

NEMRC Audit Workshop
Thursday, October 13, 2011 at the Holiday Inn in Rutland and
Friday, October 14, 2011 at the Lake Morey Inn

Notes Prepared by Barb Farr, Armada Ltd. For RPC Use

Panel led by Ernie Saunders: Tom Salmon - State Auditor, Neale Lunderville - Gov's lead on the Irene recovery efforts, Nick Cueto (Thurs) and Tim Barnett (Fri) - FEMA PA representatives, Larry Arnold - DHS OIG Audit Manager, Fred Duplessis - VT CPA (Sullivan and Powers), RPC representatives Rita Seto and Barb Farr for second day only

Tom Salmon began with the purpose of these workshops is to minimize or eliminate "take backs" – PA reimbursements from FEMA to eligible applicants that are taken back after an audit because of poor records, inadequate documentation, ineligible activities, or fraud. Examples of best practices to minimize mistakes and maximize reimbursements will be on a Listserv sponsored by NEMRS beginning next week.

Municipalities that receive over \$500,000 in federal funds in the prior year will be required to undergo a Single Audit. They can cost approximately \$13,000 and can be apportioned to each project when done properly.

Neale Lunderville discussed the importance of good documentation to maximize federal dollars for the recovery effort. The state is in partnership with recovery.. Since there is no county government, the RPCs are also partners in recovery. If there are any questions from towns – PLEASE CALL the appropriate entity to sift through the regulations and requirements. It is better to ask up front rather than to risk losing funds. Issues include timing due to the winter season approaching, river damage and working in rivers due to necessity – the NRCS through USDA handles work in rivers – not FEMA. The RPCs are highlighting local issues to state officials that need to be addressed.

The Administration is working on tax abatement issues and guidance should be released next week. The state is trying to get to the 90% FEMA reimbursement level instead of the standard 75%. VT needs over \$80 million in PA eligible damage to be obligated before the 90% level can be reviewed and authorized. Congress may make it difficult to reimburse at that level.

RPC Irene Recovery Efforts – Barb Farr and Rita Seto (Friday only)

The RPC local road recovery effort was discussed including the mapping with RPCs, as well as the funneling of important information from FEMA and VTrans through RPCs to towns to assist in the response and recovery process. Coordination with VTrans,

FEMA PA Program – (N. Cueto and T. Barnett – contact tim.barnett@dhs.gov, 617-595-7386 for questions)

The JFO will probably be in VT until Feb/March of 2012 to process PA requests. FEMA reps and local communities will need to “build a case” for each PW that includes solid documentation. An overview was provided that stressed the importance of good documentation to get through the PA process and recoup as much as possible for repairs and recovery to eligible public infrastructure. Each town will need to have their qualified representatives present at the “kick off” meetings with the FEMA Public Assistance Coordinator. Persons knowledgeable for all damaged areas include financial representatives, road foremen, elected officials, utility representatives, etc. All damages, overtime, persons worked, timesheets, payroll and contracts let will be reviewed. The better the documentation, the quicker the reimbursements will be made. Towns can use existing spreadsheets and practices for documentation and accountability but must be able to separate out or distinguish between projects.

93% of all applicants for Request for Public Assistance (RPAs) have been contacted. The deadline for RPAs is Monday, October 17, 2011.

Debris is a major issue in many communities on both public and private property. The NRSC is responsible for addressing this issue. The Federal Highway Administration Emergency Relief process is different than FEMA’s and towns need to be aware of the differences for reimbursement, procurement and audit purposes. There is a state loan program available to cover expenses before FEMA reimburses the towns.

All eligible applicants need to document volunteer work done if they want to use it as part of their 12½% match. Names, dates and types of work need to be documented, even if applicants go back and get signatures of volunteers several weeks after the work is done. Travel is not eligible under volunteer work. Volunteer work is only applicable towards work on public properties, not private properties. Donated equipment cost is estimated based on equipment type and size. Small and large projects can use volunteer match if documented.

For large projects a scope of work (SOW) will need to be documented and met. FEMA will approve Project Workheets (PW) based on scope, not price. As long as the scope is met, FEMA will pay its share. If the SOW is changed, the town MUST request approval from FEMA and VTrans prior to the change or risk losing federal funds. Small projects will not have an inspection follow-up but large projects will.

Larry Arnold – DHS, Office of Inspector General (OIG)

Responsible for independent objectives and inspection. Offers recommendations for improving economy, efficiency and effectiveness. His office takes a common sense approach to audits while they identify and deter fraud.

Key factors to determine in audits –

Accountability –

- If no proof or documentation, some federal funds may need to be returned. Over document when in doubt.
- Project Accounting – by project
- Scope of Work – Do not go outside SOW without FEMA and VTrans approval

General Cost Eligibility –

- Must be reasonable and necessary
- Complies with local, state and federal regulations
- Insurance proceeds, salvage value, and purchase discounts will be deducted

Contract Costs –

- Reasonable
- Competitively bid with exceptions like emergency need
- Must comply with standards

Do Not Use –

- Debarred contractors
- Cost plus % of contract
- Time and materials over 70 hours of work (more or less beyond emergency status)

Supporting Documents for Contracts –

- Procurement history including any sole source contracts – why chosen?
- Copy of contract
- Contractor invoices
- Contractor monitoring documents
- Contractor timesheets for hours billed

Contractor Monitoring –

- Time and materials
- Debris removal
-

Force Account Labor -

- Timesheets including OT – should have local policy for OT in place. If not, get one approved now
- Payroll
- Activity reports

Force Account for Equipment

- Equipment usage and rate
- Invoices

Eligibility Q & A – Town can hire contractors or additional help and get reimbursed at 75% rate. Mobilization in advance of the storm can be eligible but needs documentation on activities performed and time. Permanent work can qualify for all employee straight time and overtime if they are assigned for project oversight, coordination and/or monitoring. Administrative time is by project and can be direct plus indirect time.

Record retention is 3 years after close-out of all projects. Federal selection of DHS-OIG audits is based on dollar magnitude, congressional, state or federal requests, or reports of impropriety.

Common FEMA Audit Findings from Subgrantees –

- Not supported by documentation
- Ineligible work performed
- Labor or equipment rates are not correct
- Duplicate benefits
- Poor contracting practices resulting in excessive costs
- Improper monitoring of contractors

Recommendations

- One file folder per Project Worksheet to include all documentation and pictures
- Keep originals – always give copies to FEMA or other. People change and continuity changes
- Streamline documentation process!!!!
- Use locally established rates or FEMA rates, whichever is less unless you can document why to use the higher rate (ex: local rate doesn't include replacement cost)
- Disaster Fraud Hotline – 866-720-5721

Fred Duplessis – Sullivan and Powers

- Ask FEMA or VTrans or accountant if towns have any questions
- Can use day-to-day accounting practices
- Define each project per PW as soon as possible
- Categorize under general fund, special fund, enterprise fund, or whatever works best for the applicant.
- Special fund accounts should have selectboard approval/authorization in writing
- Use separate project codes for tracking
- Go back to document necessary actions now if done in a flurry of emergency work
- Some short term funding may be necessary. It's ok to show existing fund deficits

- Finance people in towns will need to have more conversations with selectboard members and other town staff working in the field for appropriate record keeping and documentation
- Account for depreciation and/or replacement costs for equipment
- Be creative when using own gravel to document value for local match
- Document donated labor and materials as if town had to purchase
- Single audits audit ALL funds, not just federal funds
- Federal Highway Administration funds have different procurement requirements and process
- See handout of 13 major compliance areas
- Sealed bids are required for projects exceeding \$100,000
- If towns get advances, be sure to minimize time of holding funds and make payments within 3 days of receipt of funds. Draw down needs to be appropriately timed

General Issues –

- Some non-profits and other eligible applicants were not at the meetings due to either work overload or because they have been through the process or they didn't know about the workshops.
- Financial people at audit workshops may not have been on the email distribution lists from the RPCs.
- Permanent work can receive extensions beyond 18 months with written approval by FEMA
- The message from the FEMA PA representatives at the audit workshop could have been better coordinated. Different small project amounts was different on each day - \$63,900 v \$66,400 for new thresholds after October 1. The understanding is that the Irene amount is \$63,900 because the event occurred prior to 10/1/11 as explained on Thursday but not Friday.
- There were many questions from towns on how the FEMA money would be reimbursed, who would it come from, when does the state 12 ½% state share get paid and by who and how long will it take. No one from VTrans was at the Audit Workshops to represent the state PA process. VTrans has always been the PA point of contact but this disaster may require changes from past practices.
- There was very little discussion or explanation on the FHWA ER process and differences with FEMA.
- It's not too late to go back and document all the work that was done during the emergency phase. Don't wait any longer. Do it now before it all gets lost and FEMA will not be able to reimburse.

Sullivan, Powers & Co.
CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL CORPORATION

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
802/223-3578 FAX

Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
VT Lic. #92-000180

Activities Allowed or Unallowed

Based on Approved Project Worksheets

Emergency Work:

- A. Debris Removal
- B. Emergency Protective Measures

Permanent Work:

- C. Roads and Bridges
- D. Water Control Facilities
- E. Buildings and Equipment
- F. Utilities
- G. Parks, Recreational Facilities, and Other Items

Allowable Costs/Cost Principles

OMB Circular A-87, "Cost Principles for State, Local and Indian Tribe Governments"(2CFR, Part 225)

Necessary and Reasonable

Supported by Appropriate Documentation

Reduced by all Applicable Credits

Allocable to the Project (Benefits the Project)

Applied uniformly to Federal and Non Federal Activities

Treated Consistently (Direct or Indirect)

Calculated in conformity with GAAP or other comprehensive basis of accounting

Not included as cost sharing for another Federal program

Title 44 CFR

Overtime

Equipment Usage

Cash Management

Minimize the time between drawdowns and disbursements

Reimbursement basis – no issues

Davis Bacon

Not Applicable

Eligibility

State and Local Governments

Equipment and Real Property Mangement

Only applicable if you purchase Equipment (>\$5000)

Matching, Level of Effort, Earmarking

75% Federal

12 ½ % State

12 ½ % Local

Can use donated services or materials as match as long as they meet allowable cost principles

Period of Availability of Federal Funds

<u>Category</u>	<u>From Declaration Date</u>
Debris Clearance	6 Months
Emergency Work	6 Months
Permanent Work	18 Months

Can get extensions

Procurement and Suspension and Debarment

Must Document all your procurement decisions even during emergency

Why did you select who you did

How did you verify their price was reasonable

If non-emergency, must follow your own or Federal procurement requirements

Small purchase less than \$100,000 - still need several price quotes

FEMA prefers sealed bids

Program Income

Not Applicable

Real Property Acquisition/Relocation Assistance

Not Applicable

Reporting

Make sure reports are supported by accounting records

Save copies of the backup with the reports

Special Tests and Provisions

Make sure projects are in accordance with Approved Project Worksheets (PW)