



STATE OF FLORIDA

DIVISION OF EMERGENCY MANAGEMENT

RICK SCOTT
Governor

BRYAN W. KOON
Director

June 22, 2016

Ms. Christina Smith
Director, Division of Accounting and Auditing
Department of Financial Services
200 East Gaines Street
Tallahassee, Florida 32399-0353

Re: DEM Response and Corrective Action Plan to DFS Audit

Dear Ms. Smith:

This letter is in response to your report dated May 10, 2016, with findings and recommendations from your recent audit of grant and contractual services agreements. Listed below please find the Division's response and corrective action plan in accordance with Section 11.45(4)(d), Florida Statutes (F.S.).

Florida Division of Emergency Management Response and Corrective Action Plan

Tallahassee Community College (TCC)

Section 215.559, F.S. created the Manufactured Housing and Mobile Home Mitigation and Enhancement Program. Although section 215.559(2)(b)(2) F.S. requires that monies appropriated for this program be distributed directly to TCC, it also describes the program as a grant program and includes programmatic requirements for the use of funds. This section has caused confusion as to whether this program should be treated as a direct distribution or as a grant program, requiring the execution of a written agreement. The Department of Financial Services, Bureau of Accounting (Bureau) review of the legislative appropriation of the funds determined that an agreement would be required based on the classification of these funds as 'grant and aid'. The Division approved a payment of \$2.8 million to TCC for the Mobile Home Tie-Down Program upon the receipt of an invoice from TCC without entering into a written agreement for services.

Finding: The Division should execute a written agreement with TCC which incorporates the current statutory requirements of Section 215.971, F.S. including a clear scope of work, deliverables, financial consequences, and monitoring.

Response: *We concur with this finding. The Division's Bureau of Mitigation will develop and execute a written agreement with TCC in compliance with the*

requirements of Section 215.971, F.S. As discussed in the exit conference, the Division will work with Department of Financial Services staff to review examples and develop this agreement.

Estimated Completion Date: July 31, 2016

Financial Consequences:

Effective July 1, 2010, Section 287.058(1)(h), F.S., requires service contracts to contain provisions for financial consequences an agency must apply if a provider fails to perform in accordance with a contract.

Finding: The agreement with **DSM Technology Consultants** to install and support a disaster recovery environment at a remote site, does not contain financial consequences as required by statute.

Response: *We concur with this finding. The Division is working with consultants to update procurement policies and procedures to include updates related to Section 287.058(1)(h), F.S.*

Estimated Completion Date: September 30, 2016

Expenditures Outside Terms of Agreement

Grants may be charged only allowable costs resulting from obligations incurred during the specified funding period as referenced in CFO Memorandum No. 4 (2005-2006) and section 215.971(1)(d) F.S. Our audit found that the Division paid for services that were performed outside the agreements' terms on two (2) agreements.

Finding: The federally-funded cost reimbursement agreement with the **City of Daytona Beach** to demolish and rebuild the West Wing of the Museum of Arts and Sciences above previous flooding levels was effective May 28, 2013. The expenditures to support the first cost reimbursement payment included invoices for services from November 24, 2012 to May 24, 2013. The Division paid \$447,531 for services performed as much as six months prior to the effective date of the agreement.

Response: *We concur with this finding. The expenditures reimbursed by the Division were for design related services. The award for this project was approved by FEMA in their letter dated May 31, 2012. When the agreement was developed the mitigation bureau should have been more explicit in defining the project activity dates that were allowed taking into consideration the time that had passed between the award and the execution of the agreement. Bureau of Mitigation staff have been instructed to thoroughly review reimbursement requests to ensure that reimbursements are within the terms of the contracts.*

Estimated Completion Date: Complete

Finding: The agreement with the **City of Pensacola** established an 18-month agreement term beginning May 6, 2014, the date of the Presidential Disaster Declaration (Declaration), and ending November 6, 2015. According to the Division, federal funding is available for up to eight (8) years after the Declaration, to pay for disaster related services; however, the Division has not extended the agreement's term to agree with the period the federal funds are available. As a result, the Division has approved payment for services provided after the agreement's expiration date. Our audit also found that the Division had not timely performed required close-out activities necessary to verify performance as required by the agreement, Division procedures and federal guidelines.

Response: *We concur with this finding. The State Funding Agreement for the Public Assistance Program is an open ended agreement. Extensions of the agreement terms are completed on a project by project basis. When the payment was approved, it was done with the assumption that the project had an approved State time extension of August 31, 2016. It was later discovered, prior to this audit, the wrong time extension authority was used for that category of project and a Federal time extension authority was needed. The State had already taken measures to correct the issue by submitting the request for a Federal time extension for this project and was awaiting approval at the time of the audit. Since the audit the Federal time extension was granted by FEMA on March 31, 2016 and has been extended to the original date of August 31, 2016 (the date that the payment in question was approved under).*

Estimated Completion Date: Complete

Advance Payments

The Division made advance payments to providers on four (4) of the ten agreements selected for review.

- **City of Daytona Beach**
- **City of Pensacola**
- **Santa Rosa Island Authority**

Finding: The grant management files for three (3) of these four (4) agreements did not contain evidence that the Division verified the deposit of these advanced payments, totaling \$3,827,394, were made into interest bearing accounts, as required by the agreements.

Response: *With regard to the City of Daytona Beach and Santa Rosa Island Authority, we concur with this finding. The City of Daytona Beach grant has closed and recovery of interest is not likely. The interest earned on the Santa Rosa Island Authority advance through the end of February 2016 was \$2,402.13. FDEM has requested that SRIA remit the interest in accordance with 44 CFR part 13.21(i). The*

grant managers have been instructed to monitor grants for compliance with 44 CFR part 13.21(i).

For the City of Pensacola, we do not concur with this finding. The payment was not an advance. Payments for Small Public Assistance projects (projects less than \$120,000) are not advancements or reimbursement, as FEMA does not require the subgrantees to provide detailed documentation of project costs to be paid by FEMA. FEMA pays Small Public Assistance projects based on estimates and payment is final.

In July of 2014, we became aware that when our grant agreements were entered into FACTS, the payments on Small Public Assistance projects were being questioned and held by the Comptroller's Office due to lack of expenditure documentation being available. It was then that the Bureau of Recovery, Public Assistance Program began working with the Comptroller's Office to identify a solution. After several months of discussion and exchanging federal regulations the Comptroller determined that the issue could be resolved using small project advance authority even though these payments are not actually advances. Staff worked with the Comptroller in formulating the language to be included in the small project advance authority request. The authority was granted by the Comptroller on January 6, 2015 and a copy of the granted small project authority letter was included in all small project payment packages sent to the Comptroller. Once authority was granted the small project payments began being processed and approved by the Comptroller for FY 14/15. The Bureau of Recovery was instructed to submit a request annually and did so with a form provided to them by the Comptroller's office with one cover letter to include all requested authority. The FY 15/16 authority was approved on 10/12/15 by the Comptroller. The Bureau of Recovery will update their request for FY 16/17 authority to include a section that clearly states small project payments should not be considered an advance and are not bound by the Federal and State rules and regulations of an advance.

Estimated Completion Date: Complete

Matching Funds Verification

The federally funded agreement with **Orange County** to enhance and maintain the county's emergency management program requires the county to provide a dollar for dollar match of the Federal funds awarded. Title 45, subsection 75.306(b), of the Code of Federal Regulations (CFR), requires that matching funds be verifiable from the non-Federal entity's records, are not included as match funding for another Federal award, and are necessary and reasonable for accomplishment of program objectives.

Finding: There was no evidence in the grant management file to evidence the Division's verification of the reported match for compliance with the CFR.

Response: *We concur with this finding. To alleviate future issues, we are revising the closeout report to require a signature by the county's CFO and creating a new closeout form for additional reconciliation/verification by the grant manager.*

Estimated Completion Date: June 30, 2016

Final Reconciliation

Section 215.971, F.S. requires the grant manager to reconcile and verify all funds received against all funds expended during the grant agreement period and produce a final reconciliation report.

Finding: At the time of our review, the **Orange County** contract management file did not contain evidence of the Division's reconciliation and verification of funds received to funds expended for the agreement ending June 30, 2015. The auditor's review of the contract management file revealed two (2) final reconciliation reports, both submitted by the sub-grantee (with differing non-Federal match amounts); however, the Division did not provide evidence that the reconciliation reports had been verified. In the future, the Division should ensure all funds received are reconciled and verified against all funds expended during the grant period in a manner that is independent of the provider's attestation.

Response: *We concur with this finding. To alleviate future issues, we are revising the closeout report to require a signature by the county's CFO and creating a new closeout form for additional reconciliation/verification by the grant manager.*

Estimated Completion Date: June 30, 2016

Travel Reimbursement

Section 112.061(11)(b), F.S. requires the use of the State's travel voucher (form) when submitting travel expenses for approval and payment. Use of an alternate form may be approved by the Department of Financial Services (Department) pursuant to Chapter 69I-42(4), Florida Administrative Code. The form must include the purpose of the travel and the traveler's signature certifying that the claim is true and correct, that the travel expenses were actually incurred by the traveler and were necessary in the performance of official duties, and that the voucher conforms in every respect with the requirements of the statute.

Finding: The Division reimbursed travel that had not been submitted on an approved form, without the documentation necessary to verify travel rates and expenditures incurred and associated to the performance of services as established in the agreement, and without the required signature certifying the accuracy of the request.

Response: *We concur with this finding. The Federally-Funded Subaward and Grant Agreement boilerplate language has been revised to require compliance with Section 112.061, Florida Statutes.*

Estimated Completion Date: Complete

Conclusion

We will use the findings and recommendations from your audit of grant and contractual services agreements to strengthen the Division's internal processes and procedures. Please feel free to contact our Deputy Inspector General, Ronnie Atkins, at [REDACTED] if you have any questions regarding our response or corrective action plan.

Respectfully,

[REDACTED]

Bryan W. Koon
Director, Division of Emergency Management

- cc: Jonathan Lord, Deputy Director
Wes Maul, Chief of Staff
Ronnie Atkins, Deputy Inspector General
Phyllis Vaughn, Fiscal Administrator
Linda McWhorter, Chief, Bureau of Preparedness
Leo Lachat, Chief, Bureau of Response
Evan Rosenberg, Chief, Bureau of Recovery
Miles Anderson, Chief, Bureau of Mitigation