

# Department of Homeland Security **Office of Inspector General**

Erie County, New York, Generally Followed  
Regulations for Spending Public Assistance Grant  
Funds for Flooding in August 2009





## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

JAN 29 2013

MEMORANDUM FOR: Lynn Canton  
Regional Administrator, Region II  
Federal Emergency Management Agency

FROM:   
D. Michael Beard  
Assistant Inspector General  
Office of Emergency Management Oversight

SUBJECT: *Erie County, New York, Generally Followed Regulations for  
Spending Public Assistance Grant Funds for Flooding in  
August 2009*  
Audit Report Number OIG-13-25

We audited Public Assistance (PA) funds awarded to the Erie County (County), New York (Public Assistance Identification Number 029-99029-00). Our audit objective was to determine whether the County accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to Federal regulations and FEMA guidelines.

The New York State Division of Homeland Security and Emergency Services (HSES), a FEMA grantee, awarded the County \$10.2 million for damages caused by heavy rains in August 2009. The award provided 75 percent FEMA funding for 28 large and 177 small projects.<sup>1</sup> The audit covered the period August 8, 2009, through August 17, 2012, and included a review of 11 large projects totaling less than \$1.5 million, or less than 15 percent of the total award (see Exhibit A, Schedule of Projects Audited). As of the cutoff date of our audit, none of the large projects that we reviewed were closed.

We conducted this performance audit between February and August 2012 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. These 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 upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. We conducted this audit using the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

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<sup>1</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$64,200.



We interviewed FEMA, HSES, and County officials; reviewed judgmentally selected project costs (generally based on dollar value); and performed other procedures considered necessary to accomplish our objective. We did not assess the adequacy of the County’s internal controls applicable to grant activities because it was not necessary to accomplish our audit objective. We did, however, gain an understanding of the County’s method of accounting for disaster-related costs and its procurement policies and procedures.

**RESULTS OF AUDIT**

The County accounted for grant funds on a project-by-project basis as required and followed spending regulations. However, we did determine that FEMA should deobligate and put to better use \$73,251 of unused Federal funds that exceed the amount the County spent. In addition, we found \$13,567 in unsupported costs.

**Finding A: Unused Federal Funds**

The County spent \$73,251 less than the amount authorized on three completed projects (see table 1). Even though the County has not submitted its final claim, FEMA should deobligate and put to better use the \$73,251. FEMA approved the projects based on estimates.

**Table 1. Estimated and Actual Project Costs**

<b>Project Number</b>	<b>Amount Estimated</b>	<b>Actual Costs</b>	<b>Amount Questioned</b>
264	\$ 143,305	\$ 122,319	\$ 20,986
265	115,333	63,989	51,344
1195	128,281	127,360	<u>921</u>
			<u>\$ 73,251</u>

**County Response.** County officials agree with this finding. The actual costs (as shown in table 1) will be used by the County to close those projects.

**Finding B: Ineligible Costs**

Of the County’s \$13,567 in direct administrative costs, we question \$13,567 as being unsupported (see table 2).



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**Table 2. Ineligible Costs**

Project Number	Amount Ineligible
266	\$ 995
326	8,227
491	1,534
632	<u>2,811</u>
	<u>\$13,567</u>

We reviewed individual handwritten time records that the County used as support for its direct administrative costs. During our review, we noted a great similarity in signatures. We determined that a clerk had completed the time records and signed for the employees, but did not have any documentation for the time being recorded. No notations on the time records being submitted for reimbursement signified that the signatures were not authentic. The County could not provide any alternative documentation for the time that was claimed. Thus, we question \$13,567 for direct administrative costs claimed as inadequately supported, and we referred this manner to our Office of Investigations for further review.

County Response. County officials agree with this finding.

**RECOMMENDATIONS**

We recommend that the Regional Administrator, FEMA Region II:

**Recommendation #1:** Deobligate \$73,251 (Federal share \$54,938) as unneeded project funding. (See exhibit A.)

**Recommendation #2:** Disallow \$13,567 (Federal share \$10,175) as unsupported costs. (See exhibit A.)

**DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP**

We discussed the results of our audit with County officials and included their comments in this report, as appropriate. We held an exit conference with the County on August 17, 2012.

Within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to



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inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendation will be considered open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Major contributors to this report were Kaye McTighe, Division Director; Trudi Powell, Audit Manager; and Ken Valrance, Senior Auditor.

Please call with any questions, or your staff may contact John Kelly, Deputy Assistant Inspector General at (202) 254-4100.



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**EXHIBIT A**

**Schedule of Projects Audited  
Erie County, New York  
FEMA Disaster Number 1857-DR-NY**

<b>Project Number</b>	<b>Award Amount</b>	<b>Unused Funds Finding A</b>	<b>Finding B</b>	<b>Total Questioned Costs</b>
264	\$ 143,305	\$ 20,986		\$ 20,986
265	115,333	51,344		51,344
266	70,367		\$ 995	995
326	415,976		8,227	8,227
344	91,136			0
347	94,568			0
491	76,605		1,534	1,534
632	167,040		2,811	2,811
814	80,355			0
815	75,357			0
1195	128,281	921		921
<b>Totals</b>	<b><u>\$1,458,323</u></b>	<b><u>\$ 73,251</u></b>	<b><u>\$13,567</u></b>	<b><u>\$86,818</u></b>



## **Appendix A**

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#### **Grantee**

Director, New York State Division of Homeland Security and Emergency Services  
Deputy Comptroller for local Government and School Accountability, New York State  
Division of Homeland Security and Emergency Services

#### **Subgrantee**

Erie County, New York

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