



AUDITOR GENERAL

WILLIAM O. MONROE, CPA



DEPARTMENT OF MILITARY AFFAIRS FEMA PUBLIC ASSISTANCE GRANTS PROGRAM Operational Audit

SUMMARY

This operational audit focused primarily on the FEMA¹ Public Assistance Grants Program, CFDA No. 97.036, administered by the Department of Military Affairs under agreements with the Department of Community Affairs. Under these agreements, the Department performed hurricane recovery operations relating to the series of hurricanes that impacted the State of Florida beginning August 2004.

In performing multiple hurricane recovery operations, the Department made expedited procurement decisions that, while generally necessary for the success of those operations, disclosed deficiencies in emergency procurement policies and practices. The Department should continue its efforts to obtain appropriate documentation for the procurements made in support of its hurricane recovery operations. Also, the Department should review the nature of the deficiencies disclosed on audit and appropriately update its procurement policies so that expedited procurements in future hurricane recovery operations will be properly authorized and documented.

PROGRAM BACKGROUND

Beginning August 2004, a series of hurricanes had a devastating effect on the State of Florida. For each, the President declared a Major Disaster, thus making the State eligible to receive FEMA Public Assistance

Grants moneys under a series of FEMA-State Agreements. These FEMA-State Agreements are administered by the Department of Community Affairs as Grantee. Based on Project Worksheets submitted by applicants, the Department of Community Affairs entered Disaster Relief Funding Agreements to provide Program funding for many State and local entities, including four Agreements with the Department of Military Affairs relating to its hurricane recovery operations.

Department activities approved under these Agreements included disaster area evacuations, traffic control, search and rescue, security operations, medical, and other support. For hurricane recovery operations performed over the course of 48 days, from August 13 through September 30, 2004, the Florida National Guard had more than 7,600 personnel on State active duty, accumulating 179,596 days of service, for an average of 32 days per participating Guard member. The total cost for Department activities was estimated to be \$40 million.

Exhibit A summarizes the status of Department expenditures made in support of its hurricane recovery operations. A significant portion of the reimbursable expenditures related to active duty pay for National Guard personnel participating in hurricane recovery operations. As of May 31, 2005, the Department had identified \$18.7 million as expended for such purposes. See report No. 2005-179 for the Auditor General's findings on the State Active Duty Payroll System used to account for these expenditures.

¹ Federal Emergency Management Agency, Department of Homeland Security.

General background information on Department operations is included on Exhibit B.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Expenditures in Support of Hurricane Recovery Operations

In performing multiple hurricane recovery operations, the Department made expedited procurement decisions that, while generally necessary for the success of those operations, disclosed deficiencies in emergency procurement policies and practices.

Expenditures incurred for hurricane recovery operations funded by FEMA Public Assistance Grants must comply with cost guidelines established by the United States Office of Management and Budget *Circular A-87*. To effectively demonstrate compliance, documentation for such expenditures would typically include:

- A description of the goods and services purchased, supported by an itemized vendor invoice.
- The date and time the goods and services were acquired and used (such information was critical because expenditures, for these hurricane recovery operations, were to be reimbursed at 100 percent for a selected 72-hour period and at 90 percent at other times).
- A description of the National Guard unit and personnel for which the goods and services were purchased, with reference to the deployment authority (orders) for the unit.
- Evidence that the purchase was initiated by personnel with appropriate procurement authority, or emergency delegation of authority.
- Representations by responsible personnel that the goods and services were received in the quality and quantity invoiced.

The Department, in its Joint Operations Plan for Military Support to Civilian Authorities (Plan), has established procurement procedures for emergency operations. These procedures require, in part, that an original, itemized invoice be submitted on the vendor's standard billhead. The Plan also requires the completion of certain forms by persons authorized to

certify the accuracy and propriety of the invoiced charges. Had these procedures been followed in substance, expenditure documentation would have likely met most of the above-described documentation requirements, thus providing assurance that expenditures submitted for reimbursement would meet applicable requirements of laws, regulations, and grant agreements.

However, in many instances, we found that expenditures made in support of hurricane recovery operations were not adequately documented to demonstrate that purchased goods and services were necessary and used for authorized purposes and complied with guidelines established by *Circular A-87*. For example, our review of 60 expenditures, excluding active duty pay, totaling \$1,348,904 for hurricane recovery operations disclosed the following:

- Original, itemized invoices were not available in many instances, including 11 expenditures totaling \$161,000 that were not supported by vendor invoices, 30 expenditures totaling \$534,000 that were supported only by copied or faxed invoices, and 12 expenditures totaling \$170,000 that were supported by invoices that lacked explanatory itemization or detail.
- Evidence of proper authorization for or receipt of goods or services was not available in some instances. For example, for one payment for meals totaling \$71,000, the certification form required by the Plan was on file, but the signature space for the authorizing person was marked "not available." For another payment for meals totaling \$3,465, the certification form appeared to be pre-signed and copied. For 9 payments of motel invoices totaling \$175,600, the motel worksheets required by the Plan were either not completed or differed from the invoiced room nights, resulting in net unsupported room charges totaling \$58,500.

To facilitate the timely procurement of goods and services necessary to its hurricane recovery operations, the Department made purchases totaling \$4.7 million using State purchasing cards. The Department has established procedures for using the State purchasing card system that, if followed, would provide reasonable assurance that expenditures are authorized

and proper. However, as similarly noted in report No. 2004-045, Department controls, as implemented, did not always ensure compliance with applicable State purchasing card guidelines governing allowable purchases and transaction documentation. The deficiencies noted occurred, in part, as a result of changes to the purchasing card procedures implemented during the hurricane recovery operations, including increasing the number of purchasing agents, expanding cardholder spending limits, and allowing purchases to be authorized over the telephone. Such changes increased the risk that purchases not authorized by applicable funding agreements and project worksheets could be made and not be timely detected.

On May 27 and 31, 2005, Department personnel submitted reimbursement requests totaling \$4.2 million for goods and services² purchased in support of its hurricane recovery operations. Additionally, as described in Exhibit A, expenditures for goods and services pending submission for reimbursement totaled \$6.85 million as of May 31, 2005. For the expenditures pending submission, Department personnel indicated that the Department is working to resolve documentation issues such as those described above to ensure that its hurricane recovery operations expenditures, when submitted for reimbursement, will meet applicable requirements of laws, regulations, and grant agreements and not be subject to disallowance by the grantor agency.

Recommendation: The Department should continue its efforts to obtain appropriate documentation for the procurements made in support of its hurricane recovery operations. Also, the Department should review the nature of the deficiencies disclosed on audit and appropriately update its procurement policies so that expedited procurements in future hurricane recovery operations will be properly authorized and documented.

² The Department has also submitted reimbursement requests for active duty pay for National Guard personnel participating in hurricane recovery operations.

PRIOR AUDIT FINDINGS

The Department has generally addressed the findings and implemented the recommendations noted in report No. 2004-045, except for State purchasing cards, as discussed above, and the matters discussed below.

Multi-Jurisdictional Counterdrug Task Force Training (MCTFT) Program

In response to our recommendation that the Department incorporate specific performance standards and measures into its contract with St. Petersburg College (SPC) to conduct the MCTFT Program, and implement procedures for evaluating the effectiveness of the Program, the Department substantially revised the MCTFT Program contract effective October 1, 2004. The revised contract with SPC requires, in part, that SPC provide a written proposal, including objectives and a plan of operation, and submit quarterly progress reports, including performance measures of effectiveness. However, as of May 2005, the Department had not received copies of SPC's program proposal or any quarterly progress reports, nor had it received any required monthly financial reports or requests for equipment purchases. The Department should take appropriate action to ensure receipt and supervisory review of all information and reports required under the revised MCTFT Program contract.

Forfeiture Programs

In response to our recommendation regarding compliance with Federal forfeiture program guidelines, Department personnel revised receipts procedures and improved program monitoring. The Department should continue its efforts to maintain a complete and accurate log of all forfeiture cases, and immediately contact the appropriate United States Department of Justice or Department of the Treasury Office when forfeiture funds are received via check or electronic funds transfer without sufficient information (e.g., case or seizure number) to identify the funds to a Department forfeiture action and permit a complete entry on the receipts log.

OBJECTIVES, SCOPE, AND METHODOLOGY

This operational audit focused primarily on the FEMA Public Assistance Grants Program, CFDA No. 97.036, administered by the Department under agreements with the Department of Community Affairs. Under these agreements, the Department performed hurricane recovery operations relating to the series of hurricanes that impacted the State of Florida beginning August 2004.

Our overall audit objectives were to evaluate management's performance, and the effectiveness of established internal controls, in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets. Regarding the FEMA Public Assistance Grants Program, our more specific objectives were to determine whether the Department has complied with laws, regulations, and provisions of contracts or grant agreements, noncompliance with which could have a direct and material effect on the Program.

In conducting our review, we examined financial records, grant agreements, project worksheets, and other related documents pertaining to Program operations. Our audit included examinations of various transactions (as well as events and conditions) occurring during the period September 2004 through February 2005, and selected actions taken through May 2005.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



William O. Monroe, CPA
Auditor General

DEPARTMENT RESPONSE

In a response letter dated July 21, 2005, the Adjutant General described corrective actions already taken or being planned to address the findings and recommendations. The Adjutant General's response is included on Exhibit C of this report.

To promote accountability and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This audit was made in accordance with applicable provisions of **Government Auditing Standards** issued by the Comptroller General of the United States. The audit was conducted by Dennis W. Gay, CPA, and supervised by John P. Duffy, CPA. Please address inquiries regarding this report to L. R. Weathermon, CPA, Audit Manager, via e-mail at lweathermon@aud.state.fl.us or by telephone at (850) 488-9113.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.state.fl.us/audgen/>); by telephone (850-487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

**EXHIBIT A - DEPARTMENT OF MILITARY AFFAIRS
STATUS OF DEPARTMENT EXPENDITURES
MADE IN SUPPORT OF ITS HURRICANE RECOVERY OPERATIONS**

Trust Fund Expenditures	<u>Total</u>	<u>Regular</u>	<u>P-Card</u>
Active Duty Pay			
Florida National Guard	\$ 18,707,942		
Other States' Guard Units	<u>1,421,161</u>		
	<u>20,129,103</u>		
Purchases - Goods and Services			
Equipment Rentals	3,063,280	\$ 2,815,956	\$ 247,324
Food Products	2,784,899	1,448,283	1,336,616
Lodging	1,261,986	258,861	1,003,125
In-State Travel	203,659	167,979	35,680
Other	<u>3,768,323</u>	<u>1,715,585</u>	<u>2,052,738</u>
	<u>11,082,147</u>	<u>\$ 6,406,664</u>	<u>\$ 4,675,483</u>
Expenditures as of May 31, 2005	31,211,250		
Other National Guard Support (1)	<u>2,500,000</u>		
Total Expenditures	<u>\$ 33,711,250</u>		
Project Worksheet (PW) Status	<u>Total</u>	<u>Federal Amount</u>	<u>State Amount</u>
PW Funding Obligation (2)	\$ 39,263,920		
Reimbursement Requests Paid			
Active Duty Pay	13,063,580	\$ 12,638,930	\$ 424,650
Reimbursement Requests Submitted			
Purchases - Goods and Services	<u>4,232,827</u>	3,854,122	378,705
Available PW Funding Obligation as of June 30, 2005	<u>21,967,513</u>		
Reimbursement Requests Pending			
Active Duty Pay	7,065,523		
Purchases - Goods and Services	6,849,320		
Other National Guard Support (1)	<u>2,500,000</u>		
	<u>16,414,843</u>		
PW Funding Obligation Balance	<u>\$ 5,552,670</u>		

Notes:

(1) Estimated amounts to be claimed for reimbursement by the National Guards of other States that provided hurricane recovery support to Florida.

(2) Project Worksheets are the primary documentation of an applicant's scope of work and cost estimate. The FEMA funding obligation is based on the approved PW cost estimates.

**EXHIBIT B - DEPARTMENT OF MILITARY AFFAIRS
BACKGROUND**

The Florida Department of Military Affairs is a State agency, created by Chapter 250, Florida Statutes. The Florida National Guard, as a part of the organized militia of the State, is a reserve component force of the United States Department of Defense, National Guard Bureau. The Governor of Florida is the Commander in Chief of the Florida National Guard.

As provided by the National Defense Act, the Florida National Guard has a dual mission:

- The Guard's Federal mission, as reserve components of the Army and Air Force of the United States, is to provide trained and qualified units and individuals available for Federal service in time of war or national emergency, when ordered by the President.
- The Guard's State mission is to provide units trained and equipped to function when necessary in the protection of life and property, and in the preservation of peace, order, and the public safety, as directed by the Governor.

Major General Douglas Burnett served as Adjutant General, Chief of the Department, and Commanding General of the Florida Army and Air National Guard. Brigadier General Michael P. Fleming served as Assistant Adjutant General-Army, and Brigadier General Joseph G. Balskus served as Assistant Adjutant General-Air.

As of May 2005, the Department was authorized 304 State employee positions, of which about half were partially or fully funded by the Federal Government. Additionally, about 1,700 Federally employed technicians and Active Guard Reserve personnel were assigned at Army and Air National Guard units throughout the State in support of 12,000 Florida National Guard soldiers and airmen. In Florida, the total direct economic impact of State and Federal expenditures for the Department and Florida National Guard is \$340 million³ per year.

³ Source: The Adjutant General's Report, Fiscal Year 2004, dated February 18, 2005.

EXHIBIT C - DEPARTMENT OF MILITARY AFFAIRS
MANAGEMENT'S RESPONSE TO AUDIT FINDINGS AND RECOMMENDATIONS



STATE OF FLORIDA
Department of Military Affairs
Office of the Adjutant General

St. Francis Barracks, P.O. Box 1008
St. Augustine, Florida 32085-1008

July 21, 2005

Mr. William O. Monroe, CPA
Auditor General, State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Monroe:

Pursuant to the provisions in Section 11.45(7)(d), Florida Statutes, we present, herewith, the Florida Department of Military Affairs' (FDMA) explanation and actual or proposed corrective actions, concerning preliminary and tentative audit findings and recommendations which may be included in a report to be prepared on your Operational Audit of the FDMA for the period September 2004 through February 2005 and selected actions taken through May 2005.

We are pleased to note that prior years audit deficiencies have been substantially corrected and that actions to correct current deficiencies, that may be included within the report, will be aggressively pursued.

Finding No. 1: Expenditures in Support of Hurricane Recovery Operations

Recommendation: The Department should continue its efforts to obtain appropriate documentation for the procurements made in support of its hurricane recovery operations. Also, the Department should review the nature of the deficiencies disclosed on audit and appropriately update its procurement policies so that expedited procurements in future hurricane recovery operations will be properly authorized and documented.

The Department has implemented training for State Active Duty field agents emphasizing appropriate procedures and documentation surrounding procurement policies so that expedited procurements during hurricane recovery operations are properly authorized and documented. Additionally, the field requisition form has been modified to require the signature/approval of the requesting unit commander.

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Finding No. 2: Prior Audit FindingsMulti-Jurisdictional Counterdrug Task Force Training (MCTFT) Program

Recommendation: The Department should take appropriate action to ensure receipt and supervisory review of all information and reports required under the revised MCTFT Program Contract.

The Department has implemented system applications to monitor compliance with all reporting requirements, including agency department to whom the report must be provided, and has coordinated the application to a tracking mechanism which, we believe, will ensure compliance with reporting requirements under the MCTFT Program Contract.

Forfeiture Programs

Recommendation: The Department should continue its efforts to maintain a complete and accurate log of all forfeiture cases, and immediately contact the appropriate United States Department of Justice or Department of the Treasury Office when forfeiture funds are received via check or electronic funds transfer without sufficient information (e.g., case or seizure number) to identify the funds to a Department forfeiture action and permit a complete entry on the receipts log.

As described in the audit report finding, Department personnel revised its receipts procedures and improved program monitoring. We will continue our efforts to maintain complete and accurate logs of all forfeiture cases.

We appreciate the courtesies and professionalism of your staff throughout the audit process. If you have any questions, or if you require any additional information, please do not hesitate to contact Colonel Barry J. Appleby, State Quartermaster at (904) 823-0200 or Mr. Edward C. Mosca, CPA, State Inspector General, FDMA at (904) 823-0220.

Sincerely,



DOUGLAS BURNETT
Major General
The Florida National Guard
The Adjutant General

Copy Furnished:

Mr. John Duffy