

# Office of Inspector General Corporation for National and Community Service

## AUDIT OF THE ALLOWABILITY OF HURRICANE RELIEF MISSION ASSIGNMENT COSTS CLAIMED BY CORPORATION GRANTEES

AUDIT REPORT NUMBER 08-05



Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

Prepared by:

Office of Inspector General  
Washington, DC

This report was issued to Corporation management on November 28, 2007. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than May 28, 2008, and complete its corrective actions by November 28, 2008. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



## OFFICE OF INSPECTOR GENERAL

November 28, 2007

TO: Jerry Bridges  
Chief Financial Officer

FROM: Carol Bates (signature on file)  
Assistant Inspector General for Audit

SUBJECT: Office of Inspector General Report 08-05, *Audit of the Allowability of Hurricane Relief Mission Assignment Costs Claimed by Corporation Grantees*

Attached is the final report on our audit of the Allowability of Hurricane Relief Mission Assignment Costs Claimed by Corporation Grantees.

Under the Corporation's audit resolution policy, a final management decision on the findings and recommendations in this report is due by May 28, 2008. Notice of final action is due by November 28, 2008.

If you have any questions pertaining to the report, please contact Ronald Huritz, Audit Manager, at 202-606-9355.

Enclosure

cc: Elizabeth Seale, Chief Operating Officer  
Nicola Goren, Chief of Staff  
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Senior Corps



OIG Audit of the  
Allowability of Hurricane Relief Mission Assignment Costs  
Claimed by Corporation Grantees

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## **EXECUTIVE SUMMARY**

The OIG completed an audit of the allowability of 2005 Hurricane Relief mission assignment costs claimed by grantees and AmeriCorps National Civilian Community Corps (NCCC) campuses. We identified certain areas that warrant corrective action.

1. The Corporation submitted costs for reimbursement to the Federal Emergency Management Agency (FEMA) without conducting a complete reconciliation of supporting documentation provided to the Corporation by the grantees.
2. The Corporation reimbursed one grantee in excess of expenses claimed for mission assignment deployments to Texas, Mississippi, and Louisiana.
3. The Corporation allowed grantees to charge salaries and living allowances without seeking prior approval from FEMA as required, and without obtaining grantee staff time sheets to support the costs.
4. The Corporation's policy for reviewing and approving mission assignment costs was not implemented as scheduled.

## **BACKGROUND**

In any declared major disaster or emergency, FEMA may direct any Other Federal Agency (OFA) to utilize its authorities and the resources granted to it under Federal law (including personnel, equipment, supplies, facilities, and managerial, technical, and advisory services) to support State and local governments' assistance or emergency efforts. OFAs providing assistance via Mission Assignments (MAs) can request reimbursement from FEMA for eligible costs incurred during performance of the mission, or as the work is completed. The form used by FEMA to assign missions to OFAs is Form 90-129. Once the mission is approved by FEMA, the Mission Assignment form is used as FEMA's obligating document.

The Corporation entered into a Memorandum of Understanding (MOU) with FEMA in March 1999. The MOU states that the Corporation will secure, in advance, FEMA approval of estimated travel, lodging, and meal expenses incurred by AmeriCorps members, Learn and Serve America students, and Senior Corps participants. In addition, FEMA will reimburse the Corporation for travel, lodging and meal expenses, approved in advance by FEMA, for members, students, and other participants providing disaster assistance.

In May 2006, the Corporation drafted internal procedures for mission assignments. These internal procedures further defined the Corporation’s responsibilities and described actions to be taken by the Corporation when participating in the response to Federally-declared disasters. These procedures are currently being reviewed by Corporation officials.

FEMA issued Mission Assignments to the Corporation in response to Hurricanes Katrina, Rita, and Wilma in 2005. The Corporation deployed grantees and NCCC campuses to respond to those assignments. The OIG judgmentally sampled 25 disaster deployments conducted by grantees and NCCC campuses.

<b>State</b>	<b>Disaster Event</b>	<b>Number of Corporation Deployments</b>	<b>Number of Deployments Reviewed by OIG</b>
Louisiana	Katrina	50	8
Mississippi	Katrina	15	7
Alabama	Katrina	3	3
Texas	Rita	3	3
Florida	Wilma	<u>4</u>	<u>4</u>
<b>Total</b>		<b>75</b>	<b>25</b>

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objective of this audit was to determine whether grantees claimed costs for mission assignments in accordance with Office of Management and Budget Circulars, Corporation regulations and grant provisions.

To achieve these objectives, the OIG:

- reviewed criteria formulated by FEMA and the Corporation governing the reimbursement of costs associated with mission assignments;
- reviewed supporting documentation submitted by grantees and NCCC for reimbursements;
- interviewed Corporation personnel responsible for reviewing receipt packages submitted by grantees and NCCC; and
- reviewed billing information submitted to FEMA by the Corporation.

We conducted our audit between May and August 2007, in accordance with generally accepted government auditing standards. An exit conference was held with Corporation management on September 10, 2007, to discuss the findings and recommendations presented in this draft report. The Corporation’s response to the draft report will be included as Appendix A in the final report.

This report is intended for the information and use of the Corporation for National and Community Service, Office of Inspector General, and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

**RESULTS**

- 1. The Corporation submitted costs for reimbursement to FEMA without conducting a complete reconciliation of supporting documentation provided by the grantees.**

From the sample of 25 disaster deployments, the OIG could not determine the allowability of total costs for the following deployments:

<u>Mission Assignment</u>	<u>Grantee</u>	<u>Disaster Deployments</u>	<u>Costs Requested by Grantee for Reimbursement</u>	<u>Expenses Verified by OIG</u>	<u>Costs Not Reconciled</u>
Texas	Washington Conservation Corp	10/28/05-11/21/05 11/19/05-12/21/05	\$133,506.55	\$79,197.71	\$54,308.84
Florida	Hoopla Tribal Civilian Community Corps	11/14/05-12/22/05	\$33,218.69	\$34,018.25	(\$799.56)
Mississippi	Washington Conservation Corp	9/22/05-10/23/05 10/21/05-11/21/05	\$189,406.55	\$168,575.51	\$20,831.04
Louisiana	Washington Conservation Corp	1/10/06-1/31/06 2/1/06-2/28/06 3/2/06-3/30/06 4/1/06-4/30/06	\$103,791.78	\$100,055.98	\$3,735.80
<b>Total</b>			<b>\$459,923.57</b>	<b>\$381,847.45</b>	<b>\$78,076.12</b>

The OIG could not reconcile the total costs claimed by grantees to the receipts they submitted for reimbursement. We found that the Corporation requested reimbursement from FEMA in the amount of \$1,022.76 for the Washington Conservation Corp (WCC) deployment to Mississippi; however, the grantee claimed costs of \$189,406.55. During the audit, Corporation staff submitted a request for an additional \$121,908.71 to FEMA. This amount was supported by receipts; however, it included salary and living allowance expenses as discussed in Finding #3. In addition, the Corporation’s submission to FEMA included inaccurate costs of \$188.53 for reimbursement for the AmeriCorps\*NCCC Capital group that responded to Hurricane Wilma in Florida.

We have concluded that the Corporation conducted an inadequate review of supporting documentation submitted by these grantees and the NCCC campus. As a result, the Corporation’s FEMA reimbursement requests were inaccurate for the disaster deployments

listed above. We believe that Corporation staff was not fully aware of their roles and responsibilities in reviewing supporting documentation.

Upon issuance of the mission assignments in 2005, there was no Corporation policy in place for reviewing and approving mission assignment costs. During the OIG's review of this process, the Corporation issued a draft policy. Although the Corporation stated in its response to OIG Audit Report 06-43 that the draft policy would be finalized and implemented no later than December 1, 2006, we found in May 2007 that the policy still had not been finalized or distributed for implementation.

The draft policy defines internal responsibilities and describes the procedures to be followed by the Corporation when participating in response to Federally-declared disasters. The policy states that the former Office of Emergency Preparedness and Response (now the Office of Emergency Management) is responsible for the overall policy and process, with specific roles identified that are to be carried out by other departments.

The Office of Grants Management (OGM) is responsible for reviewing the final financial report and all supporting receipts/documentation for allowability, allocability, and reasonableness for all grantees that have responded to disaster deployments. If, during the review process, there are questions regarding deployment schedules or cost allowability, OGM is to contact the Corporation's Emergency Management Coordinator.

The Executive Office is responsible for receiving the final financial report and all supporting receipts/documentation from the NCCC Point of Contact and reviewing costs claimed by the NCCC campuses. If questions regarding schedules or cost allowability arise during the documentation review process, the Executive Office must contact the Emergency Management Coordinator and notify NCCC resource managers of any unallowable costs.

### **RECOMMENDATIONS**

We recommend that the Corporation finalize and distribute its policy so that personnel will be aware of their roles and responsibilities in:

- 1a. Reviewing supporting documentation that is submitted during the mission assignment process; and
- 1b. Requesting FEMA reimbursements.

### **Corporation Response**

The Corporation generally agreed with the finding. The Corporation's Chief Executive Officer (CEO) recently approved interim reimbursement procedures for current mission assignments. The Corporation is also reviewing its policies to ensure all grantees understand what costs can be reimbursed prior to deployments.

OIG Comments

The procedures described in the Corporation’s response are sufficient to address the finding.

**2. The Corporation reimbursed one grantee \$96,368 in excess of expenses claimed for its mission assignment deployments to Texas, Mississippi, and Louisiana.**

From the sample of 25 disaster deployments, we found that the Corporation reimbursed the following in excess of the costs claimed for deployments:

<u>Mission Assignment</u>	<u>Grantee</u>	<u>Costs Requested by Grantee for Reimbursement</u>	<u>Corporation Reimbursed Grantee</u>
TX	Washington Conservation Corp (WCC)	\$133,506.55	\$200,809.89
MS	Washington Conservation Corp	\$189,406.55	\$204,811.49
LA	Washington Conservation Corp	\$103,791.78	\$117,451.86
<b>Total</b>		<b>\$426,704.88</b>	<b>\$523,073.24</b>

Excess reimbursements involved only one sampled grantee. Corporation staff stated that the grantee submitted multiple invoices, which included several revisions to original costs that had previously been claimed. As a result, this caused confusion as to what actual costs were to be reimbursed to the grantee. Corporation staff stated this could have led to duplication of payments.

The Corporation’s draft policy on internal procedures for disaster response cooperative agreements, FEMA mission assignments, and disaster deployments states that OGM will review the final financial report and all supporting receipts/documentation for each grantee. In addition, OGM will forward a copy of the receipt package summary with approved amounts for reimbursement to the Executive Office and to Accounting. The Corporation reimbursed the grantee without verifying final receipt of all invoices. As a result, the Corporation reimbursed the grantee \$96,368 in excess of the costs it claimed.

**RECOMMENDATIONS**

We recommend that the Corporation:

- 2a. Verify and recoup excess costs paid to the grantee; and
- 2b. Develop control procedures to ensure that grantees are not overpaid for expenses claimed during future disaster deployments.



Corporation Response

The Corporation generally agreed with the finding. It is working closely with the grantee to review all supporting documentation and requests for reimbursement for all deployments to determine where separate requests may have been consolidated, and if some documentation is still missing. Once the verification is complete, the Corporation will recoup any excess costs that may have been paid to the grantee.

OIG Comments

The corrective action described in the Corporation’s response is sufficient to address the finding.

- 3. The Corporation allowed grantees to charge salaries and living allowances without seeking prior approval from FEMA, and without obtaining grantee staff time sheets to support the costs.**

Salaries and living allowance expenses were claimed by the following sampled grantees without prior written approval from FEMA:

<u>Mission Assignment</u>	<u>Grantee</u>	<u>Salaries and Living Allowances Claimed</u>
Texas	WCC	\$ 67,839.20
Florida	Penn Conservation Corp	\$ 40,019.33
Mississippi	AC St. Louis	\$ 4,427.10
Mississippi	WCC	\$112,331.48
Louisiana	Montana Conservation Corp	\$ 22,864.81
Louisiana	Minnesota Conservation Corp	\$ 25,672.40
Louisiana	WCC	\$ 58,635.17
<b>Total</b>		<b>\$331,789.49</b>

The Corporation also allowed salaries and living allowances to be paid that were not in accordance with fiscal requests submitted on disaster deployment forms by the Washington Conservation Corps (WCC). The deployment forms requested reimbursement for crew member overtime only; however, WCC claimed total salaries for the deployments. In addition, the Corporation did not request time and activity reports from any of the grantees to verify the time spent by members and staff working on the mission assignments.

The Corporation’s Disaster Response Cooperative Agreements (DRCA) Application guidance, dated August 31, 2005, was submitted to grantees prior to deployment. The guidance states that, “According to the Robert T. Stafford Act, upon which the

Corporation Memorandum of Understanding (MOU) with FEMA is based, the following are considered reimbursable expenses: travel, lodging, food, and other expenses (supplies/equipment, incidentals, fuel and maintenance for vehicles used during deployment). While some deployments have allowed other expenses to be reimbursed as well, the Corporation would be using the FEMA MOU as their guidelines.”

The MOU between the Corporation and FEMA, dated March 1999, states that the Corporation will secure, in advance, FEMA approval of estimated travel, lodging, and meal expenses incurred by AmeriCorps members, Learn and Serve America students, and Senior Corps participants. In addition, FEMA will reimburse the Corporation for travel, lodging, and meal expenses approved in advance by FEMA for members, students, and other participants providing disaster assistance.

The Corporation did not request prior approval from FEMA to allow grantees to claim salary and living allowance expenses. A written request and justification for allowing the charges was sent to FEMA during this audit. As a result of not obtaining prior approval from FEMA, grantees were allowed to charge costs that were not allowable in accordance with the Corporation’s MOU with FEMA.

### **RECOMMENDATIONS**

We recommend that the Corporation:

- 3a. Review support for salaries and living expenses claimed by grantees to determine allowability;
- 3b. Obtain written approval of expenses not listed in the MOU with FEMA for the Hurricane Relief mission assignments. If approval is not obtained, the costs should be disallowed, and the Corporation should recover salary and living allowance expenses from the grantees and reimburse FEMA. If approval is obtained, the Corporation should require all grantees to submit time and activity reports for staff and members who performed work on each mission assignment, and allow costs up to the amount supported by the time and activity reports; and
- 3c. Coordinate with FEMA to update the MOU to include all costs that the entities agree should be reimbursable.

### **Corporation Response**

The Corporation generally agreed with the finding. It stated that, while FEMA supported the use of funds for the purpose of salaries and living allowances, it did not have written documentation of that approval. The Corporation requested retroactive approval but, at the time of its response to the draft report, had not received the approval. The Corporation stated that, for future mission assignments, it would work with FEMA to revise its MOU to clarify allowable costs, and ensure all parties understand and follow requirements for prior approvals. In addition, as the MOU is revised, the Corporation

will review it to ensure that both agencies understand what costs are allowable under mission assignments, and to ensure mission assignments involving grantees meet the requirements of the OMB Circulars.

OIG Comments

The corrective action described in the Corporation's response is sufficient to address the finding. However, we believe the Corporation should develop a contingency plan if prior approval of the costs in question is not granted by FEMA.


(signature on file)

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Carol Bates, Assistant Inspector General for Audit  
Office of Inspector General  
Corporation for National and Community Service

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**To:** Carol Bates, Assistant Inspector General for Audit

**From:** Jerry Bridges, Chief Financial Officer 

**Cc:** Nicola Goren, Chief of Staff  
Annette Lafferty, Executive Officer, OCFO  
Merlene Mazyck, Director of AmeriCorps\*NCCC  
Margaret Rosenberry, Director of Grants Management  
Elizabeth D. Seale, Chief Operating Officer

**Date:** November 16, 2007

**Sub:** Response to OIG Draft Audit Report: OIG Audit of the Allowability of Hurricane Relief Mission Assignment Costs Claimed by Corporation Grantees

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Thank you for the opportunity to review the draft audit report of the Corporation's mission assignment costs. We are not addressing all issues at this time. We will respond to all findings and recommendations in our management decision when the final audit is issued and we have reviewed the findings in detail. We appreciated the opportunity to work closely with OIG staff throughout the audit. Corporation staff noted that OIG staff were very helpful and easy to work with throughout the audit process.

We generally agree with the findings in the draft report. The unprecedented scale of the mission assignments related to Corporation response to the 2005 hurricanes presented significant challenges to our administrative functions. The report noted that the Corporation did not seek prior approval from FEMA before allowing grantees to charge some salaries and living allowances to the mission assignments. While FEMA regional staff supported the use of funds for this purpose, we did not have written documentation of the approval. We have requested that approval retroactively, but have not yet received it from the FEMA regional offices that must grant the retroactive approvals. For future mission assignments, we are working with FEMA to revise our Memorandum of Understanding (MOU) to clarify allowable costs and ensure all parties understand and follow requirements for prior approvals.

The report recommends that the Corporation finalize and distribute its policies describing allowable costs and those related to reviewing supporting documentation for costs. The CEO recently approved interim reimbursement procedures and they are in place for current mission assignments. The Corporation is also reviewing its policies related to grantees to ensure all grantees understand what costs can be reimbursed before being deployed. In addition, as we revise our MOU with FEMA, we are reviewing it to ensure both agencies understand what costs



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are allowable under mission assignments and to ensure mission assignments involving grantees meet the requirements of the OMB Circulars related to grants. We expect to revise our procedures after we complete that review.

Finally, the report identified costs that may have been paid in excess to one grantee. That grantee has been deployed multiple times by the Corporation. In order to determine if the grantee was reimbursed in excess, the Corporation is working closely with the grantee to review all supporting documentation and requests for reimbursements for all deployments to determine where separate requests may have been consolidated and if some documentation is missing. Once we complete this verification, we will recoup any excess costs that may have been paid to the grantee.

The Corporation will address all of the findings during audit resolution after the audit is issued as final.