

*U.S. DEPARTMENT OF COMMERCE
Office of Inspector General*



*National
Telecommunications and Information
Administration*

*Florida Public Safety
Interoperable Communications
Grant Award No. 2007-GS-H7-0019*

*Final Audit Report No. DEN-19886
September 24, 2010*

For Public Release

Denver Regional Office of Audits





September 24, 2010

MEMORANDUM FOR: Lawrence E. Strickling
Assistant Secretary for
Communications and Information
National Telecommunications and
Information Administration

FROM: Ann C. Eilers 
Principal Assistant Inspector General for
Audit and Evaluation

SUBJECT: Final Audit Report No. DEN-19886
Auditee: Florida Division of
Emergency Management
PSIC Award No. 2007-GS-H7-0019

Attached is a copy of our final audit report of the Florida Public Safety Interoperable Communications (PSIC) award for your action in accordance with Department Administrative Order (DAO) 213-5, *Audit Resolution and Follow-up*. Our original audit report has been sent to the recipient, who has until October 25, 2010, to submit comments and supporting documentation to you. A copy of our final audit report will be posted on OIG's website pursuant to section 8L of the Inspector General Act of 1978, as amended.

Under DAO 213-5, you have 60 calendar days from the date of this memorandum to reach a decision on the actions you propose to take on the audit finding and recommendation and to submit an audit resolution proposal to this office. The format for the proposal is shown in Exhibit 8 of the DAO. As applicable, your written proposal must include the rational and/or legal basis for reinstating any questioned costs in the report and should reference any supporting documentation you relied on. Your comments should also address the funds to be put to better use, if any, cited in the report. Under the DAO, the Office of Inspector General must concur with your proposal before it may be issued as a final determination and implemented. The DAO prescribes procedures for handling any disagreements this office may have with the Audit Resolution Proposal. Also, please copy us when the audit determination letter is sent to the auditee.

Please direct any questions regarding this report to Jerry McMahan, Assistant Regional Inspector General, at (404) 730-2065 and refer to the final audit report number listed above in any related correspondence.

Attachment

cc: Milton Brown, NTIA Audit Liaison
Kathy Smith, NTIA Chief Counsel
Laura Pettus, PSIC Program Manager



UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

September 24, 2010

Mr. David Halstead
Director
Florida Division of Emergency Management
2555 Shumard Oak Boulevard
Tallahassee, FL 32399-2100

Dear Mr. Halstead:

Attached is a copy of final audit report number DEN-19886 concerning the Public Safety Interoperable Communications (PSIC) grant your agency received from the National Telecommunications and Information Administration (award number 2007-GS-H7-0019).

This letter is notice of your opportunity to review the report and develop a complete response that addresses each audit finding and recommendation. If you believe the report is incorrect, or if you disagree with any findings or recommendations, it is important that you explain the error or your reasons for disagreement and either submit evidence to the Department supporting your contentions or reference any such evidence submitted previously. You also should explain how each documentary submission supports your position; otherwise, we may be unable to assess the information.

Your response must be postmarked no later than October 25, 2010. There will be no extensions to this deadline, and you will have no other opportunity to submit comments, arguments, or documentation before the Department makes a decision on the audit findings and recommendations. The Department will consider your complete response in determining what actions to take with respect to our audit. Enclosure 1 explains administrative dispute procedures available to you.

As you prepare your response, if you have any questions about this report or the process by which the Department reaches a final decision, please call Jerry McMahan, Assistant Regional Inspector General, at (404) 730-2065 and refer to final audit report number DEN-19886.

Please send your response (including documentary evidence) to

Lawrence E. Strickling
Assistant Secretary for Communications and Information
National Telecommunications and Information Administration
U.S. Department of Commerce
1401 Constitution Avenue, N.W.
Washington, D.C. 20230

Please send a copy of your response letter only to

Ms. Elizabeth M. Harman
Assistant Administrator
Grant Programs Directorate
Federal Emergency Management Agency
500 C Street, SW
Washington, DC 20472-3635

Ann C. Eilers
Principal Assistant Inspector General for
Audit and Evaluation
U.S. Department of Commerce
1401 Constitution Avenue, N.W., Room 7886B
Washington, DC 20230

Jerry McMahan, Assistant Regional Inspector General
United States Department of Commerce
Office of Inspector General
Atlanta Regional Office of Audits
401 W. Peachtree Street, N.W., Suite 2742
Atlanta, GA 30308

After evaluation of your response, the audit action official may provide you with further guidance or request clarification. Our final report, along with your response, will be posted on OIG's Web site pursuant to section 8L of the Inspector General Act of 1978, as amended.

Sincerely,



Ann C. Eilers
Principal Assistant Inspector General for
Audit and Evaluation

Enclosures

cc (w/o encl.): Laura M. Pettus, NTIA PSIC Program Manager
Carolyn P. Dunn, DHS/FEMA Grant Programs Directorate
Lisa Norman, State of Florida Auditor General

NOTICE TO AUDITEES
Financial Assistance Audits

1. Audit requirements applicable to a particular financial assistance award may be established by law, regulation, policy, or the terms of the recipient's financial assistance agreement with the Department of Commerce.
2. Audit results will be reported to the bureau or office administering the financial assistance award and to you (the recipient/auditee), unless the Department's inspector general determines it is in the government's interest to withhold the audit report.
3. Audit results may lead to adverse consequences for you, including the following actions (which are subject to applicable laws and regulations):
 - suspension and/or termination of current awards;
 - referral of identified problems to other federal funding agencies and entities as deemed necessary for remedial action;
 - denial of eligibility for future awards;
 - cancellation of authorization for advance payment and substitution of reimbursement by check;
 - establishment of special conditions in current or future awards; and,
 - disallowance of costs, which could result in a reduction in the amount of federal payments, withholding of payments, offset of amounts due the government against amounts due you, or establishment of a debt and appropriate debt collection follow-up (including referrals to collection agencies).

Because of these and other possible consequences, it is important that you take your responsibility to respond to audit findings seriously by providing explanations and evidence to support your position with respect to the disputed results.

4. You have the following opportunities to point out errors (of fact or law) that you believe were made in the audit, to explain other disagreements with audit findings and recommendations, to present evidence that supports your positions, and to dispute final determinations:
- At any time during the audit, you may bring to the attention of the auditors evidence you believe affects the auditors' work.
 - At the completion of the audit on-site, as a matter of courtesy, you will usually be given the opportunity to discuss (during an exit conference) the preliminary audit findings and to present a clear statement of your position on the significant preliminary findings, including possible cost disallowances.
 - When the draft audit report is issued, you will have the opportunity to comment and to submit evidence during the 30 days after we transmit the report to you. (We will not extend this deadline.)
 - When the final audit report is issued, you will have the opportunity to comment and to present evidence during the 30 days after we transmit the report to you. (We will not extend this deadline.)
 - When the Department issues its decision (the "Audit Resolution Determination") on the audit report's findings and recommendations, you have the right to appeal for reconsideration within 30 calendar days after receiving the Determination Letter if monies are due the government. (We will not extend this deadline.) The Determination Letter will explain the specific appeal procedures.
 - Once you file an appeal or the appeal period has expired, the Department will not accept any further submissions concerning your dispute of its decisions. If it is determined that you owe money or property to the Department, the Department will take appropriate collection action but will not thereafter reconsider the merits of the debt.

There are no other administrative appeals available in the Department.



UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

September 24, 2010

Ms. Elizabeth M. Harman
Assistant Administrator
Grant Programs Directorate
Federal Emergency Management Agency
500 C Street, SW
Washington, DC 20472-3635

Dear Ms. Harman:

Attached is a copy our final audit report (DEN-19886) regarding Public Safety Interoperable Communications (PSIC) grant awarded to the Florida Division of Emergency Management (award number 2007-GS-H7-0019) by the National Telecommunications and Information Administration (NTIA).

Our original audit report has been sent to the recipient, who has until October 25, 2010, to submit comments and supporting documentation to the Department of Commerce. NTIA will conduct the audit resolution and follow up in accordance with Department Administrative Order (DAO) 213-5. A copy of the report will be posted on the Department of Commerce Office of Inspector General website pursuant to section 8L of the Inspector General Act of 1978, as amended.

If you have any questions regarding this report, please call Jerry McMahan, Assistant Regional Inspector General, at (404) 730-2065, and refer to the final audit report number above in any related correspondence.

Sincerely,

Ann C. Eilers
Principal Assistant Inspector General for
Audit and Evaluation

Enclosure

cc: Richard L. Skinner, DHS Inspector General
Carolyn Dunn, DHS/FEMA Grant Programs Directorate
Bradley A. Shefka, DHS Audit Liaison
Penny McCormack, FEMA Audit Liaison
Gina Norton, FEMA Audit Liaison
Mildred Lloyd, DHS/FEMA Grant Programs Directorate Audit Liaison
Mike Sivi, DHS OIG Grants Management



Report In Brief

U.S. Department of Commerce Office of Inspector General

September 23, 2010



Why We Did this Review

On September 30, 2007, the National Telecommunications and Information Administration (NTIA) awarded a \$42,888,266 Public Safety Interoperable Communications (PSIC) grant to Florida to enhance interoperable emergency communications. NTIA required a minimum 20 percent matching share from nonfederal sources for the acquisition and deployment of communications equipment, and management and administration costs.

The original award period ran from October 1, 2007, to September 30, 2010. In November 2009, the President signed an act extending the award period to September 30, 2011.

FDEM was designated as the administrative agency to apply for and administer PSIC funds. We audited costs claimed by FDEM to determine whether the recipient complied with NTIA PSIC grant guidelines and the Department of Homeland Security's (DHS) award terms and conditions.

Background

The Digital Television Transition and Public Safety Act of 2005 authorized NTIA, in consultation with the DHS, to implement the PSIC program—a \$1 billion one-time, formula-based matching grant program intended to enable public safety agencies to establish interoperable emergency communications systems using reallocated radio spectrum.

The Implementing Recommendations of the 9/11 Commission Act of 2007 requires the Commerce Inspector General to conduct financial audits, over 4 years, of a representative sample of at least 25 states or territories receiving PSIC grants.

National Telecommunications and Information Administration

Florida Public Safety Interoperable Communications Grant PSIC Award No. 2007-GS-H7-0019 (DEN-19886)

What We Found

Our audit covered the award period of October 1, 2007, through December 31, 2009, during which time the Florida Division of Emergency Management (FDEM) claimed total costs of \$16,884,937. In general, FDEM appears to be on track to complete its nine investments before the end of the award, and has reallocated \$750,000 to a different PSIC investment than originally budgeted, thus putting these funds to better use. However, we did discover some areas of concern:

- We questioned over \$219,000 of matching share costs claimed. FDEM agreed with our finding and corrected its financial report to reflect the proper amount.
- While FDEM generally complied with the terms and conditions of the PSIC grant, it did not fully comply with cash drawdown requirements. FDEM also claimed funds for unallowable management and administration costs on behalf of itself and its subrecipients. Finally, FDEM made several errors when drawing down PSIC funds for its subrecipients.

What We Recommended

In our draft report, we made several recommendations to the NTIA Assistant Secretary for Communications and Information and the Federal Emergency Management Agency's Grant Programs Directorate:

1. Require FDEM to monitor cash drawdowns to ensure compliance with PSIC guidelines, place funds drawn in an interest-bearing account, and return over \$15,000 in interest owed to the federal government.
2. Direct FDEM to reduce its total PSIC cost claim to remove the unallowable management and administration costs.
3. Direct FDEM to provide evidence that it has addressed the deficiencies in its systems that allowed the improper drawdowns to occur.

In response, FDEM has (1) issued a policy requiring that subgrantees provide invoices before receiving cash advances, and made plans to remit the interest owed to the government; (2) reduced its cost claim by removing over \$48,000 in unallowable costs from a subsequent PSIC claim; and (3) implemented new controls to improve monitoring and prevent further improper drawdowns.

CONTENTS

Introduction.....	1
Findings and Recommendations	3
I. Investment Justification's Individual Investments Are on Schedule	3
II. FDEM Matching Share	3
III. FDEM Generally Complied with Terms and Conditions	4
A. FDEM Did Not Comply with Cash Drawdown Requirements	4
B. Unallowable FDEM Management and Administration Costs	6
C. Unallowable Subrecipient Management and Administration Costs	6
D. FDEM Drew Funds in Error	6
E. FDEM Received Approval for Budget Modification	7
IV. Follow-Up on Prior Audit Recommendations	7
Summary Results of Financial Audit.....	8
Appendix A: Objectives, Scope, and Methodology.....	9
Appendix B: Summary of Source and Application of Funds	11
Appendix C: Summary of Financial/Compliance Audit.....	12
Appendix D: Recipient Response	14

Introduction

On September 30, 2007, the National Telecommunications and Information Administration (NTIA) awarded a Public Safety Interoperable Communications (PSIC) grant to the state of Florida to enhance interoperable emergency communications. The grant provided federal funding of \$42,888,266, of which \$41,471,666 required nonfederal matching contributions. Federal funds provided for acquisition and deployment of communications equipment, and management and administration costs must be matched by nonfederal contributions of at least 20 percent of the total cost of those activities. Statewide planning, coordination, and training costs do not require matching share. The \$41,471,666 provided for acquisition and deployment and management and administration represents 80 percent of the total cost of those activities, leaving a minimum nonfederal matching share requirement of \$10,367,917. The award period runs from October 1, 2007, to September 30, 2011.

On November 6, 2009, the President signed Public Law 111-96, which extended the PSIC program beyond its original expiration date of September 30, 2010. The new law extended the performance period of all PSIC grants through September 30, 2011, and allowed for additional extensions, through September 2012, on a case-by-case basis, if approved by the Assistant Secretary for Communications and Information.

The governor of Florida designated the Florida Division of Emergency Management (FDEM) as Florida's state administrative agency to apply for and administer PSIC funds.¹ FDEM prepared an investment justification based on NTIA's *PSIC Investment Justification Reference Guide* (dated September 2007), which detailed individual communications projects intended to achieve meaningful and measurable improvements in interoperability, and fill gaps identified in the statewide communications interoperability plan. The investment justification had a total of nine investments (table 1) and was approved by NTIA on June 25, 2008.

Public Safety Interoperable Communications Program

The Digital Television Transition and Public Safety Act of 2005 authorized NTIA, in consultation with the Department of Homeland Security (DHS), to implement the PSIC program—a \$1 billion one-time, formula-based matching grant program intended to enable public safety agencies to establish interoperable emergency communications systems using reallocated radio spectrum.

NTIA signed a memorandum of understanding with DHS, under which DHS oversees and administers the PSIC program.

The Implementing Recommendations of the 9/11 Commission Act of 2007 requires the Commerce Inspector General to conduct financial audits, over 4 years, of a representative sample of at least 25 states or territories receiving PSIC grants. The Florida grant program is the fourth largest of the 56 states and territories receiving awards.

¹ The PSIC program requires the governor of each state and territory to designate a state administrative agency to apply for and administer PSIC funds. Administrative agencies are required to pass through no less than 80 percent of the total award amount to local or tribal governments or authorized nongovernmental public safety agencies, unless the local entity opts, via written agreement, to have the state agency retain and spend the funds on its behalf.

Table 1: Investment Justification and Funding

PSIC Investment	PSIC Funds Awarded (\$)	Nonfederal Match (\$)	Total (\$)
1. Okaloosa County Public Safety Responders Interoperable Initiative	2,325,037	581,259	2,906,296
2. North Florida Domestic Security Task Force	3,850,000	962,500	4,812,500
3. Framework To Enhance Interoperability Throughout Regional Domestic Security Task Force, and Establish Connectivity With Adjacent Regions	4,906,915	1,226,729	6,133,644
4. West Central Florida 700 MHz Overlay and P25 Technology Migration for Multiregional Interoperability	6,951,290	1,737,823	8,689,113
5. Cross-Regional 700 MHz P25 Multijurisdictional Shared Public Safety Mutual Aid Interoperable Communications Systems	4,166,813	1,041,703	5,208,516
6. Southwest Florida Domestic Security Task Force Regional Interoperable Communications Improvement Project	8,375,558	1,967,190	10,342,748
7. South Florida Interoperable 700 and 800 MHz Radio Data and Voice Enhancements	3,735,000	933,750	4,668,750
8. Florida State Agencies Interoperable Communications Networks Enhancements	6,550,453	1,410,163	7,960,616
9. Florida State Law Enforcement Radio System Mobile Trunking System Upgrades and System Expansion (STR)	827,200	218,050	1,045,250
Management and Administration	1,200,000	300,000	1,500,000
Total	42,888,266	10,379,167	53,267,433

Source: FDEM Investment Justification

States were required to include a prescribed strategic technology reserve in their justifications. The strategic reserve is designed to pre-position, or secure in advance, interoperable communications equipment for immediate deployment in an emergency situation or major disaster. Florida's prescribed strategic reserve amount was \$3,321,633; however, the state received a partial waiver in the amount of \$2,494,433, leaving \$827,200 as Florida's strategic technology reserve in investment 9.

Findings and Recommendations

In January 2010, we initiated an audit of costs claimed by FDEM to determine whether it had complied with NTIA PSIC grant guidelines and DHS award terms and conditions. The audit covered the award period of October 1, 2007, through December 31, 2009, during which time the recipient claimed total costs of \$16,884,937. As stated in appendix A, the objective of our audit was to determine whether FDEM was using its grant funds in accordance with federal requirements. In particular, we assessed whether FDEM (1) is on track to complete its interoperable communications investments by September 30, 2011; (2) met the minimum 20 percent match for acquiring and deploying interoperable communications equipment as well as management and administrative costs; (3) claimed reasonable, allowable, and allocable costs under the award; and (4) complied with grant terms and conditions. The following sections detail our findings with respect to each audit objective.

I. Investment Justification's Individual Investments Are on Schedule

FDEM asserts that all nine investments are on schedule to be completed by September 30, 2011. Our audit found nothing to indicate that any of the investments would not be completed before the end of the grant.

II. FDEM Matching Share

FDEM is required to have a 20 percent matching share in place from nonfederal sources (\$10,367,917) for acquisition and deployment of communications equipment, as well as management and administration costs. The match is required by the Digital Television Transition and Public Safety Act of 2005, Public Law 109-171, Section 3006, the *PSIC Grant Program Guidance and Application Kit*, and the special award conditions. The match can be identified and allocated at either the investment level or at the total PSIC (i.e., overall funding) level; therefore, individual investments can be undermatched or overmatched according to the needs of the grantee. FDEM's grant includes budgeted matching share of \$10,379,167, while the budgeted matching shares of the subrecipients total \$10,562,328. Either amount is sufficient to cover the required matching share minimum of \$10,367,917.

NTIA's *PSIC Grant Program Guidance and Application Kit*, Section VI (B), requires the match be expended at the same rate as the federal share. As of December 31, 2009, FDEM claimed \$3,858,478 of matching share, which is well above 20 percent of total costs claimed. A summary of source and application of funds is provided in appendix B.

In our draft report, we questioned \$219,638 of the matching costs claimed. FDEM asserted that this amount had been expended by two subrecipients; however, when we verified the total match claimed we discovered these costs had not yet been incurred. When we conveyed this information to FDEM, officials agreed with our finding and corrected the June 30, 2010, financial report to reflect the correct matching share contribution.

III. FDEM Generally Complied with Terms and Conditions

We found that FDEM was generally in compliance with PSIC grant terms and conditions; however, we did note some exceptions in the areas of cash drawdowns, management and administration costs, and controls over application of expenditures to proper funding agreements. We also noted that FDEM requested and received approval to reprogram a portion of its PSIC funding to complete required planning activities.

A. FDEM Did Not Comply with Cash Drawdown Requirements

FDEM is not in compliance with PSIC program guidelines concerning drawdown and expenditures of funds. Our review of PSIC funds drawn and payments made to subrecipients from October 1, 2007, through December 31, 2009, identified six advance payments that were in violation.

The *PSIC Grant Program Guidance and Application Kit*, Section VI, Part B, Page 31, states that grantees should draw down PSIC funds as close to expenditure as possible, up to 30 days prior to expenditure/reimbursement. Advances received by grantees must be placed in an interest-bearing account and interest earned on advances remitted to the federal government.

FDEM's current contracting policies and procedures allow subrecipients to request PSIC funds up to 90 days prior to the planned expenditure, as long as they can justify the need for advanced funds. FDEM mistakenly followed guidelines established in January 2006 by the U.S. Department of Homeland Security rather than appropriate PSIC guidelines. While the Homeland Security guidelines allow drawdowns up to 120 days in advance of actual expenditure, PSIC guidelines require disbursement within 30 days.

FDEM and its subrecipients are not in compliance with PSIC's 30-day disbursement requirement for advanced funds and FDEM has failed to remit interest earned on advances to the federal government. We determined that as of December 31, 2009,

- \$9,333,084 out of \$13,026,459 total federal funds drawn was not in compliance with the 30-day disbursement requirement; and
- Interest due on advances totaled \$15,552.² (See table 2.)

² Pursuant to Title 31 of the Code of Federal Regulations, § 205.19(b), interest on advances of funds not placed in interest-bearing accounts is due the government, based on the average of the U.S. Treasury Department's 13-week Treasury Bill rate during the state's fiscal year.

Table 2: Interest Due

Time Period	Drawdown Amount(\$)	No. of Days Interest Incurred	Interest Rate for the Period (%)	Interest Due(\$)
March 12, 2009–December 28, 2009	2,000,000	n/a	n/a	9,982*
March 30, 2009–May 28, 2009	280,560	58/360	1.068	483
May 29, 2009–June 1, 2009	68,273	2/360	1.068	4
June 2, 2009–June 9, 2009	53,158	7/360	1.068	11
June 10, 2009–June 23, 2009	677,158	13/360	1.068	261
June 24, 2009–June 30, 2009	1,169,950	6/360	1.068	208
July 1, 2009–July 28, 2009	1,169,950	27/360	0.321	282
July 29, 2009–September 4, 2009	4,977,158	35/360	0.321	1,553
September 5, 2009–November 3, 2009	4,353,158	58/360	0.321	2,251
November 20, 2009–December 31, 2009	1,688,890	41/360	0.321	617
Total				15,652
Less: Retained Interest**				100
Interest Owed by FDEM				\$15,552

* Subrecipient put advance payment in an interest-bearing account and earned \$9,982, which has not been returned to the government. Interest due the government totals \$15,552, of which \$5,570 is imputed.

** Recipients can retain up to \$100 of interest earned to cover administrative expenses.

Recommendations

We recommend that the NTIA Assistant Secretary for Communications and Information, in conjunction with the FEMA Grant Programs Directorate, require FDEM to (1) monitor cash drawdowns to ensure compliance with PSIC guidelines, (2) place funds drawn in an interest-bearing account, and (3) return interest due of \$15,552 to the federal government.

FDEM Response

FDEM has issued a modified cash advance policy effective July 1, 2010, requiring that invoices be provided in order for a subgrantee to receive a cash advance. FDEM stated that it has received \$10,289 of the interest due and that it intends to remit the full \$15,552.

OIG Comments

We concur with FDEM's stated corrective actions.

Funds to Be Put to Better Use

The return of interest due on advances of PSIC funds will permit \$15,552 to be put to better use.

B. Unallowable FDEM Management and Administration Costs

FDEM claimed \$48,436 of unallowable management and administration costs, including indirect charges (\$37,230), IT equipment (\$3,749), and expenses (\$7,457).

NTIA's PSIC Program Guidance and Application Kit, Section VII, Part A, prohibits the use of office expenses, equipment, and indirect charges. *NTIA's PSIC Grant Program Allowable Cost Matrix* lists office expenses such as phones, vehicle costs, office rental, furniture and equipment, office supplies, and indirect charges as unallowable costs. Furthermore, *PSIC Grant Program Frequently Asked Questions* state that indirect costs are unallowable.

Following our draft audit report, FDEM removed \$48,436 of unallowable management and administration costs from a subsequent PSIC cost claim.

C. Unallowable Subrecipient Management and Administration Costs

NTIA's PSIC Program Guidance and Application Kit, Section VII, Part D, states that management and administration costs associated with acquisition, deployment, and training are eligible for federal reimbursement at the state level for up to 3 percent of the total approved PSIC funding. In addition to FDEM's management and administration costs mentioned above, we found that one subrecipient had claimed and received federal reimbursement for \$22,015 in management and administration costs. Because these costs were incurred at the subrecipient level, they are ineligible for reimbursement with PSIC funds.

We brought this finding to the attention of FDEM officials during our fieldwork. FDEM agreed with our finding and subsequently requested and received reimbursement from the subrecipient for \$22,015. In addition, FDEM notified all subrecipients in writing that PSIC subrecipients are not allowed to request reimbursements for management and administration costs.

D. FDEM Drew Funds in Error

On five occasions, FDEM payments to a subrecipient were drawn from a non-PSIC grant. In another instance, FDEM drew PSIC funds to pay another grant's expenses. The cumulative total of these transactions was more than \$1.5 million. When we brought these items to the attention of FDEM officials they corrected the errors.

Title 15 of the Code of Federal Regulations, § 24.20(b)(3), states that effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

FDEM uses different groups to execute the grant, record financial data, and draw down PSIC funds. The groups do not effectively communicate with one another to ensure complete and accurate records. At the time of our fieldwork, FDEM did not have procedures in place to reconcile payment requests with disbursement records.

Subsequent to our draft audit report, FDEM added (1) a grant manager to provide increased review of grant financial agreements and reimbursements; (2) a reporting tool, including training, to reconcile payments and verify that the appropriate funding source was charged; and (3) a monthly review, which will allow for verification that payments were made correctly. FDEM's complete response to our draft report is included as appendix D.

E. FDEM Received Approval for Budget Modification

FDEM requested and received approval to modify its budget. FDEM moved \$750,000 from the statewide planning budget category to investment 8's planning and coordination category. During our fieldwork we informed FDEM officials that the \$750,000 they had budgeted for statewide planning could not be spent after December 3, 2007, based on NTIA's *PSIC Program Guidance and Application Kit*.

NTIA allowed FDEM to modify its budget to reprogram the \$750,000 to complete tactical interoperable communications plans in regions without existing plans and to be in compliance with Florida's Statewide Plan and National Emergency Communications Plan guidance.

Funds to Be Put to Better Use

By bringing this information to FDEM's attention, FDEM requested and received approval to modify its budget, which will permit \$750,000 of PSIC funds to be put to better use.

IV. Follow-Up on Prior Audit Recommendations

We met with the state of Florida audit coordinator to discuss our audit of the PSIC grant. We reviewed the state's OMB Circular No. A-133 audit report for the year ended June 30, 2009. Although the PSIC program was not part of the audit, we reviewed the report for issues that could have a direct and material effect on the program and identified five areas of concern. In two of the five areas of concern—advances of federal funds and erroneous drawdowns—we identified issues involving the PSIC program, as discussed in previous sections of this report. The remaining three areas of concern from the A-133 audit report—inadequate documentation of costs claimed, subrecipient monitoring, and duplicate payments—did not present similar issues under the PSIC program.

Summary Results of Financial Audit

The results of our interim cost audit for the period of October 1, 2007, through December 31, 2009, (detailed in appendix C) are summarized as follows:

Costs Claimed		\$16,884,937
Less: Questioned Costs		<u>290,089</u>
Costs Accepted		<u>\$16,594,848</u>
Accepted Costs Not Subject to Match		\$ -0-
Accepted Costs Subject to Match	\$16,594,848	
Federal Share Ratio	<u>x 80%</u>	<u>13,275,878</u>
Federal Funds Earned		\$13,275,878
Federal Funds Disbursed		<u>13,026,459</u>
Excess Disbursements Due the Government		<u>\$ -0-</u>
Interest Due the Government		<u>\$ 15,552</u>

Appendix A: Objectives, Scope, and Methodology

The objective of our audit was to determine whether FDEM was in compliance with PSIC grant guidelines and federal requirements. In particular, we assessed whether FDEM (1) was on track to complete its interoperable communications investments by September 30, 2011; (2) met the minimum 20 percent match for acquiring and deploying interoperable communications equipment, and management and administration costs; (3) claimed reasonable, allowable, and allocable costs under the award; and (4) complied with grant terms and conditions.

The audit scope included a review of costs claimed during the award period of October 1, 2007, through December 31, 2009. We conducted our fieldwork January through March 2010, at FDEM in Tallahassee, and at various subrecipient sites throughout the state of Florida.

To meet our objectives, we did the following:

- reviewed investment documentation and discussed each investment with agency officials;
- analyzed source documents related to the minimum 20 percent match for acquiring and deploying interoperable communications equipment and for management and administration of the grant;
- traced costs claimed to source documentation;
- interviewed FDEM officials, including the Florida deputy legislative auditor, and reviewed the state's OMB Circular No. A-133 audit report for the year ending June 30, 2009; and
- reviewed pertinent laws, regulations, and guidance (listed below) to test FDEM's compliance.

We evaluated FDEM's compliance with federal laws and regulations applicable to the PSIC grant, including the following:

- Section 3006 of the Digital Television Transition and Public Safety Act of 2005, Public Law 109-171
- Call Home Act of 2006, Public Law 109-459
- Implementing Recommendations of the 9/11 Commission Act of 2007, Public Law 110-53
- Public Safety Interoperable Communications Grants, Public Law 111-96
- 15 CFR, Part 24, Uniform Administrative Requirements for Grants and Agreements to State and Local Governments
- *PSIC Grant Program Guidance and Application Kit*, August 16, 2007
- NTIA PSIC Grant Program Allowable Cost Matrix
- NTIA PSIC Grant Program Frequently Asked Questions
- OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*
- OMB Circular A-133, Compliance Supplement, CFDA 11.555
- Special Award Conditions
- Department of Commerce *Financial Assistance Standard Terms and Conditions*
- DHS, Office of Grant Operations, *Financial Management Guide*

We verified the validity and reliability of computer-processed data supplied by FDEM by directly testing data against supporting documentation. Based on our tests, we concluded the computerized data were reliable for use in meeting our objectives.

We performed steps to obtain an understanding of the management controls of FDEM and its subrecipients. These steps included interviews with FDEM and subrecipient officials, examination of policies and procedures, written assertions of FDEM officials, and an examination of FDEM's most recent single audit report.

We did not rely on the accounting firm's internal control reviews but instead determined that we could better meet our audit objectives through testing of PSIC transactions. We analyzed nonstatistical samples of FDEM and subrecipient transactions, generally focusing on the highest dollar value transactions and line items. Since we did not attempt to extrapolate findings from sample analyses to all transactions, we believe our sampling methodology represented a reasonable basis for the conclusions and recommendations included in our report. Our report contains recommendations to address FDEM's reporting of matching share, cash drawdowns, unallowable management and administration costs, and funds drawn in error.

We conducted this performance 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.

We performed this audit under authority of the Implementing Recommendations of the 9/11 Commission Act of 2007, the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, August 31, 2006.

Appendix B: Summary of Source and Application of Funds

**FLORIDA DIVISION OF EMERGENCY MANAGEMENT
PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS
GRANT NO. 2007-GS-H7-0019
OCTOBER 1, 2007, THROUGH DECEMBER 31, 2009**

	Approved <u>Budget</u> (a)	Receipts & <u>Expenses</u> (b)
<u>SOURCE OF FUNDS:</u>		
Federal	\$42,888,266	\$13,026,459
Nonfederal	<u>10,379,167</u>	<u>3,858,478</u>
Total	<u>\$53,267,433</u>	<u>\$16,884,937</u>
<u>APPLICATION OF FUNDS:</u>		
Investment 1	\$2,906,296	\$1,644,166
Investment 2	4,812,500	1,635,732
Investment 3	6,133,644	1,587,238
Investment 4	8,689,113	7,973,894
Investment 5	5,208,516	1,375,172
Investment 6	10,342,748	0
Investment 7	4,668,750	2,500,000
Investment 8	7,960,616	0
Investment 9	1,045,250	0
M&A Costs	<u>1,500,000</u>	<u>168,735</u>
Total	<u>\$53,267,433</u>	<u>\$16,884,937</u>

Notes:

- a) Approved budgeted costs are for the period from October 1, 2007, through September 30, 2011, based on Florida's approved budget modification.
- b) Receipts and expenses are for the period from October 1, 2007, through December 31, 2009.

Appendix C: Summary of Financial/Compliance Audit

**FLORIDA DIVISION OF EMERGENCY MANAGEMENT
PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS
GRANT NO. 2007-GS-H7-0019
OCTOBER 1, 2007, THROUGH DECEMBER 31, 2009**

<u>Description</u>	<u>Approved Budget</u>	<u>Costs Claimed</u>	<u>Results of Audit</u>	
			<u>Costs Questioned</u>	<u>Costs Accepted</u>
Investment 1	\$2,906,296	\$1,644,166	\$0	\$1,644,166
Investment 2	4,812,500	1,635,732	0	1,635,732
Investment 3	6,133,644	1,587,238	241,653(a)	1,345,585
Investment 4	8,689,113	7,973,894	0	7,973,894
Investment 5	5,208,516	1,375,172	0	1,375,172
Investment 6	10,342,748	0	0	0
Investment 7	4,668,750	2,500,000	0	2,500,000
Investment 8	7,960,616	0	0	0
Investment 9	1,045,250	0	0	0
M&A Costs	<u>1,500,000</u>	<u>168,735</u>	<u>48,436(b)</u>	<u>120,299</u>
Total	<u>\$53,267,433</u>	<u>\$16,884,937</u>	<u>\$290,089</u>	<u>\$16,594,848</u>
Costs Claimed			\$16,884,937(c)	
Less: Questioned Costs			<u>290,089</u>	
Costs Accepted			<u>\$16,594,848</u>	
Accepted Costs Not Subject to Match			\$ -0-(d)	
Accepted Costs Subject to Match			\$16,594,848	
Federal Share Ratio			<u>x 80%</u>	<u>13,275,878</u>
Federal Funds Earned			\$13,275,878	
Federal Funds Disbursed			<u>13,026,459</u>	
Excess Disbursements Due the Government			<u>\$ -0-</u>	
Interest Due the Government			<u>\$ 15,552</u>	

Notes:

- a) Questioned costs include matching costs claimed (\$219,638) and management and administration costs claimed by a subrecipient (\$22,015). Questioned claims total \$241,653. These costs are not allowable because the matching costs had not yet been incurred, and management and administration costs incurred at the subrecipient level are ineligible for reimbursement with PSIC funds.
- b) Questioned costs include indirect charges (\$37,230), IT equipment (\$3,749), and expenses (\$7,457). Questioned claims total \$48,436. These costs are not allowable based

on direction provided in NTIA's *PSIC Program Guidance and Application Kit*, *PSIC Grant Program Allowable Cost Matrix*, and *PSIC Grant Program Frequently Asked Questions*.

- c) FDEM reported total outlays of \$16,884,937 on its December 31, 2009, financial status report.
- d) As of December 31, 2009, there are no accepted costs that are not subject to the matching share requirement.

Appendix D: Recipient Response



STATE OF FLORIDA DIVISION OF EMERGENCY MANAGEMENT

CHARLIE CRIST
Governor

DAVID HALSTEAD
Director

September 8, 2010

Mr. Jerry McMahan
Assistant Regional Inspector General for Audits
United States Department of Commerce
Office of Inspector General
Atlanta Regional Office of Audits
401 W. Peachtree Street NW, Suite 2742
Atlanta, GA 30308

Dear Mr. McMahan:

Enclosed is a response to draft audit report number DEM-19886 concerning the Public Safety Interoperable Communications (PSIC) grant administered in the State of Florida by the Florida Division of Emergency Management and Florida Department of Community Affairs.

With regard to the draft findings, the Division submits the following responses for your review.

I. Investment Justifications' Individual Investments Are on Schedule

The Division concurs with the finding that all nine investments are on schedule to be completed by September 30, 2011.

II. FDEM Matching Share

Subsequent financial report SF425 for the period of April 1, 2010 - June 30, 2010 which was submitted July 28, 2010, contained corrected data reflecting the reduced match amount.

III. FDEM Generally Complied With Terms and Conditions

The Division concurs with the finding that FDEM is generally in compliance with the noted exceptions, and that FDEM did receive approval to reprogram a portion of PSIC funding to complete required planning activities.

A. FDEM Did Not Comply With Cash Drawdown Requirements

FLORIDA RECOVERY OFFICE • DIVISION HEADQUARTERS • STATE LOGISTICS RESPONSE CENTER
36 Skyline Drive 2555 Shumard Oak Boulevard 2702 Directors Row
Lake Mary, FL 32746-6201 Tallahassee, FL 32399-2100 Orlando, FL 32809-5631
Tel: 850-413-9889 • Fax: 850-488-1016
www.FloridaDisaster.org

FDEM issued a modified cash advance policy effective July 1, 2010 requiring that invoices be provided in order for a subgrantee to receive a cash advance.

Interest due in the amount of \$15,552 has not yet been remitted to U.S. Dept. of Commerce to rectify this issue; however \$10,289.23 has been received by the Department of Community Affairs with more interest payments forthcoming. Additional budget authority will be sought in order to return the funds to the federal government.

B. Unallowable FDEM Management & Administration Costs

The unallowable costs for the audited period as well as subsequently identified charges in the same categories will be reduced from the total PSIC claim of FDEM.

The Division maintains that the disallowance of certain management and administration costs in the PSIC grant guidance, including indirect charges, IT equipment, and expenses, is an unreasonable condition in that salary is allowable but not the support required for the position (i.e. indirect costs, computer, phone, office supplies, etc.). These costs are necessary to provide effective administration and oversight of the program and are allowable under other federal grant programs. Specifically, the Division's indirect cost rates are approved by our cognizant federal audit agency, U.S. Department of Justice, and are derived from an indirect cost allocation plan following federal guidelines. An indirect cost allocation plan is the means by which such indirect support-service costs are identified for reimbursement under federal grants and contracts.

C. Unallowable Subrecipient Management and Administration Costs

The Division concurs with the finding that one subrecipient received M&A funds incorrectly in the amount of \$22,015 which were repaid to the Division June 2010.

D. FDEM Drew Funds in Error

The Division has implemented an additional grant manager overseeing financial grant management staff to provide increased review of grant financial agreements and reimbursements. Additionally FDEM has received access to a new Department of Community Affairs reporting tool which allows grant managers to reconcile payments and verify that the appropriate funding source was charged. Monthly review will be performed which allows for verification that payments were made correctly, thereby reducing the likelihood of errors and expediting the identification of such errors in order to rectify them in a timely manner. Staff training for the reporting tool was held September 2, 2010.

E. FDEM Received Approval for Budget Modification

The Division concurs that approval was received from NTIA to modify its budget to reprogram \$750,000 in order to complete tactical interoperable communications plans in regions without existing plans and to be in compliance with Florida's Statewide Plan and National Communications Plan guidance.

IV. Follow-Up on Prior Audit Recommendations

The Division concurs that PSIC was not included in the prior audit used as a comparison and that the only areas of concern are the advances of federal funds and timeframes of drawdowns as addressed above.

FDEM appreciates the opportunity to respond to the draft audit findings and will gladly answer any questions you may have about these responses or corrective actions taken to reduce the potential for future issues. If you have questions, please contact Ms. Tina Quick, Domestic Preparedness Program Administrator at (850) 413-9974 or by email at Tina.Quick@em.myflorida.com.

Sincerely,



David Halstead
David Halstead, Director
Florida Division of Emergency Management

CC: Candie Fuller, Inspector General, Department of Community Affairs