



STATE OF FLORIDA
DIVISION OF EMERGENCY MANAGEMENT

RICK SCOTT
Governor

BRYAN W. KOON
Director

September 4, 2013

Bryan Koon
Director
Division of Emergency Management
2555 Shumard Oak Boulevard
Tallahassee, Florida 32399-2100

Re: **Auditor General Report No. 2014-086**
Disaster Resource Management and Prior Audit Follow-up - Operational Audit
January 2014

Dear Director Koon:

As required by Section 20.055(5)(h), Florida Statutes, attached is the six month status report for the subject audit. The report details the implementation or current status of each recommendation.

If you have any questions, please call me at 922-1611.

Sincerely,

Ronnie Atkins,
Deputy Inspector General

RA: mc

Enclosure

Cc: Michael DeLorenzo, Deputy Director
Kathy Dubose, Staff Director
Joint Legislative Auditing Committee
JLAC@leg.state.fl.us

FLORIDA DIVISION OF EMERGENCY MANAGEMENT
6-month Follow-up to the
Office of Auditor General
Disaster Resource Management and Prior Audit Follow-up - Operational Audit
January 2014
Report #: 2014-086

Finding No. 1: Disaster Supplies and Equipment Inventory Controls

Federal guidance identifies best practices for inventory control and provides that control is a critical management function exercised in concert with acquiring, managing, and disposing of inventory, supplies, and materials. The inventory control best practices prescribed by the guidance include, but are not limited to:

- Establishing written policies and procedures governing inventory management;
- Performing periodic physical inventory counts;
- Recording changes in inventory quantities;
- Maintaining records which include the asset identifier, asset location, current owner (e.g., agency, vendor, or grantee), condition, and custodian; and
- Maintaining documentation to demonstrate the proper approval of inventory dispositions.

As part of our audit, we examined Division records, interviewed Division personnel, and evaluated Division inventory controls at the SLRC. We identified areas in which the SLRC inventory controls needed improvement. Specifically, we noted that:

- The Division had not established written policies and procedures specifically governing the management of the disaster supplies and equipment warehoused at the SLRC.
- The Division had not documented the performance of periodic physical inventories of the disaster supplies and equipment warehoused at the SLRC during the period July 2011 through February 2013 and did not have detailed records to support the total value of the disaster supplies and equipment inventory.
- According to Division records, there were eight dispositions of inventory made during the period July 2011 through February 2013. The items disposed of included hazardous materials suits, boots, and similar items that were donated to local governments and non-profit entities. However, Division records did not document the proper approval of the dispositions or cost information related to the items donated. Further, Division records did not demonstrate that the SRMN records had been updated for the dispositions. During emergencies, the SRMN is to be used to assist the Division, and other entities involved in emergency preparation and response activities, in identifying the location of needed response and disaster supplies and

equipment and for tracking the deployment and delivery of those resources to local staging areas.

Inventory controls are essential to safeguard assets and promote the reliability of inventory records necessary for management decision-making. Such controls are especially important when the inventory consists of supplies and equipment required to meet the immediate needs of disaster victims. In response to our audit inquiries, Division management stated that, because of limited staff, policies and procedures governing the management of disaster supplies and equipment had not been established. Division management also indicated that the SRMN was utilized as a database for operational purposes and was not used to track Division property information. Notwithstanding this response, as the SRMN was developed to automate the resource management of the Division's inventory of disaster supplies and equipment and to track available quantities of stored items so that the location of needed supplies and equipment can be readily identified during an emergency, it is imperative that the SRMN include an accurate record of the State-owned supplies and equipment warehoused at the SLRC.

Recommendation: We recommend that Division management establish policies and procedures for the management of the disaster supplies and equipment warehoused at the SLRC. Such policies and procedures should require the performance of periodic physical inventories of the supplies and equipment, the maintenance of records documenting the approval of all dispositions, and the timely and accurate update of SRMN records.

Audit Response:

The Division will review and update its procedures and processes for oversight of disaster supplies and equipment inventory maintained at the State Logistics Response Center, performing periodic physical inventory of the disaster supplies and equipment, and maintaining records documenting approval for inventory dispositions. If appropriate, additional procedures will be developed to ensure proper management of and accounting for disaster supplies and equipment inventory maintained at the State Logistics Response Center.

6-month Follow-up Response:

The Division is in the process of completing a procedure for this matter. Performance of the next physical inventory has been scheduled for early September 2014.

Completion Date:

Anticipated completion date: December 31, 2014.

Finding No. 2: Generators

Pursuant to State law, the Division was required by January 1, 2007, to complete an inventory of State and local government-owned generators that are capable of operating during a major disaster. State law further requires that the Division maintain an inventory list of the generators and that the list identify, at a minimum, the location of each generator; the number of generators stored at each specific location; the agency to which each generator belongs; the primary use of the generator by the owner agency; and the names, addresses, and telephone numbers of persons having the authority to loan the stored generators as authorized by the Division during a declared emergency. Inherent in the requirement to maintain the inventory list is the responsibility to update the list to reflect acquisitions, dispositions, and other changes in the required information. In our report No. 2012-098, finding No. 7, we noted that the Division had not reviewed or updated the inventory list of generators since the list was created in December 2006. As part of our follow-up procedures, we examined Division records for the period January 2007 through February 2013 and noted that the Division expended approximately \$70.9 million, of which approximately \$44.8 million was Federal funds, to purchase generators for local government special-needs emergency shelters. In response to our audit inquiry regarding additions to the inventory list, Division management acknowledged that the inventory list of generators had not been updated since it was created in December 2006 and also indicated that it was the Division's understanding that the creation of the inventory list was a one-time requirement. While State law provided that, by January 1, 2007, the Division was to create an inventory list of generators owned by the State and local governments, the law also requires the Division to maintain the inventory list of generators. Absent updates to the list to reflect acquisitions, dispositions, and other changes related to the information required for each generator, the usefulness of the list for maintaining recorded accountability and for locating generators during a declared emergency is limited.

Recommendation: We recommend that Division management seek guidance from the Legislature regarding the intent of Section 252.35(2)(t), Florida Statutes, and, as applicable, establish procedures to update and maintain an accurate inventory list of generators owned by the State and local governments.

Audit Response:

The Division will conduct a survey of state agencies and local governments to identify all generators over 20kw which are capable of operating during a major disaster and which may be loaned under the Statewide Mutual Aid Agreement.

The information collected from the surveys will be used to update the inventory of portable generators. The inventory will identify (1) the location of each generator skid or trailer mounted generators, (2) the number of generators stored at each location, (3) the agency or governmental unit to which the generator belongs, (4) the primary use of the generator by the owner, and (5) the name, address, telephone number, and e-mail contact of the person having the authority to loan the stored generator as authorized by the Division during a declared emergency under the Statewide Mutual Aid Agreement.

6-month Follow-up Response:

A survey was conducted and the generator inventory has been completed.

Completion Date:

Completed as of June 10, 2014.

Finding No. 3: Subgrant Documentation

To ensure compliance with Federal requirements and to maintain the proper accountability for items purchased with Federal funds, subgrants must be documented in detail sufficient to communicate the applicable grant program requirements and to demonstrate the appropriate transfer of the custody of the items. According to Division management, the Division utilized memoranda of understanding to document subgrants of items purchased with Federal funds. Each memorandum of understanding was to include the subgrantee's name; identification of the specific items transferred to the subgrantee, including the items' serial numbers; the Federal and specific grant requirements applicable to the items being distributed; and the signatures of the parties involved.

As part of our audit, we examined Division records for 168 items of equipment purchased during the period September 2012 through February 2013 at costs totaling \$788,522 that were identified by the Division as distributed to subgrantees. The purchased items included network equipment, computers, power sources, emergency field equipment, and interoperable communications equipment. Our examination of Division records and inquiries of Division personnel disclosed that the subgrants related to the distribution of the 168 items were not always documented in accordance with Division procedures and Federal regulations. Specifically, the Division had not executed memoranda of understanding related to 133 of the items (75 radios and 58 antenna components) with acquisition costs totaling \$591,737. For these 133 items we also noted that:

- Although a memorandum of understanding had not been executed, the Division had obtained a signed property transfer receipt for 120 of the items. However, for 114 items (57 radios and 57 antenna components), with acquisition costs totaling \$483,728, the signed receipt did not include details, such as the serial numbers, of the individual items of equipment transferred.
- For 13 of the items (12 radios and 1 antenna component), with acquisition costs totaling \$73,092, the Division had neither executed memoranda of understanding nor obtained signed property transfer receipts.

Absent sufficiently detailed subgrant documentation communicating applicable grant program requirements and demonstrating the appropriate transfer of the custody of items to recipients, the Division cannot demonstrate compliance with Federal regulations and

Division management's assurance related to the proper accountability for and appropriate safeguarding of equipment purchased with Federal funds is reduced.

Recommendation: We recommend that Division management ensure that all subgrants of equipment purchased with Federal funds are properly documented in accordance with applicable Federal regulations.

Audit Response:

The Division has executed memoranda of understanding with subgrantees for the equipment purchased for distribution to subgrantees during the period September 2012 through February 2013 and will discontinue purchasing equipment with Federal funds for distribution to eligible recipients.

6-month Follow-up Response:

The Division has renewed efforts to obtain signed memoranda of understanding from subgrantees or to recover the equipment.

Completion Date:

Anticipated completion date: December 31, 2014.

Finding No. 4: Tangible Personal Property Records

DFS guidance provides that State agencies are responsible for correctly reporting tangible personal property at the date of acquisition. According to Division records, the Division purchased 41 tangible personal property items with acquisition costs totaling \$216,105 during the period September 2012 through February 2013. As part of our audit, we examined Division records for 38 of the items, with acquisition costs totaling \$211,754, to determine whether the Division's property records had been timely and accurately updated. As similarly noted in our report No. 2012-098, finding No. 6, we found that purchases of tangible personal property were not always timely, accurately, or completely entered into the Division's property records. Specifically, for the 38 items selected for audit we found that:

- Division staff had not timely added 28 of the items, with acquisition costs totaling \$131,160, to the property records. The number of days between the items' payment dates¹² and the dates the items were added to Division property records ranged from 47 to 86. In response to our audit inquiries, Division management indicated that delays in recording tangible personal property items in the property records occurred when the receipt of items was not timely communicated to the personnel responsible for recording the property.

- Required information was either missing or inaccurately recorded in the property records for 37 of the items.

Specifically:

- For 20 items, with acquisition costs totaling \$70,216, the physical location, custodian, class code, make or manufacturer, and method of acquisition was missing from Division property records.
- The manufacturer's serial number was missing from Division property records for 19 items, with acquisition costs totaling \$90,416. These 19 items included portable radios, a laptop computer, and solar power packs.
- Division property records for 16 items, with acquisition costs totaling \$106,354, reflected a physical inventory date of June 30, 2012, which preceded the recorded acquisition dates for the items.
- Acquisition costs totaling \$53,245 were incorrectly recorded for 16 items. For these items, the Division allocated the total invoice amount to the 16 items equally, rather than recording the actual cost of each item as shown on the purchase order. As a result, the differences between the actual item costs and the acquisition costs listed in Division property records for these 16 items ranged from an understatement of \$2,433 to an overstatement of \$1,452.
- The property numbers recorded in Division property records did not agree with the property numbers affixed to 2 items, portable radios with acquisition costs totaling \$10,455.

The Division lacked sufficient controls to ensure that all tangible personal property acquisitions were timely, accurately, and completely recorded in Division property records. As a result, Division management has reduced assurance regarding the accountability for and appropriate safeguarding of Division tangible personal property.

Recommendation: We again recommend that Division management take steps to ensure that tangible personal property acquisitions are timely, accurately, and completely recorded in Division property records.

Audit Response:

The Division will review and update its procedures and processes for recording purchases of tangible personal property items to ensure that purchases of tangible personal property items are properly recorded.

6-month Follow-up Response:

The Division process for recording purchases of tangible personal property items has been modified to more timely and accurately record purchases. The accountable property procedure is being reviewed as part of an internal audit that is currently in process.

Completion Date:

Anticipated completion date: December 31, 2014.