



STATE OF FLORIDA

DIVISION OF EMERGENCY MANAGEMENT

RICK SCOTT
Governor

BRYAN W. KOON
Director

September 5, 2012

RE: Auditor General Reports:
2012-098 - Operational Audit
2012-099 - Oil Spill Response
2012-142 - Statewide Federal Awards

Dear Director Koon:

As required by Section 20.055(5)(h), Florida Statutes, attached is the Division of Emergency Management's (Division) six month status report for the Auditor General audits listed above. The attachment provides details on the implementation of each of the Auditor General's recommendations, as provided by Division management. The 17 recommendations are summarized in the table below: 13 are Fully Corrected; 2 are Partially Corrected; 1 is Not Corrected; and 1 does Not Warrant Further Action.

| 2012-098 - Operational Audit | | |
|-------------------------------------|---|---|
| 2012-098-01 | General Procurement Requirements | Fully Corrected |
| 2012-098-02 | Payments for Goods and Services | Fully Corrected |
| 2012-098-03 | Employee Independence Attestations | Fully Corrected |
| 2012-098-04 | Annual Physical Inventory | Fully Corrected |
| 2012-098-05 | Surplus Tangible Personal Property | Fully Corrected |
| 2012-098-06 | Tangible Personal Property Records | Fully Corrected |
| 2012-098-07 | Generators | Not Corrected |
| 2012-098-08 | Documentation of Travel Expenditures | Fully Corrected |
| 2012-099 - Oil Spill Response | | |
| 2012-099-01 | Advance Payments | Finding Does Not Warrant Further Action |
| 2012-099-02 | Reimbursements to State Agencies | Fully Corrected |
| 2012-099-03 | System Access Control | Fully Corrected |
| 2012-099-04 | Security Controls | Partially Corrected |
| 2012-142 - Statewide Federal Awards | | |
| 2012-142 FA11-076 | Allocation of Salary and Benefits | Fully Corrected |
| 2012-142 FA11-077 | Subgrantee unallowable amount | Partially Corrected |
| 2012-142 FA11-078 | User Access – Hazard Mitigation Application | Fully Corrected |
| 2012-142 FA11-079 | Reimbursement Documentation | Fully Corrected |
| 2012-142 FA11-080 | Subrecipients Monitoring | Fully Corrected |

Please let me know if you have any questions or would like additional information regarding the status of these findings.

Sincerely,

Kris Sullivan
Deputy Inspector General

Cc: Kathy DuBose, Legislative Auditing Committee
Melinda Miguel, Chief Inspector General

Division of Emergency Management

6-month Follow-up Response to the Auditor General's Operational Audit Report: 2012-098

2012-098-01 – General Procurement Requirements

Finding Summary: Division procurement controls did not reasonably ensure compliance with applicable laws, rules, regulations, and grant agreement provisions.

Recommendation: Auditor General recommended that management more closely monitor staff compliance with applicable purchasing laws, rules, regulations, grant agreement provisions, and related Division procedures.

DEM Initial Response: FDEM will take steps to review internal business processes to more closely monitor staff compliance with applicable purchasing laws, rules, regulations, and grant provisions.

DEM September 2012 Status: Fully Corrected

The Division has implemented a Procurement Unit comprising of three employees. This unit manages compliance with State purchasing laws and the Division's purchasing policy.

2012-098-02 – Payments for Goods and Services

Finding Summary: The Division did not always obtain and review supporting documentation to ensure that prior to payment, procured goods or services were received in accordance with contractual terms and conditions.

Recommendation: Auditor General recommended the Division should obtain and review supporting documentation to ensure that goods or services are received in accordance with all contractual terms and conditions. Additionally, we recommend that the Division process PO amendments when needed to authorize the purchase of additional needed goods or services.

DEM Initial Response: FDEM will take steps to review internal business processes to ensure that goods and services are received in accordance with contractual terms and conditions. FDEM has furnished affidavits for February and March 2010 that radio station commercials aired in accordance with the terms and conditions of the service deliverables.

DEM September 2012 Status: Fully Corrected

The Division is requiring vendors to provide complete back-up documentation for all contractual terms and conditions (i.e., airtime affidavits, etc.). In addition, purchase orders are amended for additional goods or services.

Division of Emergency Management

2012-098-03 – Employee Independence Attestations

Finding Summary: Division employees with vendor selection responsibilities were not required to attest in writing as to their independence and impartiality with respect to the entities evaluated and selected.

Recommendation: Auditor General recommended that the Division take steps to ensure that for procurements valued in excess of \$35,000, all staff involved in the contractor selection process, attest in writing as to their independence and impartiality.

DEM Initial Response: FDEM has corrected this finding and attestation forms are being completed by all staff involved in the contractor selection process

DEM September 2012 Status: Fully Corrected

The Division has developed a form that review committee members sign for each competitive solicitation that attests in writing as to their independence and impartiality. The Division also requires the “Attestation of No Conflict” form (PUR 7662) to be signed by all employees involved in each non-competitive procurement, in accordance with Chapter 287.057(20), Florida Statutes.

2012-098-04 – Annual Physical Inventory

Finding Summary: Annual physical inventory procedures were not timely completed.

Recommendation: Auditor General recommended that Division management take steps to ensure that all aspects of an annual physical inventory are timely completed

DEM Initial Response: FDEM was not the property record custodian during the period of this audit and annual inventory was the requirement of the Department of Community Affairs (DCA). Since FDEM was transitioned under the Executive Office of the Governor and has the responsibility for annual inventory compliance, FDEM has conducted an annual property inventory in conjunction with EOG administration staff. FDEM will ensure annual inventories are timely completed.

DEM September 2012 Status: Fully Corrected

The Division and the Executive Office of the Governor (EOG) performed a joint inventory of all Division and DCA property and reconciled property records to FLAIR. In addition, all old property records still in FLAIR were submitted to the Department of Financial Services for write-off and were approved. DCA property that moved to Department of Economic Opportunity, Department of Environmental Protection, and Department of Business and Professional Regulation were transferred to the respective agency and the Division’s property was transferred to EOG.

Division of Emergency Management

2012-098-05 – Surplus Tangible Personal Property

Finding Summary: Adequate documentation was not maintained to evidence that all property classified as surplus property had been properly approved or disposed.

Recommendation: Auditor General recommended that Division management monitor staff compliance with procedures for certification and disposition of surplus property.

DEM Initial Response: Again, FDEM was not the property record custodian during the period of this audit and the certification and disposition of surplus property was the requirement of the Department of Community Affairs (DCA). FDEM provided the surplus property to DCA for certification and disposition. Since FDEM now has the responsibility to certify and dispose of its property, the Division will monitor the certification and disposition process for compliance with Section 273.05 Florida Statutes.

DEM September 2012 Status: Fully Corrected

The Division has implemented a new property policy and has taken the necessary steps properly record property acquisitions. As indicated above, property records have been corrected and are up-to-date.

2012-098-06 – Tangible Personal Property Records

Finding Summary: Tangible personal property (property) was not always recorded in FLAIR property records. For example, our audit disclosed numerous Division-acquired property items that had not been recorded in FLAIR, including a 320GB digital video recorder (\$4,399), 2 security cameras (\$4,202), a conference table (\$2,410), a dishwasher (\$5,403), and a convection oven (\$8,655). In addition, when property items were recorded, the items were often not recorded timely or accurately. Division staff were unable to locate 80 of 95 property items that we selected for physical inspection, including a mobile communication device (\$148,800), video editing equipment (\$162,070), and 18 laptop computers (\$30,416).

Recommendation: Auditor General recommended that management take steps to ensure that property acquisitions are recorded in the Property Records in a timely, accurate, and complete manner. We also recommend that further investigations be made to determine the location of the missing property items.

DEM Initial Response: Again, FDEM was not the property record custodian during the period of this audit and recording property records in a timely, accurate, and complete manner was the requirement of the Department of Community Affairs (DCA). In addition, since the Division has taken control of the property records, a coordinated effort with the EOG to locate and update property records is on-going. The Division has located all but one purchase of the missing property list identified by the audit. FDEM is taking steps to ensure property acquisitions are recorded in the property record timely, accurately and in a complete manner.

DEM September 2012 Status: Fully Corrected

The Division has implemented a new property policy and has taken the necessary steps properly record property acquisitions. As indicated above, property records have been corrected and are up-to-date.

Division of Emergency Management

2012-098-07 – Generators

Finding Summary: The Division had not since December 2006 updated its inventory of State and local government-owned generators that are to be available for use during major disasters.

Recommendation: Auditor General recommended that the Division establish procedures to ensure that the generator inventory is periodically updated to accurately account for generators owned by State and local governments capable of operating during a major disaster.

DEM Initial Response: FDEM will seek Legal and/or Legislative clarity as to the interpretation of Section 252.35(2) (s) and (t). FDEM interprets this Section of the Florida Statutes as being vague as to the requirement that the Division update the inventory list of generators on any recurring basis

DEM September 2012 Status: Not Corrected

The Division will seek Legislative clarity during the 2013 Legislative Session as to the interpretation of Section 252.35(2)(s) and (t). The Division interprets this Section as being vague as to the requirement that the Division update the inventory list of generators on any recurring basis.

2012-098-08 – Documentation of Travel Expenditures

Finding Summary: Weaknesses continued to exist in the processes for review, approval, and documentation of Division travel expenditures.

Recommendation: Auditor General recommended DEM facilitate a demonstration of compliance with applicable laws, rules, regulations, and policies and procedures, we recommend that the Division take steps to ensure that required documentation is completed and maintained for travel expenditures.

DEM Initial Response: FDEM is in the process of reviewing travel business processes to ensure the required documentation is completed and maintained for travel expenditures.

DEM September 2012 Status: Fully Corrected

The Division has re-issued the Division's travel policy and has taken steps to ensure proper documentation is completed and maintained for travel expenditures. Division Finance has provided training to ensure travel authorizations are completed prior to travel beginning.

Division of Emergency Management

6-month Follow-up Response to the Auditor General's Report on the Division's Oil Spill Response Expenditure Report Report: 2012-99

2012-099-01 – Advance Payments

Finding Summary: The Division provided advances to State agencies, local governments, and not-for-profit organizations. The Division's administrative processing and accountability of these advances needed improvement."

Recommendation: Auditor General recommended the Division should ensure that agreements include proper provisions (including an agreement period and a timeframe for submitting supporting expenditure documentation). The Division should also document the receipt and review of expenditure documentation and accurately code and record in FLAIR amounts advanced.

DEM Initial Response: In the future, the Division will ensure that agreements include the timeframe for submitting supporting expenditure documentation. The coding used to process these payments was clearly an oversight due to the timing required for the release of payments. The Division will take the necessary steps to accurately code advance payments in the future.

DEM September 2012 Status: Finding Does Not Warrant Further Action

The Division has taken the necessary steps to ensure this finding does not happen in the future. However, the time sensitive nature for the execution of these agreements and the processing of the payments were at the direction of Governor Crist's office for the media campaigns resulting from the Deep Water Horizon Oil spill.

2012-099-02 – Reimbursements to State Agencies

Finding Summary: The Division did not always obtain and properly review expenditure documentation supporting reimbursements to State agencies."

Recommendation: Auditor General recommended that the Division follow the Committee's guidance for validation of claimed expenses, and the Division procedures for documentation of methodology used to select expenses for validation.

DEM Initial Response: The Division has addressed reimbursements to State Agencies in a memo dated September 14, 2010. The meeting following the receipt of this memo, the committee discussed and approved these changes. The meeting was held principally by conference call.

DEM September 2012 Status: Fully Corrected

The Division approved the changes to reimbursements to State Agencies as indicated in the initial response. The committee continues to meet to approve these payments.

Division of Emergency Management

2012-099-03 – System Access Control

Finding Summary: The Division's management of the Florida BP Grants System access privileges needed improvement.

Recommendation: Auditor General recommended that the Division periodically review System access privileges and ensure that the access privileges of former employees and users no longer requiring access are timely removed.

DEM Initial Response: All security concerns relating to access privileges of former employees and users no longer requiring access have been corrected

DEM September 2012 Status: Fully Corrected

The Division has scrubbed the database of potential users who should no longer have access and has repeated this procedure on a quarterly basis as part of standard operating procedures. Additionally, steps have been put in place to remove Division employee's access automatically upon separation from the Division.

2012-099-04 – Security Controls – User Authentication

Finding Summary: Certain Division security controls protecting the Florida BP Grants System data and IT resources needed improvement.

Recommendation: Auditor General recommended DEM ensure the confidentiality, integrity, and availability of Division data and IT resources, the Division should enhance System security controls.

DEM Initial Response: FDEM concurs and will correct this finding. This issue will be resolved with the next version of the software. The vendor is currently working with Division IT staff to begin the testing and upgrading to the system.

DEM September 2012 Status: Partially Corrected

The Division is addressing this finding through updates contained in the next revision of the software, which is due to be rolled out at the end of August 2012. Specifically, this update will force Users to change their passwords at regular and frequent time intervals, and will also limit the number of invalid access attempts prior to a username account being frozen. This update will be made in accordance with the Division and State policies on Information Technology security.

Division of Emergency Management

6-month Follow-up Response to the Auditor General's Statewide Federal Awards for the fiscal year ended June 30, 2011 Report: 2012-142

2012-142 – FA 11-076 – Allocation of Salary and Benefits

Finding Summary: FDEM did not appropriately allocate salary and benefit costs charged to multiple Federal programs.

Recommendation: Auditor General recommended that FDEM correct the salary and benefits allocation inaccuracies and make appropriate adjustments to cash draws and Federal reports as applicable.

DEM September 2012 Response: FDEM concurs with the finding and is in the process of making the appropriate adjustments to correct inaccuracies in salary and benefit allocations.

DEM September 2012 Status: Fully Corrected

2012-142 – FA 11-077 – Subgrantee unallowable amount

Finding Summary: Our audit tests disclosed a subgrantee payment that included an unallowable amount.

Recommendation: Auditor General recommended that FDEM continue its efforts to ensure that costs are allowable and reasonable. We also recommend that FDEM recover the amount of the overpayment.

DEM Initial Response: A version has been submitted to FEMA to reduce the total obligated amount of PW-9266 by \$64,716.06. Upon de-obligation of funding by FEMA, an invoice will be sent to the applicant to recover the overpayment. A summary of this error has been distributed to all Recovery Office closeout specialists and financial specialists as a learning tool.

DEM September 2012 Status: Partially Corrected

The Division has sent an invoice to the subgrantee - Hebrew Academy Community School - requesting repayment of the funds owed, on April 19, 2012. The Division will continue to work with the subgrantee to achieve repayment of the owed funds in accordance with Division procedural guidelines and timeframes.

Division staff will continue to monitor the subgrantee's account, and will send a second invoice if payment is not received within established procedural timeframes.

2012-142 – FA 11-078 – User Access – Hazard Mitigation Application

Finding Summary: FDEM management had not established appropriate internal controls regarding user access for the Hazard Mitigation System.

Recommendation: Auditor General recommended FDEM should enhance security controls to ensure access privileges are appropriately controlled.

DEM Initial Response: FDEM acknowledges and agrees with the finding. FDEM in accordance with the recommendations provided will ensure that all necessary enhancements to the Hazard Mitigation System (Mit.org) are implemented to ensure that access privileges are appropriately controlled.

DEM September 2012 Status: Fully Corrected

The Division has implemented all necessary enhancements to the Hazard Mitigation System (Mit.org) to ensure that access privileges are appropriately controlled.

2012-142 – FA 11-079 – Reimbursement Documentation

Finding Summary: FDEM did not always require adequate documentation be submitted by subgrantees to substantiate amounts requested for reimbursement. Additionally, prior to approving subgrantee reimbursements, FDEM did not require subgrantees to submit indirect cost allocation plans and fringe benefit rates for approval.

Recommendation: Auditor General recommended that FDEM ensure subgrantee requests for reimbursement are adequately supported and that the amounts paid are in accordance with OMB Circular A-87.

DEM Initial Response: FDEM concurs with the finding and is in the process of taking the appropriate corrective action.

DEM September 2012 Status: Fully Corrected

The Division has instituted a 100% review process to ensure that all reimbursement requests are supported by appropriate documentation. Additionally, after transitioning to the Executive Office of the Governor, 100% sampling is conducted of the Division's payments to subgrantees by the Department of Financial Services. All payments to subgrantees require not only adequate documentation, but the most recent quarterly report and/or a copy of the scope of work is included in the packet as well.

Also, the Division has begun requesting and approving indirect cost plans as appropriate.

Division of Emergency Management

2012-142 – FA 11-080 – Subrecipients Monitoring

Finding Summary: FDEM did not always maintain sufficient documentation to evidence during-the-award monitoring of subrecipients.

Recommendation: Auditor General recommended that FDEM maintain appropriate documentation of monitoring activities of subrecipients to ensure that subrecipients are utilizing Federal awards for authorized purposes and in compliance with laws, regulations, and provisions of contracts and grant agreements.

DEM Initial Response: The Homeland Security Grants unit has created a place in the Monitoring tracking spreadsheet for Federal Fiscal Year 2011-12 and previous Fiscal Years for subgrants to record monitoring data in addition to the individual subgrant files. For each agreement executed after October 1, 2011 the completion of an on-site and/or desk monitoring, any findings, documentation placement in the file, and the grant monitor's name will be recorded to facilitate future audit requests.

DEM September 2012 Status: Fully Corrected

See initial response.