

California Emergency Management Agency

Despite Receiving \$136 Million in Recovery Act Funds in June 2009, It Only Recently Began Awarding These Funds and Lacks Plans to Monitor Their Use

LETTER REPORT NUMBER 2009-119.4, ISSUED MAY 2010

This letter report presents a review conducted by the California State Auditor (state auditor) concerning the preparedness of the California Emergency Management Agency (Cal EMA) to receive and administer American Recovery and Reinvestment Act of 2009 (Recovery Act) funds awarded by the U.S. Department of Justice for its Edward Byrne Memorial Justice Assistance Grant Program (JAG Program). The Recovery Act states that authorized funds should be spent to achieve its purposes as quickly as possible, consistent with prudent management. Based on our analysis, we believe that Cal EMA is moderately prepared to administer its Recovery Act JAG Program award. Cal EMA began awarding Recovery Act JAG Program funds about 12 months after the passage of the Recovery Act and eight months after the U.S. Department of Justice awarded it \$136 million. As of February 22, 2010, Cal EMA had signed agreements for, and thereby awarded, only four subgrants, totaling almost \$4 million, or about 3 percent of its Recovery Act JAG Program grant. According to Cal EMA's records, by March 11, 2010—approximately three weeks later—Cal EMA had awarded additional subgrants, totaling \$31 million, to 52 more subrecipients for a total of \$35 million, or 26 percent of its Recovery Act grant. Under the Recovery Act JAG Program, payments are made to subrecipients to reimburse them for costs of providing program services. Cal EMA reported that it has not made any payments to these subrecipients but, according to its accounting records, has spent \$104,000 in Recovery Act JAG Program funds for administrative costs. Finally, we also found that Cal EMA needs to improve its monitoring of Recovery Act JAG Program funds it has awarded and it failed to consistently report to federal agencies the administrative costs it charged to its Recovery Act JAG Program award.

In the report, the state auditor made the following recommendations to Cal EMA. The state auditor's determination regarding the current status of recommendations is based on Cal EMA's response to the state auditor as of May 2011 and a letter report dated July 7, 2011, that presents a follow-up review conducted by the state auditor concerning Cal EMA's progress in spending the JAG Program funds.

Recommendation 1.1—See pages 8—12 of the audit report for information on the related finding.

As soon as possible, Cal EMA should execute subgrant agreements with subrecipients so California can more fully realize the benefits of the Recovery Act funds.

Cal EMA's Action: Fully implemented.

Cal EMA has executed 229 subgrant agreements and set aside \$1.2 million for administrative costs, obligating all of its JAG Program Recovery Act funds.

Recommendation 1.2—See pages 12—18 of the audit report for information on the related finding.

To ensure that it meets the monitoring requirements of its Recovery Act JAG Program, Cal EMA should plan its monitoring activities to provide reasonable assurance that its Recovery Act JAG Program subrecipients administer federal awards in accordance with laws, regulations, and the provisions of contracts or agreements.

Cal EMA's Action: Partially implemented.

Cal EMA reported that it has performed a limited-scope review on all 229 JAG Program Recovery Act subrecipients. According to Cal EMA, the limited-scope review was performed using a questionnaire that consisted of 34 internal control and Recovery Act compliance questions. As a result of the limited-scope reviews, Cal EMA indicated that it conducted four extended-scope desk reviews and planned another, and conducted five extended-scope field reviews.

We reported in our letter report dated July 7, 2011, that according to the chief of the Public Safety and Victims Services Division (division chief), Cal EMA had also conducted site visits for 210 of its 229 subrecipients as of June 22, 2011, and planned to conduct site visits for the remaining subrecipients by June 30, 2011. However, based on our review we identified several problems with Cal EMA's monitoring of its subrecipients' progress in expending Recovery Act funds. Although we concluded that, as of May 27, 2011, Cal EMA appears to have sufficient time to spend the funds to reimburse programs that make up about 55 percent of its federal grant, it needs to better evaluate subrecipients' use of JAG Program Recovery Act funds to ensure that the remaining 45 percent of the funds are spent before the federal grant expires on February 28, 2013, and the funds are no longer available.

Recommendation 1.3—See pages 18—20 of the audit report for information on the related finding.

To plan its subrecipient monitoring activities properly, Cal EMA should identify the workload associated with monitoring its Recovery Act JAG Program subrecipients and the workload standards necessary to determine the number of program staff needed.

Cal EMA's Action: Fully implemented.

Cal EMA reported in its 60-day response that it conducted an analysis to determine the workload associated with administering and monitoring its JAG Program Recovery Act funds. Based on its workload measures worksheet, Cal EMA estimated that it needed 8.62 personnel years to effectively monitor the 229 JAG Program Recovery Act subrecipients. As we reported in our letter report dated July 7, 2011, the division chief indicated that Cal EMA planned to complete its site visits of all 229 subrecipients by June 30, 2011.

Recommendation 1.4—See pages 20—21 of the audit report for information on the related finding.

Cal EMA should develop the necessary procedures to ensure that it meets its Recovery Act reporting requirements.

Cal EMA's Action: Fully implemented.

Cal EMA provided revised procedures for meeting Recovery Act reporting requirements and for increasing communication among staff regarding federal reporting requirements.