Emergency Assistance Act (as amended) and applicable federal regulations.

Our audit focused on three disasters open as of September 30, 2002. These disasters had total obligations of about \$5.4 million (federal share \$4.1 million), and total expenditures of about \$3.5 million (federal share \$2.6 million). We reviewed 46 Public Assistance (PA), and Hazard Mitigation (HM) projects with a Federal share of about \$2.5 million. Administrative plans, disbursements, timeliness of payments and grant closeout requirements for the Individual and Family Grant (IFG) program were also evaluated. We completed our fieldwork on December 12, 2003.

Our findings regarding financial and program management are summarized below, and discussed in detail in the Findings and Recommendations section of this report. Except for the findings contained in this audit report, nothing came to our attention during the audit that questioned the accuracy of information contained in the financial reports submitted to FEMA.

### **Financial Management**

- The Grantee did not document internal and management control systems to ensure its controls were adequate and being followed.

### **Program Management**

- HM project files did not include sufficient evidence to support effective project monitoring.
- Closeout documents for the IFG program were not prepared within the required timeframes.

## II. INTRODUCTION

### DISTRICT OF COLUMBIA EMERGENCY MANAGEMENT AGENCY

The District of Columbia Emergency Management Agency (Grantee) is an agency within the Executive Office of the Mayor. Its mission is to reduce the loss of life and property, and protect citizens and institutions from hazards by operating and maintaining a comprehensive all-hazard, community-based emergency management infrastructure. Under the authority of Commissioner's Order 74-267 and District of Columbia Law 3-149, the Agency was delegated responsibility for directing, administering and coordinating all emergency management activities for the Nation's Capital. These responsibilities included administering and managing disaster assistance grant programs.

The Director is appointed by the Mayor of the District of Columbia. The Director is a member of the Mayor's Council, and serves as the Chairman of the Special Events Task Group and the Emergency Preparedness Policy Council. As of September 12, 2003, the Grantee had 35 permanent employees assigned to nine divisions.

Our audit concentrated on the PA, HM, and IFG programs. Two permanent employees managed these programs on a daily basis. Other Grantee employees assisted in carrying out emergency functions during disasters.

### THE DISASTER ASSISTANCE PROGRAMS

*The Robert T. Stafford Disaster Relief and Emergency Assistance Act (as amended)* governs disasters declared by the President. Following a major disaster declaration, the Act authorizes FEMA to provide various forms of disaster relief to the state, as the grantee, and to state agencies, local governments, eligible private nonprofit organizations, Indian Tribes, and Alaska Native Villages as sub-grantees. The Code of Federal Regulations (44 CFR) provides further guidance on the requirements for and administration of disaster relief grants. On October 30, 2000, the President signed the Stafford Act amendments into law (Public Law 106-390). The amendments are effective only for disasters declared after October 2000.

#### Public Assistance Grants

Public Assistance Grants are awarded for the repair or replacement of facilities, removal of debris, and emergency protective measures necessary as a result of a disaster. To receive a Public Assistance Grant, a designated representative of the organization must sign a Notice of Interest. After the applicant completes the Notice of Interest, FEMA schedules an inspection of the damaged facilities. Inspection teams consist of FEMA, State, and local officials. The inspection team prepares Project Worksheets (formally called Disaster Survey Reports), identifying the eligible scope of work and estimated

project costs. Project Worksheets are sent to FEMA for review and approval. FEMA approval serves as the basis for obligating Public Assistance Grant funds.

## Hazard Mitigation Grants

Hazard Mitigation Grants are awarded to states to help reduce the potential of future damage to facilities. The State must submit a letter of intent to participate in the program, and sub-grantees must submit a hazard mitigation grant proposal. The State is responsible for setting priorities for selecting specific projects, but FEMA must provide final approval. FEMA also approves sub-grants to local governments, eligible private nonprofit organizations, Indian Tribes, and Alaska Native Villages. The amount of assistance available under this program must not exceed 20 percent of the total assistance provided under other assistance programs.

## Individual and Family Grants

Individual and Family Grants are awarded to individuals and families who, as a result of a disaster, are unable to meet disaster-related necessary expenses and needs. To obtain assistance under this grant, the Governor of the State must express intent to implement the program. This expressed intent includes an estimate of the size and cost of the program. The grantee is responsible for monitoring the program to ensure the objectives and requirements are met. FEMA provides an administrative fee to the grantee for administrative costs that cannot exceed 5 percent of federal grant program payments.

## Administrative Funds

FEMA provides three types of administrative assistance to cover the costs of overseeing the Public Assistance and Hazard Mitigation Grant Programs. First, an administrative allowance was provided to cover “extraordinary” costs directly associated with managing the programs, such as overtime and travel costs. This allowance is determined by using a statutorily mandated sliding scale with payments ranging from one-half to three percent of the total amount of federal disaster assistance provided to the Grantee. Second, FEMA could award an administrative allowance referred to as “State Management Grants” on a discretionary basis to cover the State’s ordinary or regular costs directly associated with administering the programs. Third, FEMA could award an administrative allowance for activities indirectly associated with the administration of the programs.

### III. OBJECTIVES, SCOPE AND METHODOLOGY

#### OBJECTIVES

The Department of Homeland Security (DHS), Office of Inspector General (OIG) engaged Leon Snead & Company, P.C. to determine if the District of Columbia (1) administered FEMA disaster assistance grant programs according to federal regulations, and (2) accounted for, reported and used FEMA program funds properly.

#### SCOPE

This audit included reviewing financial and program activities for the PA, HM and IFG programs. The universe subject to audit included 3 declared disasters in which about \$5.4 million (federal share \$4.1 million) were controlled by the Grantee (See Attachment A). The cut-off date for the audit was September 30, 2002. The specific disasters open as of September 30, 2002 are as follows:

<u>Disaster Number</u>	<u>Disaster Type</u>	<u>Date Declared</u>	<u>Assistance Provided</u>
1325*	Severe Winter Storm	4/10/00	PA, HM
1338*	Severe Thunderstorms	8/17/00	PA, HM
1389*	Severe Storms, Flooding & Mudslides	8/16/01	PA, HM, IFG

Footnote \* Disasters included in our tests.

The three disasters included in our audit scope had obligations of about \$5.4 million (federal share \$4.1 million), and total expenditures of about \$3.5 million (federal share \$2.6 million). We tested 42 PA projects in 3 disasters and 4 HM projects in 3 disasters with a total federal share amount of about \$2.5 million. Specific IFG applicants were not reviewed because the only disaster (Disaster 1389) that included the IFG program was administered by FEMA. The Grantee, however, was responsible for developing the administrative plan, making payments to applicants and preparing the required grant closeout documents. Consequently, we reviewed these aspects of the IFG program under Disaster 1389.

The audit included the functional areas of financial and program management. Emphasis was placed on current Grantee procedures and practices for program administration and oversight. Our fieldwork was conducted from September 10, 2003 through December 12, 2003.



## METHODOLOGY

The audit was performed under the authority of the Inspector General Act of 1978, as amended, and in accordance with generally accepted government auditing standards as prescribed by the Comptroller General of the United States (Yellow Book-2003 Revision), DHS's Office of Inspector General audit guide and 44 CFR.

We interviewed key officials and reviewed documents at the FEMA Region III office in Philadelphia, Pennsylvania, to understand how the region oversees disaster programs in the District of Columbia. The audit was conducted at the Grantee's office in the District of Columbia. We conducted interviews and reviewed documents to gain an understanding of the Grantee's organizational structure and basic procedures for managing disaster assistance grant programs.

We selected and tested records of representative projects to determine whether disaster assistance projects and programs had been conducted in compliance with applicable regulations.

We focused on evaluating the Grantee's systems and procedures and identifying systemic causes of internal control weaknesses or noncompliance situations. We reviewed the program management process, including application, approval, monitoring and reporting. Our financial management review included policies and procedures relating to cash management, cost matching, disbursing and reporting. We also evaluated compliance with the standards for financial management systems set forth in 44 CFR 13.20, and reviewed Single Audits performed by the State Auditor.

We were not engaged to, and did not, perform a financial statement audit, the objective of which would have been the expression of an opinion on specified elements, accounts, or items. Accordingly, we do not express an opinion on the costs claimed for the disasters within the audit scope. Had we performed additional procedures or conducted an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported. This report relates only to the accounts and items specified and does not extend to any Grantee or District of Columbia financial statements. The audit also did not include interviews with sub-grantees, or technical evaluations of repairs of damages caused by disasters.

## IV. FINDINGS AND RECOMMENDATIONS

### A. FINANCIAL MANAGEMENT

#### A.1 Internal Control System Documentation

The Grantee did not document internal and management control systems to ensure that its controls were adequate and being followed. We attributed this condition to staff shortages and the workload associated with emergency disaster assistance programs.

Effective control and accountability must be maintained for all grantee and sub-grantee cash, real and personal property and other assets {44 CFR 13.20 (a)(3)}. Good internal control management procedures also require that systems be documented and evaluated to ensure all control procedures are followed and the personnel responsible for each control function are identified.

Grantee officials were knowledgeable of operational procedures and controls, and they stated that the administrative plans for the HM, PA and IFG programs were considered the basic control procedures for these programs. These management control procedures, however, had not been documented into an operations manual, and were not periodically evaluated to determine their effectiveness.

We did not identify any material internal control weaknesses. We noted, however, that only one individual was responsible for both the PA and IFG programs, and this individual was only recently made responsible for managing the PA program. Furthermore, only one full-time employee was assigned to the HM program. This individual was also responsible for managing Project Impact and assisting with other disaster-related activities. This level of staffing significantly increases the need for documenting management control procedures for disaster assistance grant programs.

#### Conclusion and Recommendation

The Grantee needs to document its internal and management control systems to ensure all system requirements are included and the personnel responsible for each control function are identified. Periodic evaluations of the control system should also be performed.

The Director, FEMA Region III should direct the Grantee to prepare written procedures describing its internal and management control systems, and to periodically evaluate the effectiveness of these control systems.

## *Management Response and Auditor's Comments*

*The Grantee responded that standard operating procedures (SOP) for the HM and IFG programs have been developed, and a SOP for the PA program will be completed during the third quarter of fiscal year 2005. The SOP for the PA program will clearly identify the grantee personnel responsible for each control function, and the control system will be consistently documented and evaluated. Region III responded that the planned SOP for the PA program will be reviewed during a future site visit.*

*Management's planned actions are responsive to the finding and recommendation. Future follow-up, however, will be necessary to ensure the SOP for the PA program is completed as planned.*

## B PROGRAM MANAGEMENT

### B.1 Project Monitoring

HM project files did not include sufficient evidence to support effective project monitoring. Consequently, FEMA could not be assured that complete and accurate project status information was reported. We attributed this condition to insufficient documentation of sub-grantee monitoring activities.

Grantees must monitor grant and sub-grant supported activities to assure compliance with federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program {44 CFR 13.40}. Grantees must also maintain programmatic records, supporting documents and other records that are pertinent to program regulations or the grant agreement {44 CFR 13.42}.

Our review of HM project files revealed that the files did not contain evidence that projects were adequately monitored. The Hazard Mitigation Officer informed us that monitoring activities, such as on-site visits, telephone conversations and data gathering conducted via e-mail were performed. However, these monitoring activities had not been documented in the project files.

#### Conclusion and Recommendation

HM project files did not include adequate documentation of project monitoring. Project file documentation needs to be improved to ensure effective monitoring of sub-grantees.

The Director, FEMA Region III should ensure the Grantee documents sub-grantee monitoring activities in HM project files to include on-site visits, telephone conversations, e-mails and other written correspondence.

#### *Management Response and Auditor's Analysis*

*The Grantee responded that HM records, including hardcopy pictures, reports and other materials will be maintained, and all electronic communications will be printed and retained for each project. Region III responded that the HMGP staff provided the Grantee's Hazard Mitigation Officer a telephone log for documenting contacts with sub-grantees. The Hazard Mitigation Officer assured Region III that contacts with sub-grantees would be properly recorded, and this process would be included in the Grantee's SOP for the HM program.*

*The actions taken by management are adequate to resolve the condition, and the finding is closed.*

## B.2 Closure of IFG Program

As of December 2003, all activity on the IFG program under Disaster 1389 had been completed for approximately seven months. The Grantee, however, had not completed the required closeout documents and the disaster remained open. We attributed this condition to the workload associated with recent disasters.

Grantees shall complete all administrative activities and submit final reports and vouchers to the Regional Director within 90 days of the completion of all grant award activity {44 CFR 206.131 (j)(iv)}.

For the IFG program, the Grantee has the option of managing the program or having FEMA manage the program. For Disaster 1389, the Grantee and FEMA agreed that FEMA would manage the program. This decision was documented in a Memorandum of Understanding (MOU), dated August 23, 2001. The MOU, however, specified that the Grantee would retain certain management functions including (1) disbursing all grant funds; (2) tracking administrative costs; and (3) preparing the IFG program closeout package.

Final payment for the IFG program under Disaster 1389 was made during May 2003, and the Grantee indicated at this time that the program should be closed. We determined, however, that as of December 2003, the required closeout documents had not been prepared. The Grantee's IFG Coordinator confirmed that all program activities had been completed, but closeout documents had not been prepared and submitted to FEMA Region III.

### **Conclusion and Recommendation**

Grant award activity for the IFG program under Disaster 1389 was completed during May 2003. However, as of December 2003, the program remained open pending completion and submittal of the required closeout documents.

The Director, FEMA Region III should direct the Grantee to prepare and submit closeout documents for the IFG program under Disaster 1389, and the program should be closed as soon as possible.

### ***Management Response and Auditor's Analysis***

*The Grantee responded that the close out process was delayed due to the need to return unused funds. These unused funds have been returned, and once documentation of the receipt of the unused funds is obtained, the close out package will be prepared. Region III responded that a Region III and a FEMA Headquarters official are assisting the Grantee with the close out process, and*

*if necessary, these officials will visit the Grantee to further expedite closing the close out process.*

*The actions taken by management are responsive to the finding and recommendation. However, future follow-up is needed to ensure the close out process for the IFG program under Disaster 1389 is fully completed.*

**V. ATTACHMENTS**

Attachment A

**Schedule of Source and Application of Funds**  
**District of Columbia Emergency Management Agency**  
**Disaster Assistance Grant Programs**  
As of September 30, 2002

<b>All Disasters - Numbers 1325 through 1389</b>
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	Public Assistance Grants	Individual & Family Grants	Hazard Mitigation Grants	Total Disaster Grants
<b><u>Award Amounts</u></b>				
Federal Share	\$2,496,132	\$1,500,000	\$144,229	\$4,140,361
Local Match/State Share	<u>\$832,345</u>	<u>\$376,149</u>	<u>\$48,076</u>	<u>\$1,256,570</u>
<b>Total Award Amount</b>	<b><u>\$3,328,477</u></b>	<b><u>\$1,876,149</u></b>	<b><u>\$192,305</u></b>	<b><u>\$5,396,931</u></b>

<b><u>Source of Funds</u></b>				
Federal Share	\$2,068,910	\$1,500,000	\$0	\$3,568,910
Local Match/State Share	<u>\$689,637</u>	<u>\$500,000</u>	<u>\$0</u>	<u>\$1,189,637</u>
<b>Total Source of Funds</b>	<b><u>\$2,758,547</u></b>	<b><u>\$2,000,000</u></b>	<b><u>\$0</u></b>	<b><u>\$4,758,547</u></b>

<b><u>Application of Funds</u></b>				
Federal Share	\$1,416,917	\$1,128,447	\$98,973	\$2,644,337
Local Match/State Share	<u>\$472,306</u>	<u>\$376,149</u>	<u>\$32,991</u>	<u>\$881,446</u>
<b>Total Application of Funds</b>	<b><u>\$1,889,223</u></b>	<b><u>\$1,504,596</u></b>	<b><u>\$131,964</u></b>	<b><u>\$3,525,783</u></b>

<b><u>Balance of Federal Funds On Hand</u></b>	<b><u>-\$235,774</u></b>	<b><u>\$495,404</u></b>	<b><u>\$0</u></b>	<b><u>\$259,630</u></b>
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Attachment A-1

**Schedule of Source and Application of Funds**  
**District of Columbia Emergency Management Agency**  
**Disaster Assistance Grant Programs**  
As of September 30, 2002

<b>Disaster Number 1325 - Declaration Date - April 10, 2000</b>
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	Public Assistance Grants	Individual & Family Grants	Hazard Mitigation Grants	Total Disaster Grants
<b><u>Award Amounts</u></b>				
Federal Share	\$1,416,017	\$0	\$98,973	\$1,514,990
Local Match/State Share	<u>\$472,306</u>	<u>\$0</u>	<u>\$32,991</u>	<u>\$505,297</u>
<b>Total Award Amount</b>	<b><u>\$1,888,023</u></b>	<b><u>\$0</u></b>	<b><u>\$131,964</u></b>	<b><u>\$2,019,987</u></b>
<b><u>Source of Funds</u></b>				
Federal Share	\$1,416,917	\$0	\$0	\$1,416,917
Local Match/State Share	<u>\$472,306</u>	<u>\$0</u>	<u>\$0</u>	<u>\$472,306</u>
<b>Total Source of Funds</b>	<b><u>\$1,889,223</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$1,889,223</u></b>
<b><u>Application of Funds</u></b>				
Federal Share	\$1,416,917	\$0	\$0	\$1,416,917
Local Match/State Share	<u>\$472,306</u>	<u>\$0</u>	<u>\$0</u>	<u>\$472,306</u>
<b>Total Application of Funds</b>	<b><u>\$1,889,223</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$1,889,223</u></b>
<b><u>Balance of Federal Funds On Hand</u></b>				
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Schedule of Source and Application of Funds**  
**District of Columbia Emergency Management Agency**  
**Disaster Assistance Grant Programs**  
As of September 30, 2002

**Disaster Number 1338 – Declaration Date - August 17, 2000**

	Public Assistance Grants	Individual & Family Grants	Hazard Mitigation Grants	Total Disaster Grants
<b><u>Award Amounts</u></b>				
Federal Share	\$297,203	\$0	\$45,256	\$342,459
Local Match/State Share	<u>\$99,068</u>	<u>\$0</u>	<u>\$15,085</u>	<u>\$114,153</u>
<b>Total Award Amount</b>	<b><u>\$396,271</u></b>	<b><u>\$0</u></b>	<b><u>\$60,341</u></b>	<b><u>\$456,612</u></b>
<b><u>Source of Funds</u></b>				
Federal Share	\$297,203	\$0	\$0	\$297,203
Local Match/State Share	<u>\$99,068</u>	<u>\$0</u>	<u>\$0</u>	<u>\$99,068</u>
<b>Total Source of Funds</b>	<b><u>\$396,271</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$396,271</u></b>
<b><u>Application of Funds</u></b>				
Federal Share	\$297,203	\$0	\$0	\$297,203
Local Match/State Share	<u>\$99,068</u>	<u>\$0</u>	<u>\$0</u>	<u>\$99,068</u>
<b>Total Application of Funds</b>	<b><u>\$396,271</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$396,271</u></b>
<b><u>Balance of Federal Funds On Hand</u></b>				
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Schedule of Source and Application of Funds  
District of Columbia Emergency Management Agency  
Disaster Assistance Grant Programs  
As of September 30, 2002

Disaster Number 1389 - Declaration Date - August 16, 2001
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	Public Assistance Grants	Individual & Family Grants	Hazard Mitigation Grants	Total Disaster Grants
<b><u>Award Amounts</u></b>				
Federal Share	\$782,912	\$1,500,000	\$0	\$2,282,912
Local Match/State Share	<u>\$260,971</u>	<u>\$376,149</u>	<u>\$0</u>	<u>\$637,120</u>
<b>Total Award Amount</b>	<b><u>\$1,043,883</u></b>	<b><u>\$2,000,000</u></b>	<b><u>\$0</u></b>	<b><u>\$3,043,883</u></b>
<b><u>Source of Funds</u></b>				
Federal Share	\$354,790	\$1,500,000	\$0	\$1,854,790
Local Match/State Share	<u>\$118,263</u>	<u>\$500,000</u>	<u>\$0</u>	<u>\$618,263</u>
<b>Total Source of Funds</b>	<b><u>\$473,053</u></b>	<b><u>\$2,000,000</u></b>	<b><u>\$0</u></b>	<b><u>\$2,473,053</u></b>
<b><u>Application of Funds</u></b>				
Federal Share	\$708,827	\$1,128,447	\$0	\$1,837,274
Local Match/State Share	<u>\$0</u>	<u>\$376,149</u>	<u>\$0</u>	<u>\$376,149</u>
<b>Total Application of Funds</b>	<b><u>\$708,827</u></b>	<b><u>\$1,504,596</u></b>	<b><u>\$0</u></b>	<b><u>\$2,213,423</u></b>
<b><u>Balance of Federal Funds On Hand</u></b>				
	<b><u>-\$235,774</u></b>	<b><u>\$495,404</u></b>	<b><u>\$0</u></b>	<b><u>\$259,630</u></b>

**ATTACHMENT B  
MANAGEMENT COMMENTS**



FEMA

JUN 17 2005

MEMORANDUM FOR: Gary J. Barard  
Field Office Director, IG-AU-ED

FROM: *for* *S & Advantages*  
Patricia G. Arcuri  
Acting Regional Director

SUBJECT: Audit Report for the District of Columbia's Administration of  
Disaster Assistance Funds

FEMA Region III's response to the findings in the subject audit report and the anticipated actions to be taken by my office to resolve these findings, in partnership with the District of Columbia Emergency Management Agency (DCEMA), are listed below. A copy of DCEMA's response letter to the auditor's findings, dated May 23, 2005, is attached.

1. Financial Management: Internal and Management Control Systems

DCEMA has confirmed that they will clearly identify separate personnel responsibility for each control function and document the process in a Public Assistance Standard Operating Procedure (SOP) during the third quarter of Fiscal Year 2005. Region III staff will request a copy of the completed SOP for review and follow-up during a future site visit. We anticipate closure of this finding after we receive and review a copy of the SOP.

2. Program Management: Hazard Mitigation Subgrantee Monitoring

Since receiving the audit report and noting the finding regarding the documenting of grant monitoring, Region III Hazard Mitigation Grant Program (HMGP) staff has been in contact with Ms. Patrice White, District Hazard Mitigation Officer, for the purpose of sharing with her the format for documenting a telephone log of contacts made between her office and grant recipients. The format shared has been successfully utilized by HMGP staff in other Region III States. Ms. White assured FEMA that the logging of contacts made to the subgrantees will be made a part of the DCEMA's SOP for HMGP.

3. Program Management: Individual and Family Grant Program Documentation

DCEMA has acknowledged that they have been remiss in sending the necessary reports and information to affect closure of the Individual and Family Grant

Program for FEMA-1389-DR-DC. DCEMA staff are currently assimilating the reports and documentation and anticipate addressing this finding by June 24, 2005. Ms. Suzann Cowie, Region III, and Mr. Tomas Quinones, FEMA Headquarters, are working closely with Mr. Russell Gardner, DCEMA, to answer any questions and assist with closure. If the situation warrants, Tomas and Suzann will make a site visit to the District to support this effort.

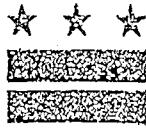
In the event that the District does not comply with needed reports and information, Region III has the option of sending the District a bill for the entire grant amount, negating the Federal side of assistance provided. We do not anticipate that this will be necessary.

As noted, FEMA Region III continues to work with the District to improve its overall disaster assistance funds administration. If you have any questions, please contact Mr. Daniel Joyce of my staff at (215) 931-5516 or via email at [daniel.joyce1@dhs.gov](mailto:daniel.joyce1@dhs.gov).

Attachment

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Emergency Management Agency

Anthony A. Williams  
Mayor



Barbara Childs-Pair  
Director

May 23, 2005

Ms. Patricia Arcuri  
Acting Regional Director  
U.S. Department of Homeland Security  
Federal Emergency Management Agency  
Region 3  
615 Chestnut Street, 6<sup>th</sup> Floor  
Philadelphia, Pennsylvania 19106-4404

Dear Ms. Arcuri:

Leon Snead & Company P.C. completed an audit of the District of Columbia Emergency Management Agency, at the request of the Department of Homeland Security, Office of the Inspector General. The audit was conducted to assess compliance with the Robert T. Stafford Disaster Relief and Emergency Assistance Act and applicable Federal regulations. Upon conclusion of the audit Leon Snead & Company reported the following recommendations:

(1) Financial Management: The grantee did not document internal and management control systems to ensure its controls were adequate and being followed; (2) Program Management: Hazard Mitigation project files did not include sufficient evidence to support effective project monitoring; and (3) Program Management: Closeout documents for the Individual and Family Grant Program (IFG) were not prepared within the required timeframes.

On May 17, 2005, the auditor conducted an exit interview to review the findings and recommendations. Enclosed is the response to the audit report prepared by Leon Snead & Company. If you have questions, please contact Sandra Perkins, 202-727-3150. Ms. Perkins will coordinate with our program managers regarding any outstanding concerns.

Sincerely,

Barbara A. Childs-Pair  
Director

cc: Daniel Joyce, Emergency Analyst

Government of the District of Columbia  
Emergency Management Agency (EMA)

Response to Audit Report: Disaster Assistance Funds - May 17, 2005

U.S. Department of Homeland Security  
Office of the Inspector General  
Atlanta Field Office – Audit Division  
Leon Snead & Company (Independent Accounting Firm)

**Summary**

The scope of the audit consisted of financial and program activities for three (3) Presidential Disaster Declarations open as of September, 2002. These were 46 Public Assistance, Hazard Mitigation and the Individual and Family Grant program. Nothing became evident during the audit that questioned the accuracy of the information contained in the financial reports submitted to the Federal Emergency Management Agency (FEMA).

**Current Follow-Up Actions**

The EMA must prepare and submit a written response to FEMA, Region III addressing the findings and recommendations presented in the audit report. Due date to be determined by Region III.

**Major Findings**

The program audit report disclosed the following recommendations:

1. Financial Management: The grantee did not document internal and management control systems to ensure its controls were adequate and being followed.
2. Program Management: Hazard Mitigation project files did not include sufficient evidence to support effective project monitoring.
3. Program Management: Closeout documents for the Individual and Family Grant Program (IFG) were not prepared within the required timeframes.

**Rationale and Remedy**

1. *Financial Management: The grantee did not document internal and management control systems to ensure its controls were adequate and being followed.*

As was stated in the Finding and Recommendations section of the audit staff shortages and the workload associated with the conduct of disaster assistance programs greatly contributed to the lack of documentation. In future, related circumstances, EMA will



clearly identify separate and distinct personnel responsible for each control function. The control systems used will be consistently and constantly documented, using electronic technology with retrieval backup, thoroughly reviewed and evaluated. Even though grantee personnel were knowledgeable of pertinent operational procedures, these management controls procedures have not been developed into an operational manual, with the exception of the Hazard Mitigation and Individual and Family Grant SOPs. Information contained in the District of Columbia Public Assistance Administrative Plan will be captured from those plans and compiled into a Public Assistance SOP during the third quarter of FY'05. The heavy workload of the disaster assistance staff does increase the need for documenting management control procedures. To that end, EMA will conduct local hires according to the procedures established in the Public Assistance and Individual and Family Grant Program and Hazard Mitigation Administrative Plans.

- 2. Program Management: Hazard Mitigation project files did not include sufficient evidence to support effective project monitoring.*

Relative to program management, the hazard mitigation project files did not include sufficient evidence to support effective project monitoring. As well, closeout documents for the Individual and Family Grant program were not prepared within the required timeframes.

With regard to project monitoring, during the period of this disaster, the DCEMA facilities were undergoing tremendous renovations. A portion of the staff was located in small temporary spaces on various floors in the Reeves Municipal Center with some of their current working materials, while others were housed in short term storage rental units. As was previously, cited in this response a Hazard Mitigation SOP has been developed and is ready for use. In future conditions, DCEMA disaster staff will maintain records including hardcopy pictures, reports and other materials on file. All electronic communications, including digital maps will be printed and retained for each project, as appropriate.

- 3. Program Management: Closeout documents for the Individual and Family Grant Program (IFG) were not prepared within the required timeframes*

The disaster in question occurred in August 2001 and it was the first time that the IFG had been approved for the District of Columbia Government. Even though program staff had received program training, the actual implementation of the program was conducted by first time, inexperienced person (s). In addition, there was confusion over close out responsibilities which spanned a period over two years. FEMA IFG specialist at Mt. Weather, Jo Yerkes, and FEMA Region III IFG specialist Eileen Fidele disagreed over who was responsible for the program close out. Mr. Yerkes insisted that it was FEMA's responsibility, while Ms. Fidele insisted that the responsibility rested with the District (EMA). Eventually, Ms. Fidele called Mr. Russell Gardner, the District's IFG program manager, and informed him that the responsibility rested with the District. Further, once the close out documents were prepared, Pam Willis, FEMA, Region III, informed Mr. Gardner that the close out would not be able to be completed due to a need to return

unused funds. These funds were returned. Once receipt of the documentation of the funds being returned to FEMA is received, then the close out package will be submitted by DCEMA within 30 days for processing.

**Conclusion**

In short, DCEMA will document its financial and program controls in the form of an electronic database.

