



Fairfax County Internal Audit Office

**Office Emergency Management
OEM- FEMA Reimbursement Audit
Final Report**

February 2017

"promoting efficient & effective local government"

Executive Summary

The Office of Emergency and Management (OEM) applies on the behalf of the County for funds under the Federal Emergency Management Agency's (FEMA) Public Assistance Program (PA) which provides federal assistance when an emergency or major disaster has been declared. OEM collects from applicable county agencies information and documentation on expenses incurred during emergency events such as snowstorms and floods. OEM submits documentation to the Commonwealth of Virginia (Commonwealth), which in turn files the reimbursement request with FEMA. FEMA staff review the request and award a reimbursement amount to the County. OEM works closely with the Commonwealth and FEMA to resolve issues and questions on expenses to maximize the reimbursement award amount. OEM has the responsibility of posting reimbursements received to the County's Financial System.

This audit focused on the OEM processes for seeking reimbursements for emergencies for the County. We examined internal controls over the process by reviewing the policies and procedures from OEM and assessing compliance with FEMA guidelines. Our audit focused primarily on the maximization of submissions and minimizations of FEMA cost adjustments. We performed a review of the process to ensure reimbursements due to the county were properly requested and posted. Our audit found that internal controls over the processing were adequate. However, we did identify opportunities to improve the internal controls as follows:

- Current written procedures did not indicate the nature and scope of the questioned costs to be formally discussed with OEM management or other key stakeholders in the FEMA reimbursement process. Current practice did not formally establish thresholds that define when stakeholders should be involved in the decision.
- OEM's *Disaster Financial Recovery Annex* was not consistent in identifying positions that had responsibility for performing key tasks or when internal control activities must take place. In addition, the document had not been updated to reflect County policy changes effective in December 2015. Lastly, OEM had not formalized when its written procedures would be updated.

Scope and Objectives

This audit was performed as part of our fiscal year 2017 Annual Audit Plan and was conducted 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. The audit population included reimbursements sought or received through the Federal Emergency Managements Agency's (FEMA) Public Assistance Program (PA) during the period of July 1, 2015, through June 30, 2016. The objectives of the audit were to determine if adequate controls existed to ensure that:

- Reimbursements were maximized to cover all qualified expenses.
- FEMA requested refunds due to missing documentation were minimal or did not occur.
- Documentation and expenses were compliant with grant requirements.
- Mandatory filing deadlines were met.
- Internal controls and procedures were properly documented.
- County's funds were properly handled.

Methodology

Our audit methodology included a review of FEMA and OEM guidelines, interviews of appropriate employees, examination of supporting documentation for reimbursement requests, and communication with FEMA regarding questioned cost. Our approach also included assessment of compliance with County policies and procedures.

The Fairfax County Internal Audit Office (IAO) is free from organizational impairments to independence in our reporting as defined by Government Auditing Standards. We report directly and are accountable to the County Executive. Organizationally, we are outside the staff or line management function of the units that we audit. We report the results of our audits to the County Executive and the Board of Supervisors, and IAO reports are available to the public.

Findings, Recommendations, and Management Response

1. Informal Process for Deciding County's Response to FEMA's Questioned Costs

The OEM Fiscal Administrator makes the decision to agree with or appeal questioned costs raised by FEMA. However, current written procedures do not indicate when the nature and scope of the questioned costs should be formally discussed with OEM management or other key stakeholders in the FEMA reimbursement process. An element of a good and mature internal control environment is to have written procedures and internal controls that clearly set forth which financial decisions need approval and who should be involved in making the decisions. Procedural documentation should provide clear guidance and accountability as the amount, scope, and impact of a financial decision becomes greater. The impact of not including others in the decision process can lead to a decision that does not maximize the funds received or does not adequately consider the cost/benefit of appeals.

Recommendation:

OEM should develop and implement procedures that establish guidelines for when key stakeholders of the FEMA reimbursement process are consulted in the decision to accept or appeal FEMA questioned costs. We also recommend the guidelines include dollar thresholds that define which stakeholder should be involved in the decision.

Management Response:

As the county representative the fiscal administrator is the subject matter expert, the position should have the authority to make decisions on behalf of the county and make the determination when it is necessary to consult senior management and the county attorney. Also due to the complexity, coordination and level of accountability in managing the county wide FEMA Public Assistance program, the position needs to be at an elevated management role within the Office of Emergency Management. In addition, allowing access to county wide payroll documents will provide review to ensure maximization on eligible costs submitted. OEM will add the language to the *Disaster Financial Recovery Annex* outlining requirements for notification to the OEM Coordinator and, when applicable, the Deputy County Executive for Public Safety of potential appeals pertaining to ineligible costs submitted under the FEMA Public Assistance program. Management anticipates completing this item by June 30, 2017.

2. Weakness in Policies and Procedures

OEM's *Disaster Financial Recovery Annex* was not consistent in identifying positions that had responsibility for performing key tasks or when internal control activities must take place. In addition, the document had not been updated to reflect County policy changes effective in December 2015. Lastly, OEM had not formalized when its written procedures would be updated. Failure to clearly detail or update departmental internal control procedures increases the risk of internal controls not being performed and decreases accountability for performing internal controls. Also the risk that expenses occurring during a declared emergency are not in compliance with county or FEMA policy could also increase.

Recommendation:

We recommend that OEM update the *Disaster Financial Recovery Annex* procedures to identify positions that perform key internal controls and when internal control activities must take place. New or revised County and FEMA policies should be incorporated into department procedures and staff should be properly trained in them. Lastly, OEM should formally document when procedures will be updated which can include but not be limited to instances such as, after County or FEMA policy or procedure update or after a post disaster review.

Management Response:

Disaster Financial Recovery Annex (Annex) is a resource guide to assist county agencies with the FEMA Public Assistance process. The guide has been updated over the years and county employees have been provided training. During the audit process it was communicated that the *Annex* had not been updated due to current revisions being made to the FEMA Public Assistance Policy. Per the recommendation, the *Annex* has been updated to reflect the link to the updated Procurement and Material Management Mission Critical Contracts. In addition OEM will add policies to the *Annex* to ensure that the document will be updated to reflect updates to County and FEMA policies. Management anticipates completing this item by June 30, 2017.