

**DIVISION OF EMERGENCY  
MANAGEMENT**

**DELAYS IN SETTLING DISASTER CLAIMS**

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**Operational Audit**

For the Period  
July 2007 Through February 2009



## **DIRECTOR OF THE DIVISION OF EMERGENCY MANAGEMENT**

The Director of the Division of Emergency Management is appointed by, and serves at the pleasure of, the Governor. W. Craig Fugate served as Director during the audit period and through May 13, 2009. Ruben Almaguer was appointed Interim Director effective May 14, 2009. Pursuant to Section 20.18(2)(a), Florida Statutes, the Division is administratively housed within the Department of Community Affairs.

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## DIVISION OF EMERGENCY MANAGEMENT

### Delays in Settling Disaster Claims

#### SUMMARY

According to Division of Emergency Management (DEM) records, at February 28, 2009, DEM had 2,870 open large projects relating to disasters that occurred between 1999 and 2008 with the majority of the projects being related to 2004 and 2005 calendar-year storms. While the overall average age of these projects was three years, some had remained open for ten years. This operational audit of DEM focused on obtaining an understanding of the causes for the delays in settling large project disaster claims for project activity during the period July 2007 through February 2009. Our audit disclosed the following:

**FRAMEWORK FOR PROGRAM ADMINISTRATION**

**Finding No. 1:** DEM organizational structure and procedures were not effectively designed to ensure that disaster projects were appropriately monitored and closed in a timely manner.

**COMPLETENESS AND ACCURACY OF DATA SYSTEMS**

**Finding No. 2:** DEM maintained disaster project documentation in multiple systems and at various storage sites rather than in a centralized information system.

**Finding No. 3:** The FloridaPA System contained inaccurate and incomplete data, limiting DEM management’s ability to effectively manage disaster projects.

**MONITORING OF OPEN PROJECTS**

**Finding No. 4:** DEM did not provide written instructions to subgrantees on the preparation of Quarterly Reports or to staff on the review and approval of Quarterly Reports. Additionally, DEM procedures for reviewing and approving Quarterly Reports were not effective in disclosing and resolving anomalies in the data reported.

**Finding No. 5:** DEM did not maintain a listing of planned or completed interim inspections for disaster projects. Additionally, DEM did not always properly document completed inspections.

**FINAL INSPECTIONS AND PROJECT CLOSEOUTS**

**Finding No. 6:** Information and calculations required by the Joint Closeout Tool documents were duplicative and resulted in inefficiencies. In addition, DEM’s policy of waiting for subgrantees to request final inspections, rather than scheduling the inspections when projects were identified as completed, contributed to extensive delays.

**Finding No. 7:** DEM did not always retain the documentation necessary to demonstrate the adequacy of the final inspections. Also, contrary to established procedures, the eligible costs calculated during the final inspection process were not reconciled to amounts already paid to subgrantees.

#### BACKGROUND

The Division of Emergency Management (DEM), among other duties, provides disaster assistance to local governments and nonprofit organizations (subgrantees) through the Federally funded Disaster Grants - Public Assistance (Presidentially Declared Disasters) (PA) Program of the Federal Emergency Management Agency (FEMA). DEM’s Bureau of Recovery administered the PA Program which assists State agencies and local governments in returning damaged or destroyed public facilities, infrastructure, and services to pre-disaster conditions. Funding for the PA Program is divided into two grant types, large projects and small projects, which are distinguished by a

FEMA-established dollar threshold. The dollar threshold for large projects open during the audit period ranged from \$47,800 to \$64,200.

The amounts awarded for small projects are based on project worksheets that describe the nature of the work to be performed and the estimated cost and generally will not change except in unusual circumstances, such as failure to complete the work, an unexpected insurance recovery, or an obvious error in calculation. For small projects, final payment of the Federal funding is made upon FEMA approval of the project. At closeout of the disaster contract, the State is required to certify that all small projects are properly completed and that the State cost-sharing contribution, as specified in the FEMA-State agreement, was paid.

Large projects are authorized by FEMA based on project worksheets that describe the nature of the work to be performed and the estimated cost. When a large project is approved under the PA Program, FEMA is to obligate the estimated amount that will be needed to complete the project. As the project progresses, the subgrantees are to submit reimbursement requests to DEM, and DEM is to make payments to the subgrantees up to the project's obligated amount. If project costs are higher than anticipated, a subgrantee may request additional funds during the course of the project. If FEMA approves the request, the additional amount shown on the revised project worksheet is to be obligated.

Subgrantees must complete eligible work within the timeframes and deadlines established by Federal regulation according to the category of work. These timeframes begin on the disaster declaration date. DEM has authority to grant limited extensions to the established deadlines. Emergency work and debris removal have 6-month deadlines that can be extended by DEM for an additional 6 months. Permanent work has an 18-month deadline that can be extended by DEM an additional 30 months. Requests for time extensions beyond the limit of DEM's authority must be submitted to FEMA for approval. Additionally, Federal funding for administrative costs, such as the cost to monitor on-going projects and perform final inspections is available to DEM for eight years after the disaster is declared or 180 days after the latest performance period date of a project, whichever is earlier.

The last phase of the large project life cycle is the final inspection and project closeout. Final inspections are required as they provide a basis for DEM to certify to FEMA that reported costs were incurred in the performance of eligible work, the approved work was completed, the project was in compliance with the provisions of the FEMA-State Agreement, and payments for the project had been made in accordance with Federal regulations.

Subgrantees are required to submit a request for final inspection when the work included on the approved project worksheet has been completed. Once a request for final inspection has been submitted, DEM is to schedule and conduct the final inspection. DEM procedures for completing final inspections vary by disaster. For 2004 and 2005 calendar-year disasters, DEM staff in the Florida Recovery Office (FRO) were required to complete a Joint Closeout Tool (JCT) and FEMA staff accompanied DEM staff on the final inspections. Approval of the final inspection and obligation of the closeout version of the project worksheet for these disasters was provided by FEMA staff located in the Florida Long-Term Recovery Office (FLTRO) in Lake Mary, Florida. For all other disasters, DEM conducted the final inspections and submitted the completed inspection and supporting documentation to the FEMA Region IV office in Atlanta, Georgia.

DEM primarily documents its activities, including monitoring visits and final inspections, in the Florida Public Assistance (FloridaPA) System. The FloridaPA System is a Web-based portal used by DEM to manage the PA Program. The FloridaPA System centralizes PA Program information by connecting subgrantees, DEM, and FEMA and is to support the following project management functions related to monitoring and closeout of PA Program projects:

- Project Access - The System provides the user with summary pages displaying the current project status and links to more detailed information and documents such as approved and unapproved project worksheets, detailed payment information (see Advanced Reimbursement Processing below), contact logs, and scanned documents related to initial and final inspections.
- Project Request Management - The System provides for electronic submission of requests for time extensions and final inspections, etc. The System automatically generates a machine date showing the date and time a project request is advanced to the next step in the process.
- Advanced Reimbursement Processing - The System stores approval flow information for each payment from subgrantee submission of the Request for Reimbursement to approval by the Department of Community Affairs Finance and Accounting Office.
- Detailed Financial Reports - The System allows reports to be viewed at the subgrantee or project level.
- Quarterly Report Management - The System provides for electronic submission of Quarterly Reports by subgrantees. In the last month of each quarter, the System generates a new Quarterly Report for each subgrantee by pulling forward the previous quarter's information. The subgrantee is then to use the System-generated form to update and submit the report for approval.

In report No. 2009-144, we reported that because of deficiencies in the internal control of the FloridaPA System,<sup>1</sup> a lack of sufficient documentation supporting the allowability of payments to subgrantees, and the failure to timely complete final inspections on completed projects (delays in settling disaster claims), it was not practicable in the circumstances for us to obtain audit evidence sufficient to the expression of an opinion on DEM's compliance with requirements applicable to the Disaster Grants – Public Assistance (Presidentially Declared Disasters) Program (CFDA No. 97.036).

## FINDINGS AND RECOMMENDATIONS

In connection with our audit, we compiled selected data provided by DEM related to 2,676 large projects for which FEMA had approved the final inspection and obligated the closeout version of the project worksheet during the period July 1, 2007, through February 28, 2009.<sup>2</sup> As shown on the timelines in EXHIBIT A, these data indicated that from the date the projects were initially obligated to the date FEMA approved the final inspection, on average, each of the 2,676 projects had been open 1,247 days (approximately 3.5 years). While having a particular project in open status for 3.5 years may not be unreasonable under some circumstances, our analysis, as also shown by EXHIBIT A, disclosed that, on average, most of the time these projects remained open occurred after the work required under the projects had been completed. Specifically, for emergency projects, approximately 89 percent of the time the project was open occurred after the project was completed. For permanent projects, 64 percent of the time the project was open occurred after the project was completed.

Our audit disclosed that DEM's overall organizational structure and operating policies, inaccuracies in its data systems, and deficiencies in DEM subgrantee monitoring and conduct of final inspections contributed to the delays in settling large project disaster claims, as described in the findings that follow below. Extended delays may result in:

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<sup>1</sup> In audit report No. 2009-086, we also noted, with respect to the FloridaPA System, that DEM security policies were inadequate; DEM did not have an Information Systems Development Methodology; change management practices, management of access privileges, and certain DEM security controls protecting data and information technology resources needed improvement; DEM did not maintain a complete log of user activity and had not developed nonapplicant user documentation; and DEM did not timely address processing errors. In his response, the DEM Director indicated that some of the report findings were resolved by the new version of the FloridaPA System implemented in 2008.

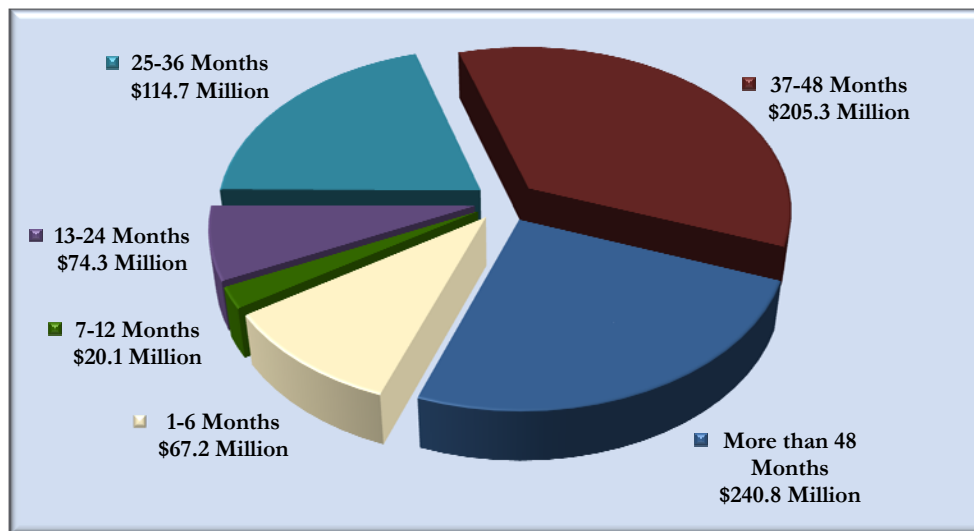
<sup>2</sup> DEM excluded information on projects related to disasters occurring prior to 2004 as this information was not readily available.

- Loss or destruction of subgrantee records required for final inspections, resulting in an inability to substantiate project charges.
- Loss of disaster-specific knowledge due to turnover of DEM and subgrantee personnel.
- Loss of Federal funding for project and administrative costs.

At February 28, 2009, DEM records indicated that 2,870 large projects remained open. These projects related to disasters that occurred between 1999 and 2008, with the majority of the projects being related to 2004 and 2005 calendar-year storms. The remaining amounts obligated for open large projects related to disasters that occurred during or after 2004 totaled \$782 million as of May 11, 2009. While the overall average age of the open large projects was three years, some had remained open for ten years. In our opinion, a high priority should be placed on the resolution of the issues described in the following findings so that the remaining large number of cases reported as open may be closed as expeditiously as possible.

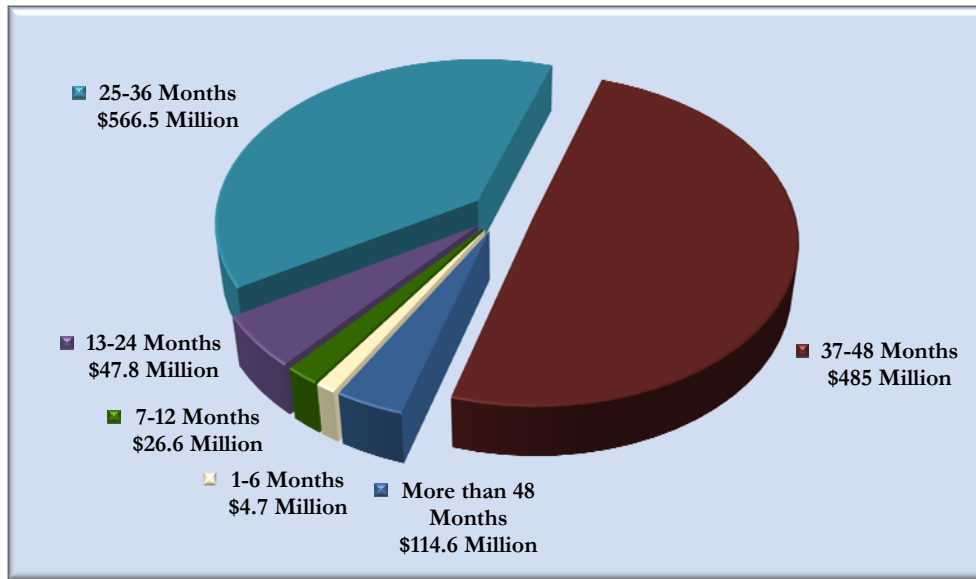
Chart 1 shows the number of months large emergency projects had been open as of February 28, 2009, and Chart 2 shows the number of months large permanent projects had been open as of that same date.

**Chart 1**  
**PA Program Large Emergency Projects (2004 Forward)**  
**Number of Months Open as of February 28, 2009**



Source: FloridaPA System.

**Chart 2**  
**PA Program Large Permanent Projects (2004 Forward)**  
**Number of Months Open as of February 28, 2009**



Source: FloridaPA System.

In the BACKGROUND section of this report and in the findings that follow, we often make reference to the involvement of both DEM and FEMA personnel in many aspects of disaster project administration, from the approval of the planned project to participation in its final inspection. The involvement by both Federal and State personnel resulted in some duplicative efforts, and based on comments made during our interviews of some local government subgrantees, confusion as to which agency should be consulted with regard to specific project issues and concerns. To minimize the duplication and confusion, we recommend that DEM, upon the resolution of the internal control findings addressed in this report and in our reports on Federal program administration, negotiate with FEMA an appropriately cooperative approach which minimizes the duplication of efforts in the completion of open projects and in the administration of future projects.

**Framework for Program Administration**

The PA Program operates in an environment that poses unique challenges. These challenges revolve around the Federal oversight and the transitory nature of PA Program funding. FEMA promulgates the Federal regulations DEM uses to administer the PA Program. The principal Federal regulations are general in nature and provide an operating framework, rather than specific rules, within which DEM is to administer the PA Program. FEMA staff in the FLTRO and Region IV office prepare policy directives, memoranda, and fact sheets that provide more detailed guidance on the administration of the PA Program. Additionally, FEMA FLTRO staff recommend actions to DEM staff and subgrantees relative to various aspects of PA Program administration.

PA Program funding is transitory in that the PA Program is funded based on the amount of damages incurred in a natural disaster. As disaster recovery nears completion, PA Program funding and related activities decrease and, consequently, staffing needs decrease. As a result, DEM staffs the PA Program, to a large extent, with temporary positions. An employee in one of these temporary positions works to close out project worksheets and, when the project worksheets are closed, the employee’s period of employment ends.

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**Finding No. 1: DEM's Organizational Structure and Operating Policies**

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In response to the challenging environment, management must put in place an appropriate organizational structure and efficient and effective processes. These processes should be defined by written policies and procedures that clearly communicate staff responsibilities and include information systems that facilitate the maintenance of data on all projects and methods to monitor both project progress and staff productivity.

Organizational Structure

- DEM assigned the responsibilities associated with PA Program administration to various organizational units and individuals within the Bureau of Recovery, as well as to staff throughout the State. Many DEM staff telecommuted because their assigned project locations were not in close proximity to an established recovery office. DEM staff assigned to the Tallahassee office or the FRO are also required to travel as necessary to assist with response, monitor projects, and perform interim and final inspections. The resulting organizational structure was based primarily on geographic location and consisted of four Areas of Responsibility (AOR) in addition to the Tallahassee office. The supervisor and staff at each AOR was responsible for administering projects located in designated counties, while the Tallahassee office was responsible for administering projects for select subgrantee types, such as universities, Statewide. Although the Bureau of Recovery organizational structure provided direct authority and clear delineation of responsibility, it was designed primarily to facilitate response activities, rather than recovery activities. Response activities include efforts to save lives, protect property, maintain operation of essential facilities, assess damages, and develop project worksheets for use by FEMA in approving necessary funding to return the disaster area to pre-disaster conditions. Recovery activities commence after the project worksheets have been approved by FEMA and include project monitoring, reimbursement of eligible costs, and project closeout. While budget and travel constraints made it necessary for staff to perform monitoring and closeouts based on geographical areas, supervisory responsibilities should not be limited by the same constraints. Due to the varying requirements of the current population of open projects, supervisory assignments would prove more effective if based on responsibility for specific subsets of the project population. As of February 28, 2009, the population of open projects included the following subsets:
  - Pre-2004 projects that have an eight-year deadline for Federal funding of administrative costs. Upon a lapse in Federal funding, the State becomes responsible for funding 100 percent of the costs incurred to conduct final inspections, process payments, and close out the remaining projects. Based on information provided by DEM, 145 pre-2004 projects remained open.
  - Projects from 2004 and 2005 that are subject to FEMA policies set by staff at the FLTRO and require a JCT for closeout. In most cases, FEMA authorization will be required to extend eligible work deadlines.
  - Projects begun in 2006 and thereafter for which policies are set by the FEMA Region IV office in Atlanta and a JCT is not required for closeout. DEM has limited authority to extend eligible work deadlines for these projects.
- Assignments based on the characteristics of the population would allow supervisors to become subject matter experts on the requirements for the particular population and to focus on facilitating effective monitoring and timely closeout of these specific projects. Additionally, with a more thorough understanding of the nature of the particular population, supervisors would be able to establish relevant metrics for evaluating project and staff accomplishments. Currently, DEM management measures staff performance based on weekly reports submitted by staff. However, these reports do not include goals against which actual production may be objectively evaluated by Bureau of Recovery management.

Policies and Procedures

- Although DEM had established written procedures, the procedures did not provide adequate guidance to ensure staff consistently performed and documented monitoring and closeout procedures in a manner which ensured compliance with Federal regulations and policies. Additionally, DEM had not established a program to train all staff on monitoring, closeout, and system activities related to the PA Program. Given that

temporary positions made up 88 percent of the Bureau of Recovery’s 141 positions as of March 10, 2009; thorough, detailed procedures and related training programs are necessary to ensure that procedures are appropriately and consistently applied. As described in subsequent findings of this report, the lack of adequate written procedures and a formalized training program contributed to breakdowns in the administration of recovery activities. Further, absent adequate written procedures and formalized training, DEM cannot ensure clear communication of staff responsibilities or accuracy of project information.

Evaluation of Program Accomplishments

- Our review of available FloridaPA System reports disclosed that, while limited reporting functionality is available in the FloridaPA System, the System is not currently capable of producing reports that would be useful to management for PA Program production. Also, as described in finding No. 2, other data systems housed portions of data related to the PA Program and, as described in finding No. 3, data in the FloridaPA System was not always accurate, further limiting the usefulness of reports produced by the FloridaPA System. Bureau of Recovery management measured performance during the audit period based on manually prepared and compiled weekly reports.

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**Recommendation:** We recommend that DEM management evaluate the DEM organizational structure and make adjustments as necessary to assign supervisory responsibility to provide effective oversight for adequate monitoring and timely closeout of PA Program projects. To ensure compliance with Federal regulations and policies, DEM management should also enhance written policies and procedures and establish a formalized training program to provide more specific guidance to staff related to monitoring and closeout of PA Program projects. Such policies and procedures should include requirements for consistently documenting all large project information, including relevant dates that can be used to measure processing times for each stage of the project life cycle. Additionally, DEM management should establish and monitor relevant measurable goals that allow the objective evaluation of PA Program and staff accomplishments.

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<b>Completeness and Accuracy of Data Systems</b>
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The documentation maintained for the PA Program was voluminous and complex. According to DEM records, DEM was maintaining documentation for more than 8,800 large projects as of May 11, 2009. For each of these projects, DEM was to maintain information on requests for reimbursement and supporting documents, initial project worksheets, and supporting documentation. Supporting documentation was to include copies of estimates and photographs of damage, revisions to project worksheets, subgrantee quarterly report information, subgrantee contact information, and other related documentation.

<b>Finding No. 2: Disaster Recovery Systems</b>
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A centralized information system is necessary to promote the efficient management of the PA Program; however, DEM maintained PA Program documentation in multiple systems and at various storage sites as described below:

Pre-2004 Disasters

- Florida Emergency Reimbursement System (FERS) – FERS was used to process and store payment information.
- Florida Process Automation and Paperless Electronic Routing System (FloridaPapers, PAPERS) – Various scanned documents and data including subgrantee agreements, project worksheets, and time extensions were stored in PAPERS.
- Electronic files stored on employee personal computers – Subgrantee Quarterly Reports, unapproved project worksheets, and e-mail communications were stored on DEM staff personal computers.
- Paper files – Various documents and historical status information including FERS reports were maintained in paper files at the Tallahassee office.

2004 and Subsequent Disasters

- FloridaPA System – The FloridaPA System is the primary system used to store data and documents related to disaster projects, beginning with those in the 2004 calendar year.
- Prior Version of the FloridaPA System – Data and documents continued to be stored in the prior version of the FloridaPA System due to the limited server space available following the System upgrade that occurred in September 2008.
- FloridaPapers – Documents were originally scanned into this system which interfaced with the prior version of the FloridaPA System. The upgraded FloridaPA System allows storage of scanned documents; however, historical data continued to be stored in PAPERS. The systems were no longer linked following the implementation of the upgraded FloridaPA System.
- FEMA Shared Access Database – DEM created the FEMA Shared Access Database to facilitate submission of quarterly progress reports to FEMA and to provide a historical record of related State and FEMA comments and actions regarding disaster projects.
- JCT Tracker – DEM created the JCT Tracker database by manually inputting key dates from the hardcopy JCTs. According to DEM personnel, the database was created to compensate for the lack of relevant and reliable dates in the upgraded FloridaPA System.
- Employee Shared Drive – DEM staff maintained external tracking sheets on the Employee Shared Drive to manage workloads since the FloridaPA System lacked the functionality for Public Assistance Coordinators (PAC) and their supervisors to obtain project status reports by PAC assignment.
- Employee e-mail – Due to time constraints, DEM staff maintained in their individual e-mail folders contact information that was not always scanned into the FloridaPA System.
- Employee external files – Due to time constraints, DEM staff recorded significant information in their hardcopy files that may not have been scanned or recorded into the FloridaPA System.

In addition to the records and systems referenced above, PA project disbursements for all disasters were recorded in the Florida Accounting Information Resource Subsystem (FLAIR). The maintenance of the multiple systems referenced above introduced the need for the conduct of reconciliations among the various systems, increased the opportunities for error, and reduced the ability of management and staff to efficiently obtain accurate and complete information concerning project progress and status. Generally, we found that reconciliations were not completed and, as described in finding No. 3, DEM data and reports contained numerous errors and inconsistencies. Based on interviews with DEM management and staff, the reasons for not maintaining all relevant data in the FloridaPA System included system functionality limitations, lack of server space, continued use of legacy systems, and time constraints on staff.

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**Recommendation: We recommend that DEM:**

- **Develop policies and procedures that require staff to enter all relevant data into a centralized information system and discourage the use of alternative systems or storage sites. The procedures should also clearly identify the fields where key dates should be recorded and where other key information should be stored within a centralized information system.**
  - **Conduct periodic reviews of the data in the FloridaPA System to help ensure the accuracy of the data recorded. Periodic reviews should include appropriate reconciliations of PA Program data contained in various IT systems, including that recorded in the State's accounting system.**
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**Finding No. 3: Relevance, Completeness, and Accuracy of Data**

As part of our audit, we requested data from DEM on large projects that were closed during the period July 1, 2007, through February 28, 2009, and reviewed selected aspects of FloridaPA System functionality. Our review of this data disclosed:

- For the pre-2004 projects, DEM had readily available very limited data. DEM did not provide relevant dates for pre-2004 projects such as, the date of initial approval of the project and obligation by FEMA, the date of the first payment to the subgrantee by DEM, the date of project completion, the date the subgrantee requested final inspection, and the date the final inspection was completed by DEM. Because of the lack of data, we were unable to include these projects in our detailed analysis.
- For 2004 and subsequent year disasters for which FEMA had obligated the closeout project worksheet, numerous instances existed in which the relationships between the data appeared to be indicative of errors. Specifically, we noted 1,062 instances in which it appeared that the date of the final inspection had been approved by FEMA prior to the date of the completion of the final inspection, 63 instances in which no payments had been made at the time of the final inspection and approval by FEMA, and 237 instances in which a final inspection was requested before any payments had been made. Because of these indications of errors, we reviewed the dates recorded for 1,189 of the 2,676 large projects for which FEMA had approved the final inspection and obligated the closeout version of the project worksheet during the period July 1, 2007, through February 28, 2009. Our review disclosed that one or more of the dates recorded for 1,048 of the 1,189 projects reviewed were incorrect (88 percent). For example, we noted that the first payment date was incorrect for 49 projects, the date of the request for final inspection was incorrect for 104 projects, the final inspection completion date was incorrect for 959 projects, and the FEMA approval date was incorrect for 9 projects.
- DEM did not have the ability to close projects in the FloridaPA System. Without the ability to close projects in the FloridaPA System, DEM had limited options to identify projects where final closeout payments had been made and no further activity was necessary. This also leaves projects where final inspections have been conducted and approved by FEMA open to activity which may be unnecessary or detrimental to the closeout process. Such activities may include, for example, inaccurate changes to status or additional payments.

Without maintaining complete, accurate, and relevant data and documents, the FloridaPA System does not facilitate the effective management of PA Program projects, particularly given the temporary nature of the staffing and the resulting lack of historical knowledge by many of the field staff. Additionally, absent accurate and complete information, the FloridaPA System is not useful to management for identifying where problems may be occurring, evaluating the productivity of staff, or tracking and reporting the progress made in closing out various types of projects.

**Recommendation: We recommend that DEM:**

- **Compile and maintain centralized current data on open projects related to pre-2004 disasters.**
- **Enhance the functionality of the FloridaPA System to allow for the recording of relevant, complete, and accurate project data. This functionality should include the ability to close completed projects.**
- **Develop FloridaPA System reports that are useful for PA Program management.**

**Monitoring of Open Projects**

As previously discussed, DEM had 2,870 large projects remaining open at February 28, 2009. Also, as described in finding No. 1, DEM had not established an effective organizational framework for monitoring disaster projects. Effective monitoring of open projects would allow DEM to detect circumstances where the scope of the project had

significantly changed from the approved scope, identify projects that are running behind schedule, and recognize when costs are higher than originally anticipated. When these situations are detected, DEM staff could work with the subgrantee to seek revised project worksheets and time extensions from FEMA. During the audit period, DEM staff monitored open disaster projects through review of subgrantee Quarterly Report Forms (Quarterly Reports) and, in a few instances, through interim inspections. Our tests of the effectiveness of these monitoring activities disclosed deficiencies in DEM procedures for reviewing and following up on issues shown by subgrantee Quarterly Reports and in conducting and documenting interim inspections.

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**Finding No. 4: Review and Follow-Up on Subgrantee Quarterly Reports**

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Progress reports are critical to ensuring that FEMA and the State have up-to-date information on PA Program projects, and FEMA requires the State to submit quarterly progress data that generally focus on large projects.

Federal regulations require the State to report the status for all projects for which a final closeout payment of the Federal share has not been made to the grantee.<sup>3</sup> Further, FEMA requires the State to submit the following information: (1) the status of the project, such as, in design or percentage of construction completed; (2) time extensions granted, if any; (3) the projected completion date; (4) the amount of expenditures and amount of payments for each project; and (5) any problems or circumstances that could delay the project or result in noncompliance with the conditions of the FEMA approval of the project. To satisfy FEMA reporting requirements, DEM required subgrantees to submit Quarterly Reports to DEM providing the status of each subgrantee project.

The Quarterly Reports provide fields for the subgrantee to indicate the project worksheet number, anticipated completion date for each project worksheet, the percent complete, and the status or any remarks regarding other circumstances that may affect the completion date, scope of work, project costs, or compliance with the Subgrantee Agreement. For each project, in addition to the data submitted by the subgrantee, DEM also included in the quarterly progress data submitted to FEMA the total eligible amount; the total amount expended by the subgrantee; and the Federal, State, and administrative amounts paid to the subgrantee. These data elements were extracted from the FloridaPA System and incorporated into the database shared with FEMA. The financial data and information submitted by the subgrantee were replaced each quarter, but DEM comments and FEMA comments and recommendations from previous quarters were brought forward each quarter providing a historical commentary.

Our review of DEM's quarterly reporting policies and procedures disclosed that, while DEM provided, for subgrantee information, a sample Quarterly Report with a footnote explaining the reporting of the percent complete field, DEM had not developed written instructions for completing the Quarterly Reports. Without instructions that outline when reports should be submitted and what data should be reported, DEM cannot reasonably ensure that all reports required by Federal regulations are properly prepared and submitted.

Our review of DEM's quarterly reporting policies also disclosed that DEM required subgrantees to submit information on projects until final inspections were completed, rather than until the final closeout payment was subsequently made. The DEM-required reporting of all subgrantee projects until completion of final inspections, rather than until the final closeout payment was made, resulted in incomplete reports being submitted to FEMA.

Further, our review of DEM's policies and procedures disclosed that DEM staff were required to approve the Quarterly Reports; however, DEM had no written procedures that provided guidance to staff on the review and approval of the Quarterly Reports. Additionally, there was no guidance on how to utilize the Quarterly Reports to identify projects that required additional follow-up. Absent consistent review and use of the Quarterly Report

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<sup>3</sup> Title 44, Section 206.204(f), Code of Federal Regulations.

information to monitor the progress of disaster projects and to identify those inconsistencies in the data reported that potentially indicate that the data is inaccurate or that the need for follow-up exists, inaccuracies or problems may go undetected. Without timely detection and follow-up, DEM and FEMA decisions may be based on erroneous data or significant delays in project completion may occur that might have been reduced or avoided.

Our audit also included tests of submitted Quarterly Reports, and those tests disclosed several instances in which anomalies in Quarterly Reports had not been detected and resolved, although the Quarterly Reports had been reviewed by DEM staff. The absence of written instructions for the preparation of the subgrantee Quarterly Reports and the absence of written procedures describing DEM review, follow-up, and approval responsibilities contributed to these unresolved issues. We reviewed one project from each of 20 Quarterly Reports submitted by subgrantees and approved by DEM during the period July 1, 2007, through December 31, 2008. Our tests of the reporting of these projects, with eligible costs totaling \$117 million, disclosed that for 6 of the 20 Quarterly Reports, although 100 percent or more of eligible project costs were reported as expended, 75 percent or less of the scope of the project was reported as complete. For these 6 Quarterly Reports, no contacts between DEM staff and the subgrantees related to the accuracy of the data, the need for time extensions, or the potential need for additional funding were documented in the FloridaPA System. For all 6 projects, FEMA had recommended follow-up and for 4 of the 6 projects, FEMA specifically requested DEM to work with the subgrantee to request time extensions. While documentation was available to show that DEM had subsequently requested time extensions for the 4 projects, DEM had not documented in the FloridaPA System actions taken to follow up on the remainder of the FEMA recommendations.

As described below, in response to our inquiry, DEM confirmed that 5 of the 6 Quarterly Reports contained inaccurate percentages of completion and that one project would likely incur a significant cost overrun:

- Two reports showed zero percent project completion, but 100 percent of the eligible amount expended for projects with obligated amounts totaling \$906,185. DEM indicated that both reports should have reflected that the projects were 90 percent complete. DEM corrected the completion percentage in the database for one project prior to submission to FEMA. Both reports remained uncorrected in the FloridaPA System.
- One report showed zero percent project completion, but 216 percent of the eligible amount expended. The eligible amount reported for this project totaled \$1,494,791. DEM staff stated that approval was pending for a new version of the project worksheet to restore approximately \$2.7 million in funding that had been inadvertently omitted. Such an increase in eligible costs for the project would change the percentage of the eligible amount expended. DEM did not include comments explaining these pending changes or correct the percentage of completion in the submission to FEMA or in the FloridaPA System.
- One report showed 75 percent project completion, but 100 percent of the eligible amount totaling \$469,022 expended. DEM indicated that the report should have shown the project as 100 percent complete, but no corrections were made to the submission to FEMA or to the FloridaPA System.
- One report showed 50 percent project completion, but 100 percent of the eligible amount expended. The subgrantee reported that \$6,385,485 was expended when eligible project costs totaled \$6,302,781. DEM stated the State and Federal share represented less than 2 percent of the total eligible amount.
- One report showed 40 percent project completion, but 148 percent of the eligible amount totaling \$736,076 expended. DEM indicated that the project would likely incur a significant cost overrun. DEM stated that the subgrantee should request an interim inspection to allow for consideration of adjustments for increased costs. DEM did not submit comments informing FEMA of this possible overrun.

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**Recommendation:** We recommend that DEM require subgrantees to submit Quarterly Reports until the final closeout payment is made. To ensure the accuracy of information reported to FEMA and the identification of projects requiring follow-up, DEM management should develop procedures regarding the preparation, review, and approval of Quarterly Reports. Additionally, DEM management should ensure timely resolution of identified discrepancies and instances where FEMA consideration of time extensions or project obligation amount adjustments may be necessary. Further, data in the FloridaPA System should be updated as appropriate.

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#### **Finding No. 5: Performance of Interim Inspections**

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DEM's agreements with its subgrantees required that interim inspections be scheduled by the subgrantee prior to the final inspection and interim inspections may also be required by DEM based on information supplied in the Quarterly Reports. DEM staff indicated that during the audit period interim inspections were most often initiated at the request of the subgrantee or by FEMA due to concerns related to time extensions or possible project scope changes. Project scope changes generally resulted from additional damages or higher than estimated costs that could only be confirmed by a site inspection. After receiving a subgrantee request, FEMA staff determined whether to perform a joint interim inspection for projects managed by the FRO and, in the Tallahassee office, DEM staff made the determination regarding DEM interim inspections. In early 2008, Tallahassee DEM staff also began to initiate interim inspections, rather than waiting for a request for an interim inspection from a subgrantee or FEMA.

DEM planning managers in Tallahassee and at the FRO did not have established criteria for determining when an interim inspection was necessary, nor did they maintain a listing of planned or completed interim inspections. In response to our request, Tallahassee office staff were able to compile a list of 26 interim inspections completed during the audit period. Staff at the FRO were unable to provide a listing of interim inspections conducted during the audit period; however, in response to our inquiries, FRO staff submitted 7 examples of interim inspection reports for our review. Our review of 10 of the 33 available interim inspection reports disclosed:

- Six of 10 interim inspection reports did not include adequate information to determine the purpose for and results of the inspections.
- The conduct of 5 of 10 interim inspections was not recorded in the FloridaPA System.
- Two of 10 interim inspection reports did not include the applicable disaster name or number or the project worksheet number; therefore, the projects for which the inspections were performed could not be identified.

Absent complete information, consistently recorded in a readily accessible location, issues and findings and actions taken to resolve issues may not be available to DEM staff performing duties related to project oversight and payments. In addition, absent properly planned and conducted interim inspections, DEM may not timely identify issues and concerns, such as unallowable activities or unauthorized purchases, prior to making payments related to a project. For example, our physical observations of five projects identified in the FloridaPA System as being substantially complete, disclosed one instance in which we observed a vacant lot at the address listed on the project worksheet instead of a high school science building that was to have been built at the location. DEM personnel indicated that they were aware that the building had been built at an alternate location; however, DEM staff were unable to provide documentation to support notification or prior knowledge of the change in location. Additionally, revised project worksheets were not prepared or submitted to FEMA to identify the new location. Further, our review of the project worksheet for this project disclosed that, while funding was provided for the demolition of the damaged facility and construction of the new building, supporting documentation for payments totaling \$957,000 included costs for portables that had been earlier removed from the project worksheet scope, as well as for other

items not authorized for purchase, including textbooks, computers, and cheerleader uniforms. A properly conducted interim inspection for this project may have timely detected and resolved these issues.

**Recommendation:** DEM should develop procedures for identifying when interim inspections should be conducted, rather than relying solely on subgrantees to request inspections. Additionally, when inspections are conducted, DEM should ensure that appropriate information is recorded in the FloridaPA System to identify the inspected project, the purpose for and results of the inspection, any follow-up required, and the results of follow-up procedures.

**Final Inspections and Project Closeouts**

As discussed above, DEM performs final inspections and project closeout procedures that help to facilitate DEM’s certification to FEMA that reported costs were incurred in the performance of eligible work, the approved work was completed, the project was in compliance with the provisions of the FEMA-State Agreement, and payments for the project were made in accordance with Federal regulations. Federal regulations require that final inspections be completed and payment requested prior to submitting the closeout package to FEMA.<sup>4</sup> DEM management had written procedures in place during most of the audit period for performing final inspections and, in January 2008, DEM management revised the procedures to require that final eligible costs calculated during the closeout process be reconciled to payments made. Any differences noted between the final eligible costs and amounts paid were to be resolved immediately.

**Finding No. 6: Final Inspection Procedures**

Our audit included a review of DEM final inspection procedures and documentation, including the JCT forms. Our audit disclosed:

- DEM procedures for the scheduling of final inspections did not encourage the timely completion of final inspections and closeout of the projects. Specifically, while DEM policy required a final inspection before the final closeout payment was made, in practice, DEM continued to make payments up to a project’s obligated amount and did not withhold payments pending the final inspection. Additionally, DEM’s policy for scheduling final inspections was to wait for the subgrantee to submit a request for final inspection, rather than to schedule the final inspection once the subgrantee reported the project was complete. As noted in EXHIBIT A, on average, subgrantees requested final inspections from 399 to 555 days after a project was completed.
- As indicated under the BACKGROUND heading of this report, for 2004 and 2005 calendar-year disasters, DEM staff in the FRO were required to complete a JCT, and FEMA staff accompanied DEM staff on the final inspections. Our review of the 20 standard forms included in the JCT disclosed that much of the required information is duplicative of information already recorded in the FloridaPA System or required by other forms within the JCT. Specifically:
  - The Photo Sheet and the FloridaPA System both contain photographs documenting facility damage.
  - The Summary of Documentation is included in the FloridaPA System with subgrantee requests for payment.
  - The Request for Large Project Final Inspection is also included as a separate document in the FloridaPA System.

<sup>4</sup> Title 44, Section 206.205(b), Code of Federal Regulations.

- The Project Worksheet - Scope of Work Continuation Page requires a description of the procedures performed at the final inspection, a summary of work performed, and a summary of the same amounts included on the Project Cost Summary section of the Closeout Project Worksheet.
- A separate form is required to be completed for special considerations such as availability of insurance, whether the project is in a flood plain, whether the building has historical value, etc. This information is also available on the Project Worksheet Report and in the FloridaPA System.
- The Final Inspection Signoff Report requires estimated and actual eligible amounts, the final cost overrun or underrun, if applicable, and comments that are identical to the information included in the Closeout Project Worksheet. Additionally, the report requires signatures of the staff involved in the final inspection, who are the same individuals required to sign the Record of Transmittal.
- The Final Inspection Signoff Report - Continuation Page requires the same information as the Project Worksheet – Scope of Work Continuation Page.
- The Final Inspection Comments Form requires the same information as the Project Worksheet - Scope of Work Continuation Page.
- The Joint Closeout Information Form requires the reporting of the same amounts as the Closeout Project Worksheet and the Final Inspection Signoff Report.
- The Variance Summary requires the reporting of the same amounts as the Joint Closeout Information Form, Closeout Project Worksheet, and the Final Inspection Signoff Report.

Requiring duplication of information and calculations across various forms increases JCT preparation time, as well as the risk for errors and inconsistencies. A listing with a brief description of each form included in the JCT is included in EXHIBIT B to this report.

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**Recommendation:** We recommend that DEM management consult with FEMA to determine the necessity of completing information identified as duplicative in the JCT. In addition, DEM management should ensure that procedures and documents established to close out disasters that occurred subsequent to 2005 do not require information be recorded multiple times. DEM should also develop a process for identifying completed projects and timely scheduling final inspections, rather than waiting for subgrantees to request a final inspection.

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**Finding No. 7: Performance of Final Inspections and Project Closeouts**

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Based on data provided by DEM for large projects, 2,951 projects with eligible obligated amounts totaling \$1,092,400,241 were closed during the audit period, including 275 projects that were deobligated. Deobligated projects did not require final inspections. Of the remaining 2,676 projects, 99 percent related to 2004 and 2005 calendar year disasters and were required by FEMA to have a JCT completed as part of the final inspection.

We reviewed documentation related to 20 final inspections performed during the period July 1, 2007, through February 28, 2009. The final obligated amounts for the projects inspected totaled \$12.9 million which included \$8.9 million originally obligated and \$4.1 million of additional eligible costs validated during the final inspection process. One project was not subject to the JCT requirement because it related to the 2000 South Florida Floods. DEM had no written procedure in place at the time the final inspection was performed for this project and our review of the final inspection documentation disclosed that DEM had not described the sampling procedures applied to validate the final eligible costs totaling \$335,419. Therefore, the adequacy of the final inspection was not documented. For the projects related to the other 19 final inspections reviewed, DEM was required to complete a JCT. Our review of the final inspection documentation for these 19 projects disclosed the following deficiencies:

- One or more of the required JCT forms were not included with the scanned closeout documents available in the FloridaPA System for 9 of the 19 projects:
  - Six closeout packages were missing the D1 form. Generated from FEMA's system, this report lists projects by subgrantee for each disaster and is used to document that other project worksheets for the same subgrantee and disaster have been considered during the closeout process.
  - Two closeout packages were missing the Final Inspection Comments form that includes a description of the methods and procedures used to complete the final inspection. (These packages were also listed in the first bullet.)
  - One closeout package was missing the Variance Summary Form and the Invoice Summary Record form. The Variance Summary Form compares obligated costs to eligible closeout documented costs and shows resulting variances, and the Invoice Summary Record lists all the invoices paid by the subgrantee related to the project.
  - One closeout package was missing the Joint Closeout Information form that includes the disaster number; project worksheet number; applicant name; name and location of the damaged facility; name of the applicant, State, and FEMA representatives present during closeout; Federal cost share percentage; calculation of any cost overruns or underruns for the project; actual completion date; and projected completion date.
  - One closeout package was missing the Final Summary of Documentation form that lists the warrant or voucher number, date of delivery, description and or documentation, and eligible costs of total articles or services for which project expenditures were claimed.
  - One project had no closeout documents included in the FloridaPA System. According to the FloridaPA System information, the project status was "closed – waiting for approved, documented expenses."

Without the required documentation, DEM cannot demonstrate that costs have been appropriately determined as eligible, that all open projects were considered in relation to the project under review, and that the inspection was conducted in accordance with established procedures.

- Although required, the closeout packages contained no documentation to evidence that the calculated eligible costs were reconciled to payments. Our review of the 19 project closeout packages disclosed that for 5 projects the payments did not equal the final eligible costs calculated during the closeout process. Specifically:
  - For 3 of 4 projects with identified overpayments, DEM had not recovered overpayments totaling \$10,155.
  - Two projects were closed on March 26, 2008, and August 11, 2008, respectively. However, as of April 2009, the System showed unpaid balances for final eligible costs totaling \$32,332.

Absent the reconciliation of a final accounting of total payments to the final eligible costs calculated during the closeout process, subgrantees cannot submit final requests for payment and DEM cannot ensure that the correct amounts were paid. Further, DEM is unable to certify that payments for the project were made in accordance with Federal regulations.

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**Recommendation:** To demonstrate the adequacy of final inspections, we recommend that DEM management ensure that appropriate documentation is retained in the FloridaPA System. We also recommend that DEM management ensure that a reconciliation of total payments to final eligible costs is timely performed and documented as part of the project closeout process and that any differences in the amounts are timely resolved, in accordance with established procedures. DEM should ensure that, in accordance with Federal regulations, final closeout payment requests are submitted prior to submitting the closeout packages to FEMA.

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## OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit focused on obtaining an understanding of the causes of the delays in settling of disaster claims for large projects. The overall objectives of the audit were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To obtain a complete understanding of the reasons for delays in closing out large PA Program projects.
- To determine whether DEM had an adequate monitoring process in place to detect delays in project completion.
- To determine whether DEM had procedures in place to provide for the timely closeout of completed projects.
- To determine whether DEM timely closed out large projects. Additionally, to determine whether DEM's closeout process was effective in identifying eligible costs and recovering overpayments.
- To determine whether DEM's process for closing out large projects ensured that DEM maximized the Federal funding available for administrative costs and overpayments are recovered from subgrantees.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the period July 2007 through February 2009. In conducting our audit we:

- Interviewed DEM personnel.
- Obtained an understanding of internal control and tested key processes and procedures related to DEM's monitoring and closeout of large projects. Specifically, we:
  - Evaluated internal controls over DEM's process for closing out large projects.
  - Evaluated the qualifications of 10 DEM staff responsible for the oversight and conduct of interim and final inspections for large projects.
  - Reviewed the final inspection documentation for 20 large projects to determine whether inspections were performed in accordance with established procedures, adjustments to eligible costs were properly documented, and any identified overpayments were properly recovered.
  - Evaluated internal controls over DEM's process for monitoring large projects.

- Selected a Quarterly Report for 20 subgrantees to determine whether the reports were properly completed and timely submitted. We also determined whether DEM contacted subgrantees when reported data contained inconsistencies.
  - Selected 10 large projects from subgrantee Quarterly Reports and reviewed the related documentation to determine whether DEM performed follow-up procedures, such as seeking time extensions for projects that would not meet approved project completion dates, for any issues noted.
  - Reviewed documentation for 10 interim inspections of large projects to determine whether the documentation adequately identified the purpose for and results of the inspection and whether related documentation had been recorded in the FloridaPA System.
  - Physically observed five large projects to verify that the status of the construction agreed with the status reported to DEM by subgrantees.
  - Interviewed 10 subgrantees to enhance our understanding of DEM’s management of large projects.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.

<b>AUTHORITY</b>
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Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a biennial basis. 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.

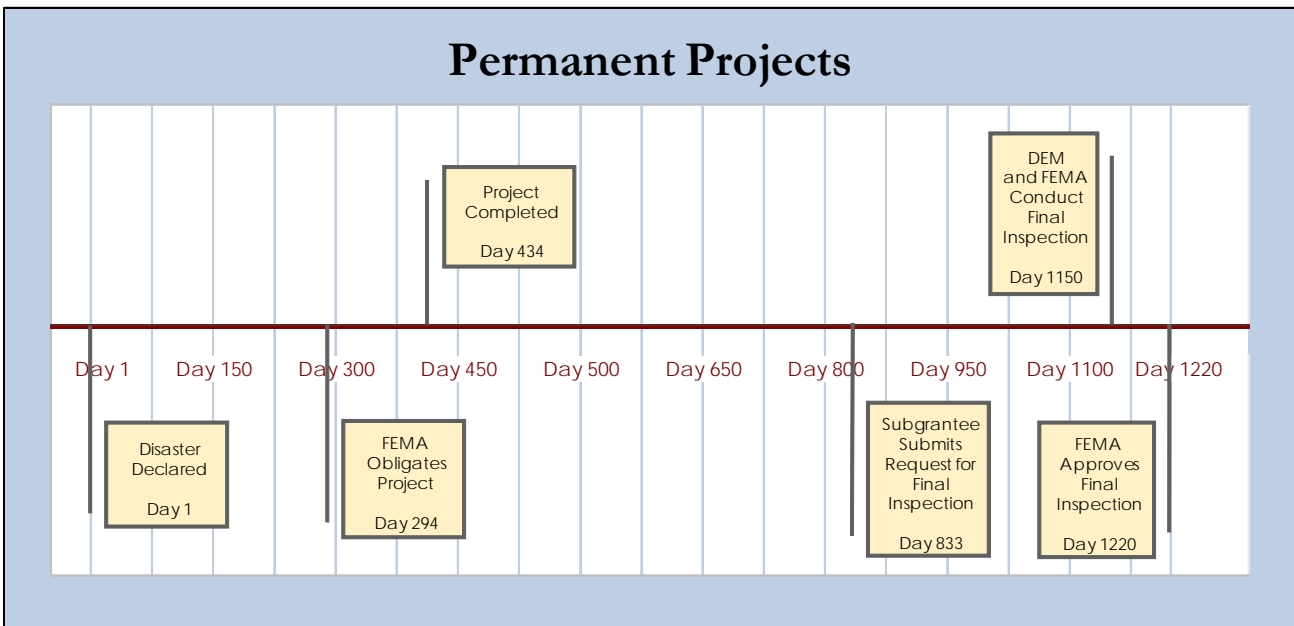
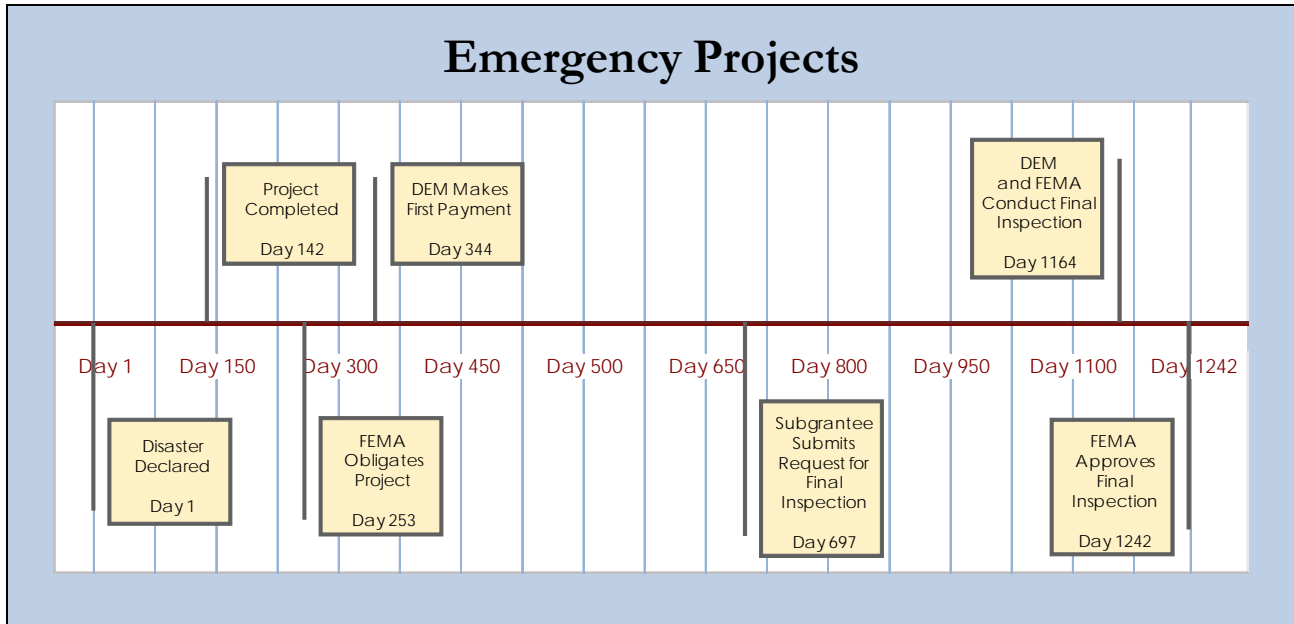


David W. Martin, CPA  
Auditor General

<b>MANAGEMENT’S RESPONSE</b>
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In a response letter dated August 31, 2009, the Interim Director concurred with our audit findings and recommendations. The Interim Director’s response is included as EXHIBIT C.

**EXHIBIT A  
LARGE PROJECT TIMELINES  
BASED ON AVERAGE NUMBER OF DAYS FOR PROJECTS CLOSED  
DURING THE PERIOD JULY 1, 2007, THROUGH FEBRUARY 28, 2009**



Source: FloridaPA System.

**EXHIBIT B**  
**LISTING OF FORMS INCLUDED**  
**IN THE JOINT CLOSEOUT TOOL (JCT)**

	<b>Form</b>	<b>Description</b>
1.	Reviewers Confirmation Transmittal	Routing form to document review and approval by FEMA specialists for floodplain, environmental, historical, mitigation, insurance, and debris considerations: data submitted to FEMA Division Supervisor: and the date the JCT was submitted to FEMA for processing.
2.	Record of Transmittal	Provides signature blanks for the FEMA group supervisor, State PA officer, State Recovery manager, and FEMA Branch Director at the FLTRO in Lake Mary.
3.	Table of Contents	Identifies items included in the JCT.
4.	Joint Closeout Information Form	Includes the disaster number; project worksheet number; applicant name; name and location of the damaged facility; names of the applicant, State, and FEMA representatives present during closeout; Federal cost share percentage; calculation of any project cost overruns or underruns; actual completion date; and projected completion date.
5.	Final Inspection Signoff Report	Includes the disaster number; project worksheet number; applicant name; name and location of the damaged facility; names of the applicant, State, and FEMA representatives present during closeout; Federal cost share percentage; calculation of any project cost overruns or underruns; and a description of the procedures applied during the final inspection.
6.	Final Inspection Signoff Report – Continuation Page	Used to continue the description of the procedures applied during the final inspection and any variances identified from the Closeout Project Worksheet.
7.	Final Inspection Comments	Includes a description of the methods and procedures used to complete the final inspection.
8.	Variance Summary	Compares obligated costs to eligible closeout documented costs and shows resulting variances.
9.	Invoice Summary Record	Lists all the invoices paid by the subgrantee related to the project.
10.	Alternate-Improved Project Cost Variance	Completed only when an alternate or improved project was completed. Identifies the original estimate, insurance recoveries, the FEMA eligible project estimate, and the eligible costs.
11.	Closeout Project Worksheet	Includes the disaster number, project worksheet number, applicant name, name and location of the damaged facility, Federal cost share percentage, calculation of any project cost overruns or underruns, and a description of the procedures applied during the final inspection.
12.	Project Worksheet – Scope of Work Continuation Page	Used to continue the description of the procedures applied during the final inspection and any variances identified from the Closeout Project Worksheet.
13.	Project Costs Continuation Page	Lists project costs by category, such as force account labor, equipment, and materials, along with the cost of those items.
14.	Special Considerations	Includes fields to identify areas that require special consideration, such as insurance recoveries, floodplain or other environmental concerns, proposed changes to the pre-disaster condition, historic significance, and hazardous materials. This information is also documented in the initial project worksheet prepared and submitted to FEMA for approval.
15.	Final Summary of Documentation	Lists the warrant or voucher number, date of delivery, description of documentation, and eligible costs of total articles or services for which project expenditures were claimed.
16.	Final Summary of Documentation 2	Lists the warrant or voucher number, date of delivery, description of documentation, and eligible costs. The format of the document is different than the Final Summary of Documentation described above.
17.	Photo Sheet	Includes photographs documenting the damage to the facility.
18.	D1	Generated from FEMA's system, this report lists projects by subgrantee for each disaster and is used to document that other project worksheets for the same subgrantee and disaster have been considered during the closeout process.
19.	Project Worksheet Report	Includes the disaster number, project worksheet number, applicant name, name and location of the damaged facility, completion date, eligible costs, special consideration information, a description of the work performed, and information on the approver and date approved for the State and FEMA.
20.	Request for Large Project Final Inspection	Form completed by the subgrantee to request a final inspection. This form is available in the FloridaPA System.

Source: DEM Records.

EXHIBIT C  
MANAGEMENT'S RESPONSE



STATE OF FLORIDA

**DIVISION OF EMERGENCY MANAGEMENT**

CHARLIE CRIST  
Governor

RUBEN D. ALMAGUER  
Interim Director

August 31, 2009

David W. Martin, Auditor General  
State of Florida  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Enclosed is a list of responses prepared by the Division of Emergency Management to the tentative audit findings and recommendations prepared by the Auditor General regarding the operational audit of the Division of Emergency Management, for the period July 2007 through February 2009.

Pursuant to Section 11.45(4)(d), Florida Statutes, the Division submits this report, as required, to the Auditor General within thirty (30) days of receiving the Auditor General's list. Please accept this written statement of explanation concerning all of the findings, including the Division's actual and proposed corrective actions.

If you have any questions or should you require additional information, please contact Doug Wright, Recovery Bureau Chief, at (850) 413-9963 or by e-mail at: [laura.beagle@em.myflorida.com](mailto:laura.beagle@em.myflorida.com).

Sincerely,

Ruben D. Almaguer  
Interim Director

DW/lb/rs

Enclosure

cc: Candie Fuller, Inspector General

**EXHIBIT C**  
**MANAGEMENT'S RESPONSE (CONTINUED)**

According to Division of Emergency Management (Division) records, on February 28, 2009, the Division had 2,870 open large projects relating to disasters that occurred between 1999 and 2008 with the majority of the projects being related to 2004 and 2005 calendar-year disasters. The Auditor General's operational audit of DEM focused on obtaining an understanding of the causes for the delays in settling large project disaster claims for project activity during the period July 2007 through February 2009.

**Finding No. 1: DEM organizational structure and procedures were not effectively designed to ensure that disaster projects were appropriately monitored and closed in a timely manner.**

DEM Response:

DEM concurs with the Auditor General. The Public Assistance Standard Operating Guide will be rewritten by June 2010 to ensure that projects are appropriately monitored and closed.

**Finding No. 2: DEM maintained disaster project documentation in multiple systems and at various storage sites rather than in a centralized information system.**

DEM Response:

DEM concurs with the Auditor General. Changes have been requested from the software developer to provide a central information and storage system by June 2010.

**Finding No. 3: The FloridaPA System contained inaccurate and incomplete data, limiting DEM management's ability to effectively manage disaster projects.**

DEM Response:

DEM concurs with the Auditor General. The FloridaPA.org system will be reviewed to remove inaccurate and incomplete data by June 2010.

**Finding No. 4: DEM did not provide written instructions to subgrantees on the preparation of Quarterly Reports or to staff on the review and approval of Quarterly Reports. Additionally, DEM procedures for reviewing and approving Quarterly Reports were not effective in disclosing and resolving anomalies in the data reported.**

DEM Response:

DEM concurs with the Auditor General. The Quarterly Report process will be refined and improved to assist subgrantees and DEM staff in identifying and resolving anomalies in data submissions by June 2010.

**Finding No. 5: DEM did not maintain a listing of planned or completed interim inspections for disaster projects. Additionally, DEM did not always properly document completed inspections.**

**EXHIBIT C  
MANAGEMENT’S RESPONSE (CONTINUED)**

DEM Response:

DEM concurs with the Auditor General. A listing of planned and completed interim inspections will be maintained by the Bureau. Staff will be instructed on proper documentation of completed inspections. This corrective action will be completed by January 30, 2010.

**Finding No. 6: Information and calculations required by the Joint Closeout Tool documents were duplicative and resulted in inefficiencies. In addition, DEM’s policy of waiting for subgrantees to request final inspections, rather than scheduling the inspections when projects were identified as complete, contributed to extensive delays.**

DEM Response:

DEM concurs with the Auditor General. The JCT process will be replaced and another methodology will be put in place to facilitate project closeouts. The Bureau will schedule final inspections for projects identified as complete. Corrective action will be completed by June 2010.

**Finding No. 7: DEM did not always retain the documentation necessary to demonstrate the adequacy of the final inspections. Also, contrary to established procedures, the eligible costs calculated during the final inspection process were not reconciled to amounts already paid to subgrantees.**

DEM Response:

DEM concurs with the Auditor General. Documentation will be retained to confirm the adequacy of final inspections. Procedures will be revised to ensure the eligible costs calculated during the final inspection process are reconciled to amounts already paid to subgrantees and any payments be submitted prior to closeout. Corrective action will be completed by January 30, 2010.