

# DEPARTMENT OF HOMELAND SECURITY

## Office of Inspector General

### Audit of the State of Pennsylvania Administration of Disaster Assistance Funds



Office of Audits

DA-20-05

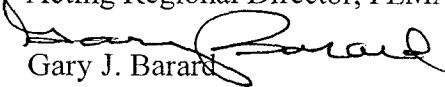
July 2005



# Homeland Security

July 6, 2005

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

FROM:   
Gary J. Barard  
Field Office Director

SUBJECT: *Audit of the State of Pennsylvania  
Administration of Disaster Assistance Funds  
Audit Report No. DA-20-05*

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

On April 26, 2005 your office responded to the draft report. Based upon your response, the findings are closed and require no additional action. Should you have any questions, please contact David Kimble or me at (770) 220-5242.

Attachments



Department of Homeland Security  
Office of Inspector General  
Washington, D.C.

Clifton Gunderson LLP has completed an audit of the Pennsylvania Emergency Management Agency's (PEMA) management and administration of the Federal Emergency Management Agency (FEMA) disaster assistance programs. The audit was conducted at the request of the Department of Homeland Security, Office of Inspector General (OIG).

The purpose of the audit was to determine whether PEMA had 1) administered the FEMA disaster assistance programs in accordance with the Stafford Act and applicable Federal regulations, 2) complied with the FEMA-approved disaster assistance administrative plans, 3) properly accounted for and expended FEMA disaster assistance funds, and 4) operated and functioned appropriately to fulfill its administrative, fiscal, and program responsibilities.

The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were not engaged to, and did not perform a financial statement audit, the purpose of which would be to express an opinion on specified elements, accounts, or items.

The audit took place during January through March 2004. The scope of the audit included financial and program activities for twelve Presidential disaster declarations open as of September 30, 2003. We reviewed all grants for Public Assistance, Hazard Mitigation and Individual and Family Grants.

Very truly yours,

CLIFTON GUNDERSON LLP

A handwritten signature in cursive script that reads "William H. Oliver".

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**EXECUTIVE SUMMARY**

Clifton Gunderson LLP has completed an audit of the Commonwealth of Pennsylvania Emergency Management Agency's management and administration of disaster assistance programs authorized by the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Public Law 93-288, as amended) and applicable Federal regulations. The objectives of the audit were to determine if the Pennsylvania Emergency Management Agency (PEMA) had:

- administered FEMA disaster assistance programs in accordance with the Stafford Act and applicable Federal regulations,
- complied with the FEMA-approved disaster assistance administrative plans,
- properly accounted for and expended FEMA disaster assistance funds, and
- operated and functioned appropriately to fulfill its administrative, fiscal, and program responsibilities.

This report focuses on PEMA's systems and processes for ensuring that grant funds were managed, controlled, and expended in accordance with the Stafford Act and the requirements set forth in Title 44 of the Code of Federal Regulations (44 CFR). Although the scope of this audit included a review of costs claimed for the declared disasters, a financial audit of those costs was not performed. Accordingly, we do not express an opinion on PEMA's financial statements. The sources and applications of funds for the disasters included in the audit are presented in Attachment A of this report.

Our audit included twelve major disasters declared by the President of the United States between March 1994 and September 2003. Eight of the disasters involved all three types of grant programs – Public Assistance Grants (PA), Individual and Family Grants<sup>1</sup> (IFG)/Other Needs Assistance (ONA), and Hazard Mitigation Grants (HMG). The other four disasters each involved two types of grant programs. Federal grant awards for the twelve disasters were about \$231 million. Federal expenditures through September 30, 2003 were approximately \$224 million.

In accordance with our agreement with the Office of Inspector General (OIG), our audit focused on PEMA's current program and financial management procedures and practices. During the audit we attempted, to the extent possible, to identify the causes of each finding. We also made recommendations that, if implemented properly, would improve PEMA's management, eliminate or reduce weaknesses in internal controls, and correct noncompliance situations. The findings summarized below are discussed in detail in the body of the report.

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<sup>1</sup> Amendments to the Stafford Act by Public Law 106-390 changed the IFG program. This type assistance is now known as Other Needs Assistance.

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**Financial Management****1. *Financial Status Reports***

Information reported on Financial Status Reports (FSR) did not always agree with accounting system account balances and/or accurately reflect program activity. For the seventeen hazard mitigation and public assistance grant programs included in our review, we noted eight instances where information reported on the September 30, 2003 FSR did not agree with accounting system information. The December 31, 2003 FSR's for ONA programs under disasters No. 1485 and No. 1497 reported outlays and obligations were zero even though significant expenditures had been made under both programs.

**Program Management****1. *State share of mission assignment costs***

Pennsylvania had not reimbursed FEMA for its share of mission assignment costs under disaster No.1294. Under this disaster direct Federal assistance was requested from the Environmental Protection Agency. The cost of the assignment was \$239,535 with the Commonwealth's share being \$59,884. The grantee had not paid its share because FEMA had not billed for the state share as required under Federal regulations. According to officials at FEMA's Disaster Finance Center, they are not billing mission assignments under disasters that occurred prior to FY 2001.

**2. *Public Assistance Subgrantee Monitoring***

PEMA is not requiring subgrantees to submit Quarterly Project Status Reports as required in the approved administrative plans. Further, PEMA has not developed policies and procedures to insure subgrantee monitoring activities are consistently documented. In the absence of periodic subgrantee progress reports, and no clear guidance governing documentation of subgrantee monitoring, management has no assurance that subgrantees are being appropriately monitored to insure achievement of performance goals and compliance with applicable Federal requirements.

**3. *Other Needs Assistance (ONA) Administrative Plan***

FEMA Region III approved administrative plans for ONA programs under disasters No. 1485 and No. 1497 were in conflict with current Federal regulations concerning the allowability of salary charges to grant administrative costs. FEMA Region III review of these plans did not identify non-compliant sections. The current plans, if followed, could result in ineligible costs being charged against ONA grants.

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## BACKGROUND

Federal assistance is usually needed to supplement response efforts after major disasters and emergencies. When Federal assistance is needed, a governor can request the President of the United States to declare a major disaster and thereby make relief grants available through the Federal Emergency Management Agency (FEMA). FEMA, in turn, can make grants to state agencies, local governments, private citizens, nonprofit organizations, and Indian tribes or authorized tribal organizations through a designated agency within the affected state.

### Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended

The Stafford Act governs Presidentially declared disasters. Title 44 of the Code of Federal Regulations (CFR) provides further guidance and requirements for administering disaster relief grants awarded by FEMA.

The three major disaster programs addressed in this audit are:

- Other Needs Assistance Grants
- Public Assistance Grants
- Hazard Mitigation Grants

**Other Needs Assistance (ONA) Grants** are intended to provide funds to individuals or families to permit them to meet those disaster-related necessary expenses or serious needs for which assistance from other means is either unavailable or inadequate. To make assistance under this program available to disaster victims, the Governor must express an intention to implement this program. This expression of intent must include an estimate of the size and cost of the program. The Federal share of the ONA program is 75%, and is made on the condition that the remaining 25% is paid from funds made available by the state.

**Public Assistance (PA) Grants** may be awarded to State and local governments, private non-profit organizations or institutions, or Indian tribes or authorized tribal organizations. PA grants can be used for debris removal, repair/replacement of facilities, or emergency work necessary as the result of a disaster. Following the declaration of a disaster inspection teams composed of Federal, State, and local representatives prepare Project Worksheets (PW) for each project that identifies the scope of eligible work and its estimated costs. FEMA obligates funds to the grantee, and the grantee then approves subgrants based on applicants' approved PW. At least 75% of the cost is paid by FEMA. The remainder is paid by non-Federal sources.

Title 44 CFR calls for PA projects to be classified as either "small" or "large". The classification amount is based on the approved estimate of eligible costs and is adjusted annually to reflect changes in the Consumer Price Index for All Urban Consumers published by the Department of Labor. Projects estimated to cost less than the classification amount are classified as small, and projects estimated to be equal to or greater than the classification amount are classified as large.

For small projects the grant is based on an estimate of the work. For large projects, the final grant is based on actual eligible costs.

To speed up payments to subgrantees for small projects, the Federal share of the cost is to be disbursed as promptly as possible after approval by FEMA. Subgrantees of large projects submit periodic requests to the state for funds to meet expenses incurred. When a project is completed, the state determines and reports the final cost to FEMA. FEMA then adjusts the amount of the large project to reflect the actual cost.

**Hazard Mitigation Grants (HMG)** are awarded to states to help reduce the potential for future disaster damages. The state must submit a Letter of Intent to participate in the program and subgrantees must submit a HMG proposal to PEMA. PEMA, as the grantee, is responsible for setting priorities for the selection of specific projects, but each project must be approved by FEMA. FEMA awards subgrants to state agencies, local governments, qualifying private nonprofit agencies, Indian tribes, or authorized tribal organizations. The costs of the projects are shared with FEMA with the Federal share not exceeding 75 percent of the costs. However, the amount of Federal assistance under the HMG program is limited pursuant to Section 404 of the Stafford Act.

Under the PA and HMG programs, FEMA may grant three types of administrative funds for overseeing the program:

1. An administrative cost allowance to the grantee to cover extraordinary costs directly associated with administering the program. The allowance amount is determined by a statutorily mandated sliding-scale percentage (ranging from one-half of one percent to three percent) applied to the total Federal disaster assistance awarded under the program. The allowance is for extraordinary costs such as those incurred for preparing damage survey or final inspection reports; processing project applications; conducting final audits and related field inspections; overtime; per diem; and travel expenses. The administrative cost allowance does not include regular time for employees.
2. State Management Costs to cover ordinary or regular expenses directly associated with the program.
3. Indirect costs based on a FEMA approved indirect cost allocation plan.

For the ONA program, the state may expend administrative costs not to exceed five percent of the amount of the grant.

### Pennsylvania Emergency Management Agency

The Pennsylvania Emergency Management Agency's (PEMA) mission is to coordinate state agencies' efforts to support county and local governments in the areas of civil defense, disaster mitigation and preparedness, planning, and response to and recovery from man-made or natural



disasters. PEMA is headquartered in Harrisburg, Pennsylvania. They also have offices in Hamburg, Selinsgrove and Indiana.

PEMA is an executive agency reporting directly to the Governor of the Commonwealth of Pennsylvania. PEMA has approximately 140 employees organized into the Bureaus of:

- Recovery and Mitigation
- Operations and Training
- Plans and Preparedness
- Technical Services
- Administration

PEMA personnel managed the PA and HMG programs. Financial management responsibilities were shared between PEMA and the Pennsylvania Office of the Budget, Comptroller Operations. PEMA relied upon the Department of Public Welfare to manage the ONA program. Financial responsibility for the ONA program resided with the Department of Public Welfare.

## OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of this audit were to determine if the Commonwealth of Pennsylvania (the grantee) had:

- administered FEMA disaster and emergency assistance programs in accordance with the Stafford Act and applicable Federal regulations,
- complied with the FEMA-approved disaster assistance administrative plans,
- properly accounted for and expended FEMA disaster assistance funds, and
- operated and functioned appropriately to fulfill its administrative, fiscal, and program responsibilities.

The **scope** of the audit included grant programs within the following twelve declarations that were open at September 30, 2003. These disasters were declared between March 1994 and September 2003.

Declarations			Grant Programs Status at September 30, 2003		
Number	Date	Disaster/Emergency	PA	IFG/ONA <sup>2</sup>	HMG
DR 1015	03/10/94	Winter Storm	Closed	N/A	Open
DR 1093	01/21/96	Flooding	Open	Closed	Open
DR 1120	06/18/96	Flooding	Open	Closed	Open
DR-1130	07/26/96	Severe storms, tornadoes	Open	Closed	Open
DR-1138	09/13/96	Hurricane Fran	Closed	Closed	Open
DR-1219	06/08/98	Tornadoes	Closed	Closed	Open
DR-1289	09/01/99	Floods	Closed	Closed	Open
DR-1294	09/18/99	Hurricane Floyd	Open	Closed	Open
DR-1298	09/22/99	Tropical depression Dennis - flooding	N/A	Closed	Open
DR-1383	06/21/01	Tropical storm Allison	Open	Closed	Open
DR-1485	08/23/03	Severe storms, tornadoes, flooding	Open	Open	N/A
DR-1497 <sup>3</sup>	09/26/03	Tropical Storms Henri and Isabel	N/A	Open	Open

The cut-off date for the audit was September 30, 2003. However, we also reviewed more current activities related to conditions found during our audit to assess current activity and determine whether appropriate corrective actions had been taken.

Our audit fieldwork was initiated at the FEMA Region III Office in Philadelphia, Pennsylvania. Region III has jurisdiction over FEMA disaster programs in several states, including the

<sup>3</sup> The Presidential declaration authorized other needs assistance and hazard mitigation funding, but as of 9/30/2003 no Federal funds had been obligated for these programs.

Commonwealth of Pennsylvania. Our **methodology** included interviews with FEMA headquarters, regional office, and Commonwealth officials to obtain an understanding of internal control systems and to identify current issues or concerns relative to PEMA's management of disaster programs. Our audit considered FEMA and Commonwealth policies and procedures as well as the applicable Federal requirements. Documentation received from PEMA, as well as from FEMA headquarters, and the regional office was reviewed. The audit also included discussions with PEMA officials concerning the Commonwealth's policies, procedures, and processes for managing the grant programs.

We selected and tested ONA cases administered by the Pennsylvania Department of Public Welfare (DPW)<sup>4</sup> and representative projects at PEMA to help ensure that the disaster assistance grants had been conducted in compliance with applicable regulations. PEMA's systems and procedures were evaluated to identify systemic causes of internal control system weaknesses or noncompliance situations. The views of officials at FEMA headquarters, regional officials, PEMA and DPW officials were considered in writing this report. Our review included all aspects of **program management** including application, approval, monitoring, reporting, and program closure.

PEMA's policies and procedures for procurement, and property management, cash management, and financial reporting were also evaluated. We reviewed PEMA's internal control systems and evaluated PEMA's financial management system to determine compliance with the standards set forth in 44 CFR 13.20. Our tests of financial transactions included: comparing financial records with supporting documentation for sampled costs claimed for the ONA, PA, and HMG programs, reviewing PEMA's system for allocating costs to disaster programs, and testing the timeliness and accuracy of payments to ONA recipients, PA and HMG subgrantees, and vendors.

We reviewed prior audits conducted within the timeframe of the disasters included in our scope. This included Single Audit Act audits conducted in compliance with OMB Circular A-133. Our audit scope did not include interviews with or visits to PEMA subgrantees or project sites. We also did not evaluate the technical aspects of the repairs to disaster caused damage.

The audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. 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 do not express an opinion on the costs claimed for the disasters under the scope of the audit. If we had 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. The report does not extend to any financial statements of PEMA or the Commonwealth of Pennsylvania and should not be used for that purpose.

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<sup>4</sup> DPW managed the ONA program for the Commonwealth of Pennsylvania.

## FINDINGS AND RECOMMENDATIONS

Audit results are summarized below in two sections: Financial Management and Program Management. These sections present findings and associated recommendations.

### Financial Management

#### 1. Financial Status Reports

Financial Status Reports (FSR) information pertaining to Public Assistance and Hazard Mitigation grants was not always supported by accounting system account balances. Reported information on Other Needs Assistance grants did not accurately reflect program activity. This does not satisfy 44 CFR requirements and inhibits FEMA Region III's ability to monitor grant program activity. Standards specified by 44 CFR 13.20 require grantee financial management systems to allow for complete and accurate financial reporting, and maintain complete and accurate accounting records. Grantees are required by 44 CFR 13.41 to use Financial Status Reports to report the status of Federal grant funds.

We traced Public Assistance and Hazard Mitigation Federal share amounts reported on the September 30, 2003 FSRs to supporting accounting records for each of the 17 open PA and HMG programs in our scope. The table below identifies 8 instances where the accounting system did not support the Federal share of obligations reported in the FSRs.

Disaster	Program	Reported Federal Share of Obligations	Accounting System Federal Share of Obligations	Difference
1383	Public Assistance	\$1,212,989	\$0	\$1,212,989
	Hazard Mitigation	\$38,238	\$0	\$38,238
1294	Public Assistance	\$2,042,414	\$1,343,930	\$698,484
	Hazard Mitigation	\$683,515	\$133,429	\$550,086
1289	Hazard Mitigation	\$15,472	\$0	\$15,472
1219	Hazard Mitigation	\$215,072	\$147,276	\$67,796
1130	Public Assistance	\$15,254	\$0	\$15,254
1093	Hazard Mitigation	\$519,641	\$645,306	\$125,665

The differences in the Federal share of obligations shown in the accounting system and reported on FSRs were caused by several discrepancies. According to the Chief of Pennsylvania's Office of the Budget, Comptroller Operations, Federal Accounting Division, the differences for Disasters 1383 through 1289 were attributed to the office erroneously canceling some FY2001 balances instead of rolling them forward to FY2002. Explanations for other differences were:

- 1219 HM - clerical error
- 1130 PA - difference reflects administrative costs put into obligations on FSR, but not included in accounting system figures;

- 1093 HM - encumbrances exceeded authorized Federal amounts. The Federal share of obligations was reduced so the unobligated balance of Federal funds would equal zero.

We also found that Financial Status Reports submitted to FEMA Region III did not accurately reflect ONA program expenditures under disasters No.1485 and No.1497.

ONA program rules direct states to provide financial status reports [44 CFR 206.120(f)(2)(i)] that are to report the status of grant funds [44 CFR 13.41]. The approved ONA administrative plans for disasters No.1485 and No.1497 state the Department of Public Welfare (DPW), Comptroller/Federal Reporting Office is responsible for the Quarterly Financial Status Reports while the ONA program is active. The Pennsylvania Office of the Budget/Comptroller Operations is responsible for the final FSR after the grant period ends.

December 31, 2003 FSRs for ONA programs under disasters No.1485 and No.1497 do not accurately reflect the status of grant funds. The FSRs submitted to FEMA reported no expenditures under either program. Significant expenditures, however, had been made. ONA disbursements under disaster No. 1485 were over \$475,000, and under No.1497 were over \$325,000. While there had been no draw down of federal funds at the time of our review, the Federal government will eventually be asked to reimburse the Commonwealth for 75% of these amounts.

The DPW Comptroller, who is responsible for ONA accounting functions while the program is active, did not file ONA Quarterly Financial Status Reports for the period ending December 31, 2003 as required in the FEMA approved administrative plans. Instead, another office (Pennsylvania's Office of the Budget, Comptroller Operations) filed the required ONA reports on disasters No. 1485 and 1497, but the information was inaccurate. According to the Office of the Budget's Chief, the portions of the reports related to ONA program expenditures did not show any activity because the office does not have information on ONA program expenditures until such time as the DPW comptroller moves an amount into the federal share account for drawdown of Federal funds.

### ***Conclusions and Recommendations***

The accounting system used to track and report on the status of FEMA Hazard Mitigation and Public Assistance grant funds does not accurately reflect programs' status. This is not in accordance with financial management system standards specified by 44 CFR 13.20 and constitutes a financial control weakness.

In addition, the DPW Comptroller was not filing ONA program Quarterly Financial Status Reports as stipulated in the FEMA approved ONA Administrative Plan. When the Office of Budget filed the reports on behalf of the DPW, the reports did not accurately reflect the status of ONA grant funds because the Office did not have the ONA expenditure information.

The Acting Director, FEMA Region III, should require PEMA to establish procedures to insure that:

1. Public Assistance and Hazard Mitigation program figures reported in future Financial Status reports are fully supported by accounting records.
2. Quarterly Financial Status Reports submitted to FEMA accurately reflect the status of ONA program grant funds, and are filed by the appropriate office as stipulated in the approved administrative plan.

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

FEMA Region III and the grantee agreed with the finding regarding the inaccuracies in the Financial Status Reports (FSR). FEMA Region III stated it would review PEMA's established written procedures for complete and accurate FSRs submitted to FEMA for the PA, HM and ONA programs. Region III will insure that the procedures and required documentation are adequate to report both federal and non-federal dollars, unliquidated obligations, and how all expenses are linked back to the accounting system. In addition, they plan to conduct a site visit the 4<sup>th</sup> quarter FY 2005 to ensure procedures, as stated in PEMA's response, are in place and financial reports are completed accurately.

*We believe actions being taken by Region III and PEMA adequately resolves and closes the finding.*

### **Program Management**

#### **1. State Share of Mission Assignment Costs**

Pennsylvania had not reimbursed FEMA its share of mission assignment costs as required under 44 CFR 206.208 and as specified in the FEMA-Commonwealth Agreement.

When the state and local government lack the capability to perform or to contract for eligible emergency work or debris removal, the grantee may request that the work be accomplished by a Federal agency. Requests for direct Federal assistance shall be submitted to the Regional Director and shall include a written agreement that the state will provide reimbursement for the non Federal share of the cost of such work in accordance with the provisions of the FEMA-State agreement [44 CFR 206.208].

Pennsylvania had not reimbursed FEMA for its share of Environmental Protection Agency mission assignment costs under disaster No.1294, declared September 1999. The cost of the assignment was \$239,535 with the Commonwealth's share being \$59,884. The grantee had not paid the Commonwealth's matching share because FEMA had not requested payment from the state. According to the Team Leader, Other Federal Agency Payment Team at FEMA's Disaster Finance Center, a headquarters decision had been made to only bill for mission assignments for disasters declared in FY 2001 and later. The Office of the Inspector

General has found that management controls for mission assignments were not adequate. In a 2001 report the Inspector General concluded that a more active approach needed to be taken by the Chief Financial Officer to collect the outstanding state share of completed mission assignments. The Inspector General recommended that a review of the status of all mission assignments was needed to determine the amounts due FEMA, and that collection action be initiated as appropriate [H-06-01].

This instance of noncompliance with the matching share requirement, mandated by the Stafford Act, was relevant to the audit objectives and included in this report. However, no recommendation is provided to address the condition cited because the appropriate recommendations have been included in the 2001 OIG report addressed to FEMA's Chief Financial Officer.

## **2. *Public Assistance Subgrantee Monitoring***

PEMA had not developed policies and procedures specifying how the activities of subgrantees will be monitored and documented, and did not require subgrantees to submit quarterly project status reports as stipulated in PEMA's Public Assistance Administrative Plan.

Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity [44 CFR 13.40(a)]. The State shall develop a plan for the administration of the Public Assistance Program [44 CFR 206.207(b)]. This plan constitutes an agreement between FEMA and the State detailing how grant funds will be administered, and FEMA may take a variety of actions if a grantee materially fails to comply with its terms [44 CFR 13.43].

The FEMA approved Public Assistance Administrative Plans state that the PEMA Public Assistance Staff will maintain contact with their applicant agents in order to monitor the progress of all approved project worksheets and provide assistance and guidance, as needed, throughout their recovery period. The plans also state that subgrantees will be required to submit quarterly project status reports on open large projects.

PEMA officials told us that they have frequent contact with subgrantees to monitor project status. This was done in a variety of ways, with the most common being correspondence with the subgrantee usually in the form of email. Phone conversations, faxes and letters were also used. While we have no reason to doubt frequent subgrantee monitoring did occur, it was inconsistently documented.

During our review of project files, we noted that in some files there were numerous documented contacts, but in other project files there was little evidence documenting periodic monitoring. PEMA does not have policies and procedures detailing how PA subgrantee

monitoring should be documented, and PEMA's PA program officials stated they were sometimes lax about documenting these activities.

Further, from our review of PA project files and discussions with PEMA officials, the requirement for subgrantees to submit quarterly progress reports on large public assistance projects was not being enforced. The PEMA Public Assistance Officer stated that PEMA did not usually require subgrantees to submit the reports unless there may be a problem involving noncompliance with Commonwealth or Federal regulations. However, this practice directly contradicts the State's requirement stipulated in the PA Administrative Plan.

Our detailed review of public assistance projects included seven large projects where it appeared quarterly progress reports were warranted. The time between FEMA approval of these projects and final inspection ranged from 7 months to over 3 years. We found, however, no evidence that subgrantee quarterly progress reports had been submitted on any of these projects.

In discussions with PEMA officials they pointed out that in some cases circumstances could negate the need for progress reports, and to require them would impose an unnecessary administrative burden on the subgrantee. They cited the case of Ambler Borough where the project had been approved in August 2001, but no work had been done. However, in this instance, periodic progress reports would have documented the reason for the delay to ensure that the grantee is aware of the relevant issues that should be addressed.

### *Conclusions and Recommendations*

PEMA is not requiring subgrantees to submit quarterly large project status reports as stipulated in the FEMA approved Pennsylvania Administrative Plan for the Public Assistance Program. In the absence of periodic project status reports, and no clear guidance governing documentation of subgrantee monitoring, management has no assurance that subgrantees are being appropriately monitored to insure performance goals are being achieved, or compliance with applicable Federal requirements are met.

The Acting Director, FEMA Region III, should direct PEMA to:

1. Require that public assistance subgrantees submit quarterly progress reports as specified in the approved administrative plan.
2. Establish and implement policies and procedures to insure complete and consistent documentation of required 44 CFR subgrantee monitoring activities.

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

FEMA Region III and the grantee agreed with the finding. The Region stated they had discussed Public Assistance subgrantee monitoring with PEMA officials. PEMA has made a commitment to revise its administrative plans to reflect refined policies and procedures.



Implementing these policies and procedures will ensure complete and consistent documentation of their contact with applicants and their subgrantee monitoring activities. Standard "Applicants Correspondence Log" and Memorandum for File" forms have been developed. Additionally, PEMA has recently developed the PEMA "Quarterly Large Project Status Report" to be submitted by subgrantees against all large projects on an individual basis. PEMA is moving forward with the Applicants' Briefing Process to include this form as part of the standard orientation process and to require it for all approved projects. According to Region III, PEMA will need to develop an implementation plan to obtain reports for all subgrantees from past disasters and to seek a reporting process for small projects.

*We believe actions being taken by Region III and PEMA are adequate to resolve and close the finding.*

### **3. Other Needs Assistance (ONA) Administrative Plan**

Pennsylvania ONA Administrative Plans contain provisions to charge certain state employee regular and overtime salaries to grant administrative expenses. However, Federal ONA program rules prohibit the charging of a state employee's regular salaries to the program. Funds provided to the State for administering Other Needs Assistance shall not be used to pay regular time for State employees, but may be used to pay their overtime costs [44 CFR 206.120(f)(3)]. FEMA Region III approved Pennsylvania's Administrative Plans for ONA programs under disasters No. 1485 and No. 1497. Both plans are in conflict with the above cited requirement.

Specifically, the plans state that for certain identified positions, salaries "will be paid in accordance with the Commonwealth's wage rate for that position and will be charged to the administrative portion of the grant in accordance with the percentage of time this individual has dedicated to the particular disaster". The specific positions identified are the Grant Coordinating Officer, Grant Coordinating Officer Administrative Assistant, ONA Supervisors, Clerical staff, and Application Processors.

At the time of our review, both ONA grants were ongoing and no Federal funds for administrative costs had been claimed. According to Department of Public Welfare officials, such cost will be claimed as part of grant closeout. States were allowed to claim employee regular time salaries as administrative expenses under the IFG program<sup>5</sup>, but such charges are not allowed under the ONA program. Commonwealth program officials stated they were not aware of this change when the plans were developed, and the administrative plans would be amended to conform to the new requirement.

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<sup>5</sup> The Disaster Mitigation Act of 2000 consolidated Temporary Housing Assistance and Individual Family Grant (IFG) Programs into a single program called Federal Assistance to Individuals and Households. Under this Act, States were given the option of administering the Other Needs Assistance (ONA) portion of the program. Some administrative costs States could claim under the IFG program are not allowed under the ONA program.

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*Conclusions and Recommendations*

The current Pennsylvania ONA Program Administrative Plan is not in compliance with governing federal regulations and if followed, could result in ineligible costs being charged against ONA grants. FEMA Region III review of these plans did not identify the non-compliant sections.

The Acting Director, FEMA Region III, should:

1. Strengthen ONA State Administrative Plan review and approval procedures to ensure that future plans comply with governing regulations.
2. Require PEMA to submit amended plans for review and approval, and ensure that regular salaries of state employees are not claimed as administrative costs under the ONA grants.

*Management Response and Auditor's Analysis*

FEMA Region III agreed with the recommendation to strengthen the Region's ONA State Administrative Plan (SAP) review process and stated that all future SAPs will be reviewed very closely to assure that they are in total compliance with governing federal regulations. They noted that the finding was specific to the SAPs associated with disasters DR-1485 and DR-1497 and stated these plans had been re-written. The grantee also concurred in the finding. SAP revisions were made to reflect compliance with 44 CFR 206(f)(3) and submitted to FEMA Region III on April 12, 2004. FEMA Region III acknowledged and approved the revisions.

*The actions taken by the Director, Region III and the grantee are adequate to resolve the conditions cited, and the finding is considered resolved and closed.*

**ATTACHMENTS**

## Attachment A-1

Sources and Application of Funds  
As of September 30, 2003  
All Disasters

	<u>Public Assistance</u>	<u>Individual Family/ONA</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
<b>Award Amounts</b>				
Federal Share	\$ 173,020,076	\$ 14,283,178	\$ 43,624,945	\$ 230,928,199
Local/state Share	\$ 57,096,625	\$ 4,713,449	\$ 14,396,232	\$ 76,206,306
<b>Total Award Amount</b>	<b>\$ 230,116,701</b>	<b>\$ 18,996,627</b>	<b>\$ 58,021,177</b>	<b>\$ 307,134,505</b>
<b>Sources of Funds</b>				
Federal Share (Smartlink)	\$ 167,592,532	\$ 14,213,178	\$ 42,042,975	\$ 223,848,685
State Share	\$ 55,305,536	\$ 4,690,349	\$ 13,874,182	\$ 73,870,067
<b>Total sources of funds</b>	<b>\$ 222,898,068</b>	<b>\$ 18,903,527</b>	<b>\$ 55,917,157</b>	<b>\$ 297,718,752</b>
<b>Undrawn Federal Authorization</b>	<b>\$ 5,427,544</b>	<b>\$ 70,000</b>	<b>\$ 1,581,970</b>	<b>\$ 7,079,514</b>
<b>Application of Funds (Expenditures)</b>				
Federal Share	\$ 167,585,169	\$ 14,213,178	\$ 42,137,966	\$ 223,936,313
State share	\$ 54,097,763	\$ 4,568,895	\$ 13,628,567	\$ 72,295,225
<b>Total Application of Funds</b>	<b>\$ 221,682,932</b>	<b>\$ 18,782,073</b>	<b>\$ 55,766,533</b>	<b>\$ 296,231,538</b>
<b>Balance of Federal Funds on Hand<sup>6</sup></b>	<b>\$ 7,363</b>	<b>\$ 0</b>	<b>\$ (94,991)</b>	<b>\$ (87,628)</b>

<sup>6</sup> Numbers in parenthesis indicate Commonwealth expenditures at this date exceeded Federal fund drawdowns.

Attachment A-2

Sources and Application of Funds  
As of September 30, 2003  
Disaster No. 1015  
Declared March 10, 1994

	<u>Public Assistance</u>	<u>Individual Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
<b>Award Amounts</b>				
Federal Share	\$ 68,922,499	\$ 0	\$ 10,559,517	\$ 79,482,016
Local/state Share	\$ 22,744,425	\$ 0	\$ 3,484,640	\$ 26,229,065
<b>Total Award Amount</b>	<b>\$ 91,666,924</b>	<b>\$ 0</b>	<b>\$ 14,044,157</b>	<b>\$ 105,711,081</b>
<b>Sources of Funds</b>				
Fed Share (Smartlink)	\$ 68,922,499	\$ 0	\$ 10,489,654	\$ 79,412,153
State Share	\$ 22,744,425	\$ 0	\$ 3,461,586	\$ 26,206,011
<b>Total sources of funds</b>	<b>\$ 91,666,924</b>	<b>\$ 0</b>	<b>\$ 13,951,240</b>	<b>\$ 105,618,164</b>
<b>Undrawn Federal Authorization</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 69,863</b>	<b>\$ 69,863</b>
<b>Application of Funds (Expenditures)</b>				
Federal Share	\$ 68,922,499	\$ 0	\$ 10,559,517	\$ 79,482,016
State share	\$ 22,183,343	\$ 0	\$ 3,408,893	\$ 25,592,236
<b>Total Application of Funds</b>	<b>\$ 91,105,842</b>	<b>\$ 0</b>	<b>\$ 13,968,410</b>	<b>\$ 105,074,252</b>
<b>Balance of Federal Funds on Hand<sup>7</sup></b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (69,863)</b>	<b>\$ (69,863)</b>
<b>Program Status September 30, 2003</b>	<b>Closed</b>	<b>N/A</b>	<b>Open</b>	

<sup>7</sup> Numbers in parenthesis indicate Commonwealth expenditures at this date exceeded Federal fund drawdowns.

Sources and Application of Funds  
As of September 30, 2003  
Disaster No. 1093  
Declared January 21, 1996

	<u>Public Assistance</u>	<u>Individual Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
<b>Award Amounts</b>				
Federal Share	\$ 66,836,596	\$ 7,522,117	\$ 21,467,057	\$ 95,825,770
Local/state Share	\$ 22,056,077	\$ 2,482,299	\$ 7,084,129	\$ 31,622,505
<b>Total Award Amount</b>	<b>\$ 88,892,673</b>	<b>\$ 10,004,416</b>	<b>\$ 28,551,186</b>	<b>\$ 127,448,275</b>
<b>Sources of Funds</b>				
Federal Share (Smartlink)	\$ 65,491,306	\$ 7,522,117	\$ 20,922,288	\$ 93,935,711
State Share	\$ 21,612,131	\$ 2,482,299	\$ 6,904,355	\$ 30,998,785
<b>Total sources of funds</b>	<b>\$ 87,103,437</b>	<b>\$ 10,004,416</b>	<b>\$ 27,826,643</b>	<b>\$ 124,934,496</b>
<b>Undrawn Federal Authorization</b>	<b>\$ 1,345,290</b>	<b>\$ 0</b>	<b>\$ 544,769</b>	<b>\$ 1,890,059</b>
<b>Application of Funds (Expenditures)</b>				
Federal Share	\$ 65,491,306	\$ 7,522,117	\$ 20,947,416	\$ 93,960,839
State share	\$ 21,235,123	\$ 2,389,265	\$ 6,789,863	\$ 30,414,251
<b>Total Application of Funds</b>	<b>\$ 86,726,429</b>	<b>\$ 9,911,382</b>	<b>\$ 27,737,279</b>	<b>\$ 124,375,090</b>
<b>Balance of Federal Funds on Hand<sup>8</sup></b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (25,128)</b>	<b>\$ (25,128)</b>
<b>Program Status September 30, 2003</b>	<b>Open</b>	<b>Closed</b>	<b>Open</b>	

<sup>8</sup> Numbers in parenthesis indicate Commonwealth expenditures at this date exceeded Federal fund drawdowns.

## Attachment A-4

**Sources and Application of Funds**  
As of September 30, 2003  
Disaster No. 1120  
Declared June 18, 1996

	<u>Public</u> <u>Assistance</u>	<u>Individual</u> <u>Family</u>	<u>Hazard</u> <u>Mitigation</u>	<u>Totals</u>
<b>Award Amounts</b>				
Federal Share	\$ 1,081,622	\$ 403,010	\$ 697,172	\$ 2,181,804
Local/state Share	\$ 356,935	\$ 132,993	\$ 230,067	\$ 719,995
<b>Total Award Amount</b>	<b>\$ 1,438,557</b>	<b>\$ 536,003</b>	<b>\$ 927,239</b>	<b>\$ 2,901,799</b>
<b>Sources of Funds</b>				
Federal Share (Smartlink)	\$ 1,081,622	\$ 403,010	\$ 697,172	\$ 2,181,804
State Share	\$ 356,935	\$ 132,993	\$ 230,067	\$ 719,995
<b>Total sources of funds</b>	<b>\$ 1,438,557</b>	<b>\$ 536,003</b>	<b>\$ 927,239</b>	<b>\$ 2,901,799</b>
<b>Undrawn Federal Authorization</b>				
	\$ 0	\$ 0	\$ 0	\$ 0
<b>Application of Funds (Expenditures)</b>				
Federal Share	\$ 1,074,259	\$ 403,010	\$ 697,172	\$ 2,174,441
State share	\$ 342,844	\$ 128,141	\$ 221,019	\$ 692,004
<b>Total Application of Funds</b>	<b>\$ 1,417,103</b>	<b>\$ 531,151</b>	<b>\$ 918,191</b>	<b>\$ 2,866,445</b>
<b>Balance of Federal Funds on Hand</b>				
	\$ 7,363	\$ 0	\$ 0	\$ 7,363
<b>Program Status September 30, 2003</b>				
	Open	Closed	Open	

Attachment A-5

Sources and Application of Funds  
As of September 30, 2003  
Disaster No. 1130  
Declared July 26, 1996

	<u>Public Assistance</u>	<u>Individual Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
<b>Award Amounts</b>				
Federal Share	\$ 11,902,574	\$ 1,473,829	\$ 2,817,092	\$ 16,193,495
Local/state Share	\$ 3,927,849	\$ 486,364	\$ 929,640	\$ 5,343,853
<b>Total Award Amount</b>	<b>\$ 15,830,423</b>	<b>\$ 1,960,193</b>	<b>\$ 3,746,732</b>	<b>\$ 21,537,348</b>
<b>Sources of Funds</b>				
Federal Share (Smartlink)	\$ 11,887,320	\$ 1,473,829	\$ 2,817,092	\$ 16,178,241
State Share	\$ 3,922,816	\$ 486,364	\$ 929,640	\$ 5,338,820
<b>Total sources of funds</b>	<b>\$ 15,810,136</b>	<b>\$ 1,960,193</b>	<b>\$ 3,746,732</b>	<b>\$ 21,517,061</b>
<b>Undrawn Federal Authorization</b>	<b>\$ 15,254</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 15,254</b>
<b>Application of Funds (Expenditures)</b>				
Federal Share	\$ 11,887,320	\$ 1,473,829	\$ 2,817,092	\$ 16,178,241
State share	\$ 3,827,713	\$ 468,021	\$ 908,341	\$ 5,204,075
<b>Total Application of Funds</b>	<b>\$ 15,715,033</b>	<b>\$ 1,941,850</b>	<b>\$ 3,725,433</b>	<b>\$ 21,382,316</b>
<b>Balance of Federal Funds on Hand</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Program Status September 30, 2003</b>	<b>Open</b>	<b>Closed</b>	<b>Open</b>	



Attachment A-6

Sources and Application of Funds  
As of September 30, 2003  
Disaster No. 1138  
Declared September 17, 1996

	<u>Public Assistance</u>	<u>Individual Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
<b>Award Amounts</b>				
Federal Share	\$ 3,653,377	\$ 392,566	\$ 1,044,120	\$ 5,090,063
Local/state Share	\$ 1,205,614	\$ 129,547	\$ 344,560	\$ 1,679,721
<b>Total Award Amount</b>	<b>\$ 4,858,991</b>	<b>\$ 522,113</b>	<b>\$ 1,388,680</b>	<b>\$ 6,769,784</b>
<b>Sources of Funds</b>				
Fed Share (Smartlink)	\$ 3,653,377	\$ 392,566	\$ 1,044,120	\$ 5,090,063
State Share	\$ 1,205,614	\$ 129,547	\$ 344,560	\$ 1,679,721
<b>Total sources of funds</b>	<b>\$ 4,858,991</b>	<b>\$ 522,113</b>	<b>\$ 1,388,680</b>	<b>\$ 6,769,784</b>
<b>Undrawn Federal Authorization</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Application of Funds (Expenditures)</b>				
Federal Share	\$ 3,653,377	\$ 392,566	\$ 1,044,120	\$ 5,090,063
State share	\$ 1,166,399	\$ 125,578	\$ 331,129	\$ 1,623,106
<b>Total Application of Funds</b>	<b>\$ 4,819,776</b>	<b>\$ 518,144</b>	<b>\$ 1,375,249</b>	<b>\$ 6,713,169</b>
<b>Balance of Federal Funds on Hand</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Program Status September 30, 2002</b>	<b>Closed</b>	<b>Closed</b>	<b>Open</b>	

Sources and Application of Funds  
As of September 30, 2003  
Disaster No. 1219  
Declared June 8, 1998

	<u>Public Assistance</u>	<u>Individual Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
<b>Award Amounts</b>				
Federal Share	\$ 1,868,703	\$ 199,856	\$ 452,415	\$ 2,520,974
Local/state Share	\$ 616,672	\$ 65,952	\$ 149,297	\$ 831,921
<b>Total Award Amount</b>	<b>\$ 2,485,375</b>	<b>\$ 265,808</b>	<b>\$ 601,712</b>	<b>\$ 3,352,895</b>
<b>Sources of Funds</b>				
Federal Share (Smartlink)	\$ 1,868,703	\$ 199,856	\$ 237,343	\$ 2,305,902
State Share	\$ 616,672	\$ 65,952	\$ 78,323	\$ 760,947
<b>Total sources of funds</b>	<b>\$ 2,485,375</b>	<b>\$ 265,808</b>	<b>\$ 315,666</b>	<b>\$ 3,066,849</b>
<b>Undrawn Federal Authorization</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 215,072</b>	<b>\$ 215,072</b>
<b>Application of Funds (Expenditures)</b>				
Federal Share	\$ 1,868,703	\$ 199,856	\$ 237,343	\$ 2,305,902
State share	\$ 593,238	\$ 66,710	\$ 73,278	\$ 733,226
<b>Total Application of Funds</b>	<b>\$ 2,461,941</b>	<b>\$ 266,566</b>	<b>\$ 310,621</b>	<b>\$ 3,039,128</b>
<b>Balance of Federal Funds on Hand</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Program Status September 30, 2003</b>	<b>Closed</b>	<b>Closed</b>	<b>Open</b>	

Attachment A-8

**Sources and Application of Funds  
As of September 30, 2003  
Disaster No. 1289  
Declared September 1, 1999**

	<u>Public Assistance</u>	<u>Individual Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
<b>Award Amounts</b>				
Federal Share	\$ 785,818	\$ 171,553	\$ 289,650	\$ 1,247,021
Local/state Share	\$ 259,320	\$ 56,612	\$ 95,585	\$ 411,517
<b>Total Award Amount</b>	<b>\$ 1,045,138</b>	<b>\$ 228,165</b>	<b>\$ 385,235</b>	<b>\$ 1,658,538</b>
<b>Sources of Funds</b>				
Federal Share (Smartlink)	\$ 785,818	\$ 171,553	\$ 274,178	\$ 1,231,549
State Share	\$ 259,320	\$ 56,612	\$ 90,479	\$ 406,411
<b>Total sources of funds</b>	<b>\$ 1,045,138</b>	<b>\$ 228,165</b>	<b>\$ 364,657</b>	<b>\$ 1,637,960</b>
<b>Undrawn Federal Authorization</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 15,472</b>	<b>\$ 15,472</b>
<b>Application of Funds (Expenditures)</b>				
Federal Share	\$ 785,818	\$ 171,553	\$ 274,178	\$ 1,231,549
State share	\$ 248,525	\$ 68,820	\$ 88,189	\$ 405,534
<b>Total Application of Funds</b>	<b>\$ 1,034,343</b>	<b>\$ 240,373</b>	<b>\$ 362,367</b>	<b>\$ 1,637,083</b>
<b>Balance of Federal Funds on Hand</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Program Status September 30, 2003</b>	<b>Closed</b>	<b>Closed</b>	<b>Open</b>	

Sources and Application of Funds  
As of September 30, 2003  
Disaster No. 1294  
Declared September 18, 1999

	<u>Public Assistance</u>	<u>Individual Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
<b>Award Amounts</b>				
Federal Share	\$ 10,917,080	\$ 3,067,765	\$ 4,299,896	\$ 18,284,741
Local/state Share	\$ 3,602,637	\$ 1,012,362	\$ 1,418,966	\$ 6,033,965
<b>Total Award Amount</b>	<b>\$ 14,519,717</b>	<b>\$ 4,080,127</b>	<b>\$ 5,718,862</b>	<b>\$ 24,318,706</b>
<b>Sources of Funds</b>				
Federal Share (Smartlink)	\$ 8,756,076	\$ 3,067,765	\$ 3,601,340	\$ 15,425,181
State Share	\$ 2,889,505	\$ 1,012,362	\$ 1,188,442	\$ 5,090,309
<b>Total sources of funds</b>	<b>\$ 11,645,581</b>	<b>\$ 4,080,127</b>	<b>\$ 4,789,782</b>	<b>\$ 20,515,490</b>
<b>Undrawn Federal Authorization</b>	<b>\$ 2,161,004</b>	<b>\$ 0</b>	<b>\$ 698,556</b>	<b>\$ 2,859,560</b>
<b>Application of Funds (Expenditures)</b>				
Federal Share	\$ 8,756,076	\$ 3,067,765	\$ 3,601,340	\$ 15,425,181
State share	\$ 2,824,920	\$ 1,008,720	\$ 1,167,754	\$ 5,001,394
<b>Total Application of Funds</b>	<b>\$ 11,580,996</b>	<b>\$ 4,076,485</b>	<b>\$ 4,769,094</b>	<b>\$ 20,426,575</b>
<b>Balance of Federal Funds on Hand</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Program Status September 30, 2003</b>	<b>Open</b>	<b>Closed</b>	<b>Open</b>	

Sources and Application of Funds  
As of September 30, 2003  
Disaster No. 1298  
Declared September 22, 1999

	<u>Public Assistance</u>	<u>Individual Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
<b>Award Amounts</b>				
Federal Share	\$ 0	\$ 178,608	\$ 195,648	\$ 374,256
Local/state Share	\$ 0	\$ 58,941	\$ 64,564	\$ 123,505
<b>Total Award Amount</b>	<b>\$ 0</b>	<b>\$ 237,549</b>	<b>\$ 260,212</b>	<b>\$ 497,761</b>

<b>Sources of Funds</b>				
Federal Share (Smartlink)	\$ 0	\$ 178,608	\$ 195,648	\$ 374,256
State Share	\$ 0	\$ 58,941	\$ 64,564	\$ 123,505
<b>Total sources of funds</b>	<b>\$ 0</b>	<b>\$ 237,549</b>	<b>\$ 260,212</b>	<b>\$ 497,761</b>

<b>Undrawn Federal Authorization</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
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<b>Application of Funds (Expenditures)</b>				
Federal Share	\$ 0	\$ 178,608	\$ 195,648	\$ 374,256
State share	\$ 0	\$ 58,443	\$ 61,633	\$ 120,076
<b>Total Application of Funds</b>	<b>\$ 0</b>	<b>\$ 237,051</b>	<b>\$ 257,281</b>	<b>\$ 494,332</b>

<b>Balance of Federal Funds on Hand</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
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<b>Program Status September 30, 2003</b>	<b>NA</b>	<b>Closed</b>	<b>Open</b>
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Sources and Application of Funds  
As of September 30, 2003  
Disaster No. 1383  
Declared June 21, 2001

	<u>Public Assistance</u>	<u>Individual Family</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
<b>Award Amounts</b>				
Federal Share	\$ 7,008,410	\$ 803,874	\$ 1,802,378	\$ 9,614,662
Local/state Share	\$ 2,312,775	\$ 265,278	\$ 594,785	\$ 3,172,838
<b>Total Award Amount</b>	<b>\$ 9,321,185</b>	<b>\$ 1,069,152</b>	<b>\$ 2,397,163</b>	<b>\$ 12,787,500</b>
<b>Sources of Funds</b>				
Federal Share (Smartlink)	\$ 5,145,811	\$ 803,874	\$ 1,764,140	\$ 7,713,825
State Share	\$ 1,698,118	\$ 265,278	\$ 582,166	\$ 2,545,562
<b>Total sources of funds</b>	<b>\$ 6,843,929</b>	<b>\$ 1,069,152</b>	<b>\$ 2,346,306</b>	<b>\$ 10,259,387</b>
<b>Undrawn Federal Authorization</b>	<b>\$ 1,862,599</b>	<b>\$ 0</b>	<b>\$ 38,238</b>	<b>\$ 1,900,837</b>
<b>Application of Funds (Expenditures)</b>				
Federal Share	\$ 5,145,811	\$ 803,874	\$ 1,764,140	\$ 7,713,825
State share	\$ 1,675,658	\$ 255,198	\$ 578,468	\$ 2,509,324
<b>Total Application of Funds</b>	<b>\$ 6,821,469</b>	<b>\$ 1,059,072</b>	<b>\$ 2,342,608</b>	<b>\$ 10,223,149</b>
<b>Balance of Federal Funds on Hand</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Program Status September 30, 2003</b>	<b>Open</b>	<b>Closed</b>	<b>Open</b>	

Sources and Application of Funds  
As of September 30, 2003  
Disaster No. 1485  
Declared August 23, 2003

	<u>Public Assistance</u>	<u>Other Needs Assistance</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
<b>Award Amounts</b>				
Federal Share	\$ 43,397	\$ 70,000	\$ 0	\$ 113,397
Local/state Share	\$ 14,321	\$ 23,100	\$ 0	\$ 37,421
<b>Total Award Amount</b>	<b>\$ 57,718</b>	<b>\$ 93,100</b>	<b>\$ 0</b>	<b>\$ 150,818</b>

<b>Sources of Funds</b>				
Federal Share (Smartlink)	\$ 0	\$ 0	\$ 0	\$ 0
State Share	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total sources of funds</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

<b>Undrawn Federal Authorization</b>	<b>\$ 43,397</b>	<b>\$ 70,000</b>	<b>\$ 0</b>	<b>\$ 113,397</b>
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<b>Application of Funds (Expenditures)</b>				
Federal Share	\$ 0	\$ 0	\$ 0	\$ 0
State share	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Application of Funds</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

<b>Balance of Federal Funds on Hand</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
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<b>Program Status September 30, 2003</b>	<b>Open</b>	<b>Open</b>	<b>N/A</b>
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Sources and Application of Funds  
As of September 30, 2003  
Disaster No. 1497  
Declared September 26, 2003

	<u>Public Assistance</u>	<u>Other needs Assistance</u>	<u>Hazard Mitigation</u>	<u>Totals</u>
<b>Award Amounts</b>				
Federal Share <sup>9</sup>	\$ 0	\$ 0	\$ 0	\$ 0
Local/state Share	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Award Amount</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Sources of Funds</b>				
Federal Share (Smartlink)	\$ 0	\$ 0	\$ 0	\$ 0
State Share	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total sources of funds</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Undrawn Federal Authorization</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Application of Funds (Expenditures)</b>				
Federal Share	\$ 0	\$ 0	\$ 0	\$ 0
State share	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Application of Funds</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Balance of Federal Funds on Hand</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Program Status September 30, 2003</b>	<b>N/A</b>	<b>Open</b>	<b>Open</b>	

<sup>9</sup> The Presidential declaration authorized other needs assistance and hazard mitigation funding, but as of this date no Federal funds had been obligated for these programs.



U.S. Department of Homeland Security  
Region III  
One Independence Mall, Sixth Floor  
615 Chestnut Street  
Philadelphia, PA 19106-4404



# FEMA

APR 26 2005

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

FROM: *Patricia G. Arcuri*  
Patricia G. Arcuri  
Acting Regional Director

SUBJECT: FEMA Region III Response to Auditor Findings in the Audit Report  
for the Commonwealth of Pennsylvania's Administration of Disaster  
Assistance Funds

The Pennsylvania Emergency Management Agency (PEMA) has responded to the auditor's findings in the subject audit report. A copy of their letter, dated April 6, 2005, is attached. The purpose of this memorandum is to provide FEMA Region III's response to the findings, including PEMA's response, and the anticipated actions to be taken by my office to resolve these findings:

#### Financial Management

##### 1. Financial Status Reports

FEMA Region III agrees with the auditor's findings regarding the inaccuracies in the Financial Status Reports (FSR). FEMA Region III will review PEMA's established written procedures for complete and accurate FSRs. Region III will insure that the procedures and required documentation are adequate to report both Federal and Non-Federal dollars, unliquidated obligations, and how all expenses are linked back to the accounting system. In addition, we will conduct a site visit in the 4<sup>th</sup> Quarter FY 2005 to ensure procedures, as stated in PEMA's response, are in place and financial reports are completed accurately.

#### Program Management

##### 1. Public Assistance Subgrantee Monitoring

FEMA Region III staff have discussed the finding on Public Assistance subgrantee monitoring with PEMA officials. The Commonwealth has made a commitment to revise its administrative plans to reflect refined policies and procedures. Implementing these policies and procedures will ensure complete and consistent

documentation of their contact with applicants and of their subgrantee monitoring activities. Sample "Applicants Correspondence Log" and "Memorandum for File" forms have been provided accordingly.

PEMA has recently developed the PEMA "Quarterly Large Project Status Report" to be submitted by subgrantees against all large projects on an individual basis. As of the writing of this report, PEMA is moving forward with the Applicants' Briefing Process (*pending FEMA-1587-DR-PA*), to include this form as part of the standard orientation process and to require it for all approved projects. PEMA will need to develop an implementation plan to obtain reports for all subgrantees from past disasters and to seek a reporting process for small projects.

The PEMA "Quarterly Large Project Status Report" developed for subgrantees is well thought out and is the best we have seen in FEMA Region III.

## 2. Other Needs Assistance (ONA) Administrative Plan

The audit finding states that..."The current Pennsylvania ONA Program Administrative Plan is not in compliance with governing federal regulations and if followed, could result in ineligible costs being charged against ONA grants. FEMA Region III review of these plans did not identify the non-compliant sections."

This is very specific to the State Administrative Plans (SAP) for DR-1485 and DR-1497. Somehow, the plans were approved and included wording that state salaries would be reimbursed 100% under the administrative costs, to include regular time. This is not an allowable expense and, at the time of closeout of these programs, would not have been an eligible expense. These specific SAPs for these two disasters were re-written at the time of the events. The Pre-Planning document that was signed prior to these two disasters reflects the SAPs submitted at an earlier time that contain the approved wording regarding state salaries and regular time.

FEMA Region III is in agreement with the auditor's recommendation to strengthen the ONA SAP review process, and all future SAPs will be reviewed very closely to assure that they are in total compliance with governing federal regulations.

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

Attachment

ATTACHMENT A

004

*4/14 DAN Joyce*  




PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY  
2605 Interstate Drive  
Harrisburg, Pennsylvania 17110-9364

*ORO*

April 6, 2005

Ms. Patricia G. Arcuri  
Acting Regional Director  
Federal Emergency Management Agency  
Region III  
One Independence Mall (Sixth Floor)  
615 Chestnut Street  
Philadelphia, Pennsylvania 19106

RECEIVED  
APR 13 AM 2:19

**Subject: Audit of Pennsylvania Emergency Management Agency (PEMA) management and administration of Federal Emergency Management Agency (FEMA) disaster assistance programs open as of September 30, 2003.**

**Attention: Daniel Joyce**

Dear Ms. Arcuri:

The following is PEMA's response to the findings for the Audit of PEMA management and administration of FEMA disaster assistance programs open as of September 30, 2003.

**Financial Management**

**Financial Status Reports**

**Finding:** The accounting system used to track and report on the status of FEMA Hazard Mitigation and Public Assistance grant funds does not accurately reflect programs' status. This is not in accordance with financial management system standards specified by 44 CFR 13.20 and constitutes a financial control weakness.

In addition, the DPW comptroller was not filing ONA Program Quarterly Financial Status Reports as stipulated in the FEMA approved ONA Administrative Plan. When the Office of budget filed the reports on behalf of the DPW, the reports did not accurately reflect the status of ONA grant funds because the Office did not have the ONA expenditure information.

The Acting director, FEMA Region III, should require PEMA to establish procedures to insure that:

1. Public Assistance and Hazard Mitigation program figures reported in future Financial Status Reports are fully supported by accounting records.
2. Quarterly Financial Status Reports submitted to FEMA accurately reflect the status of ONA program grant funds, and are filed by the appropriate office as stipulated in the approved administrative plan.

### **PEMA Response**

The obligations reported in the September 30, 2003, Financial Status Reports did not agree with the accounting system for several disasters assistance programs.

As indicated in the draft audit report, most of these differences were the result of prior year encumbrances as June 30, 2003, that were erroneously cancelled on the accounting system instead of rolled to the current fiscal year during the year end closing process. The encumbrance balances had not been properly reestablished on the accounting system prior to the preparation of the September 30, 2003 FSRs. In some cases, additional spending authority had to be established on the accounting system to provide sufficient funding to repost the encumbrances for the disaster.

In addition, one FSR, 1219 HM, was incorrect due to clerical error. For 1093 HM, the amount of encumbrances reported on the FSR were less than the accounting system because they exceeded the available balance of the disaster. The encumbrances were excessive due to refunds or deobligations not yet posted to the accounting system.

Procedures have been implemented by PEMA's comptroller's Office to properly report all disaster assistance expenditures and obligations on future Financial Status Reports. Several of the disasters included in the audit report have been closed since the end of the audit period, September 30, 2003.

### **Program Management**

#### **Public Assistance Subgrantee Monitoring**

**Finding:** PEMA is not requiring subgrantees to submit quarterly large project status reports as stipulated in the FEMA approved Pennsylvania Administrative Plan for the Public Assistance Program. In absence of periodic project status reports, and no clear guidance governing documentation of subgrantee monitoring, management has no assurance that subgrantees are being appropriately monitored to insure performance goals are being achieved, or compliance with applicable Federal requirements are met.

The Acting director, FEMA Region III, should direct PEMA to:

1. Require that public assistance subgrantees submit quarterly progress reports as specified in the approved administrative plan.
2. Establish and implement policies and procedures to insure complete and consistent documentation of required 44 CFR subgrantee monitoring activities.

#### **PEMA Response**

PEMA Public assistance has developed policies and procedures to ensure that proper documentation is made on all contacts with applicants. (See Attachments 1, 2, and 3)

PEMA will revise its future administrative plans to reflect the circumstances and conditions that will exempt an applicant, for a specified period, from filing a Quarterly Progress Status Report (QPSR) with PEMA. (Example: The applicant has been granted a time extension on a project where they have been unable to begin work due to circumstances beyond their control.)

#### **Other Needs Assistance (ONA) Administrative Plan**

**Finding:** The current Pennsylvania ONA Program Administrative Plan is not in compliance with governing federal regulations and if followed, could result in ineligible costs being charged against ONA grants. FEMA Region III review of these plans did not identify the non-compliant sections.

The Acting director, FEMA Region III, should:

1. Strengthen ONA State Administrative Plan review and approval procedures to ensure that future plans comply with governing regulations.
2. Require PEMA to submit amended plans for review and approval, and ensure that regular salaries of state employees are not claimed as administrative costs under ONA grants.

#### **PEMA Response**

ONA revised the Commonwealth's administrative Plan to reflect compliance with 44 CFR 206(f) (3) and submitted the revision to FEMA's Acting Regional Director on April 12, 2004. FEMA Region III acknowledged the revision and approved the amendment to the Commonwealth's Administrative Plan by way of a memo signed by Thomas M. Majusik, Director, Response and Recovery Division.

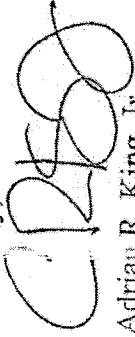
If you have any questions concerning this matter please contact Richard Chorba at [rchorba@state.pa.us](mailto:rchorba@state.pa.us) or (717) 651-2137.

04/26/2005 16:56 FAX 215 931 5621

REGION III PHILA PA

00

Sincerely,



Adrian R. King, Jr.  
Director

ARK:RGK:jk

Enclosures

cc: Carl Phillips  
Frederick Gosart  
Thomas R. Sirolli  
Sue Pulaski  
Kirk Montrose  
Mimi Myslewicz

04/26/2005 16:56 FAX 215 931 5621

REGION III PHILA PA

008

Attachment 1

Public Assistance

Verification of Applicant Contact Policy:

Using the existing "Applicant's Correspondence Log" (currently maintained in each of the Applicants Folders) Public Assistance personnel will record each contact with the applicant (or their representatives).

This process may include using a "Memo to File" (desk contact form or other notation) to record the context of the contact. Administrative personnel may be used to perform the recording of these contacts on the Applicant's Correspondence Log.





Attachment 3

MEMO FOR FILE

APPLICANT: \_\_\_\_\_  
 RIPS NO.: \_\_\_\_\_

COUNTY: \_\_\_\_\_  
 PHONE NO.: \_\_\_\_\_

CONTACT: \_\_\_\_\_  
 DATE: \_\_\_\_\_  
 TIME: \_\_\_\_\_

ASSISTANCE OFFICER \_\_\_\_\_

TEXT: \_\_\_\_\_

U.S. Department of Homeland Security  
One Independence Mall, Sixth Floor  
615 Chestnut Street  
Philadelphia, PA 19106-4404



FEMA

*Boyer  
Legal*

Mr. David M. Sanko  
Director, Pennsylvania Emergency  
Management Agency  
2605 Interstate Drive  
Harrisburg, Pennsylvania 17110-9364

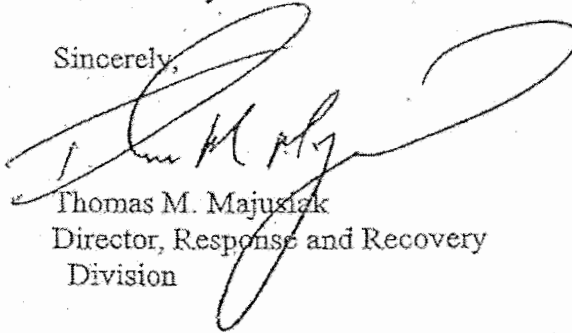
Dear Mr. Sanko:

The amendments that you submitted for the Commonwealth of Pennsylvania Administrative Plan, Individuals and Households Program (IHP) Other Needs Assistance (ONA) are approved.

Enclosed is a copy of the signed Option Page.

If you have any questions, please call Eileen Fedele of my staff at 215-931-5630.

Sincerely,



Thomas M. Majusiak  
Director, Response and Recovery  
Division

Enclosure:

*Richard Chorba*

COMMONWEALTH OF PENNSYLVANIA – ADMINISTRATION PLAN

I. INDIVIDUALS AND HOUSEHOLDS PROGRAM (OTHER NEEDS ASSISTANCE)

This plan sets forth the organization, staffing and procedures for administration of the Individuals and Households Program (Other Needs Assistance) in the Commonwealth of Pennsylvania subsequent to a major disaster declaration by the President of The United States. This plan is intended to meet requirements of 44 CFR 206.120

II. ADMINISTRATION OF OTHER NEEDS ASSISTANCE CHOICE

The Federal Emergency Management Agency (FEMA) and the Commonwealth of Pennsylvania must establish a partnership for the delivery of assistance under Subsections 408(e) & (f) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), 42 U.S.C. 5174 (e) and (f). FEMA and the Commonwealth of Pennsylvania are executing this administrative plan to govern the delivery of assistance for implementation following Presidentially declared disaster for calendar year 2003.

III COMMONWEALTH ADMINISTRATIVE OPTIONS:

The Commonwealth selects the following administrative option for the effective period of this plan.

FEMA Option: FEMA administers and processes. Initial here \_\_\_\_\_ to select.

Joint Option: Commonwealth administers and FEMA participates: Initial here DMS to select.

FEMA Processing System Auto-determination ON

FEMA Processing System Auto-determination OFF

State Option: State administers and processes: Initial here \_\_\_\_\_ to select.

Percentage of IHP maximum award dedicated for ONA \_\_\_\_\_.

The Commonwealth establishes the amount to be paid for transportation and funeral expenses:

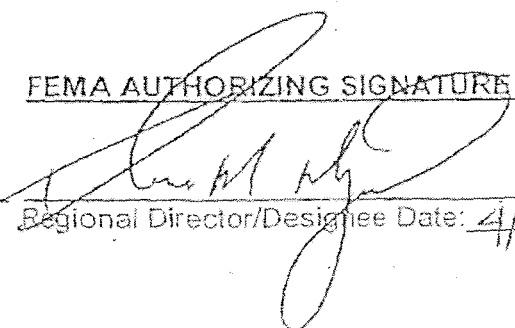
- Transportation-Vehicle Repair Amount - N/A.
- Transportation-Vehicle Replacement - Actual replacement value to a maximum as indicated in the Kelly Blue Book for the destroyed vehicle or up to \$7,625 whichever is the lesser amount.
- Funeral - Actual expenses to a maximum of \$5,580 per person

This administrative option is agreed upon by:

COMMONWEALTH AUTHORIZING SIGNATURE:

FEMA AUTHORIZING SIGNATURE:





Governor's Authorized Representative Date: 4/26/05

Regional Director/Designee Date: 4/26/05

ATTACHMENT B

PEMA-DAP-1  
Revised 1/00

COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY

QUARTERLY LARGE PROJECT STATUS REPORT

DATE: \_\_\_\_\_

TO: Pennsylvania Emergency Management Agency  
Bureau of Recovery and Mitigation  
ATTN: Public Assistance Officer  
2605 Interstate Drive  
Harrisburg, Pennsylvania 17110-2150

FROM: \_\_\_\_\_  
Applicant Name - Government or Private Nonprofit      FEMA I. D. Number \_\_\_\_\_  
\_\_\_\_\_  
Mail Address      Disaster Number \_\_\_\_\_  
\_\_\_\_\_  
City, State, ZIP      County \_\_\_\_\_

This is the current status of Project Worksheet # \_\_\_\_\_ as of \_\_\_\_/\_\_\_\_/\_\_\_\_.

Project Name \_\_\_\_\_

The FEMA approved amount of this Project Worksheet is \$ \_\_\_\_\_

The current estimate of the cost to perform the Approved Scope of Work is \$ \_\_\_\_\_

Stage / Phase	Date
Engineering / Design	
DEP permit applied for	
DEP permit approved	
Advertised for bids	
Bids received	
Contractor selected	

Stage / Phase	Date
Work starts / started on	
Work % complete	
Expected Completion Date	
Work Completed	

Remarks / Problems encountered or expected:  
(Continue on reverse side if needed)

\_\_\_\_\_  
Applicant's Agent Signature

Prepare and submit quarterly (end of March, June, September, & December) for all incomplete large projects

