

# 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

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### *California Emergency Management Agency's response as of December 2010*

The Joint Legislative Audit Committee requested that the Bureau of State Audits conduct a review of California's preparedness to receive and administer American Recovery and Reinvestment Act of 2009 (Recovery Act) funds. Using selection criteria contained in the audit request, we chose to review the preparedness of the California Emergency Management Agency (Cal EMA) to receive and administer the Recovery Act funds provided by the U.S. Department of Justice for its Edward Byrne Memorial Justice Assistance Grant Program (JAG Program). On February 17, 2009, the federal government enacted the Recovery Act to preserve and create jobs; promote economic recovery; assist those most affected by the recession; invest in transportation, environmental protection, and other infrastructure; and stabilize state and local government budgets. The Recovery Act also 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.

### **Finding #1: Cal EMA only recently began to award subgrants.**

Cal EMA only recently 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.

According to the director of Grants Management, the awards of Recovery Act JAG Program subgrants have moved at a good pace. The director stated that the Recovery Act requires Cal EMA to create multiple new programs. He further stated that Cal EMA gave priority to those new programs, especially to the two largest ones, which comprise 66 percent of its total Recovery Act JAG Program funds. Additionally, the director indicated that it released requests for applications (RFAs) for these two largest programs to potential subrecipients in October and November 2009, and it released RFAs for all but one of the remaining programs by February 2010. He also stated that Cal EMA granted multiple extensions to potential subrecipients for submitting their applications for the two largest new programs.

During a January 28, 2010, Senate Budget and Fiscal Review Committee hearing, the director of Grants Management testified on the status of the Recovery Act JAG Program subgrants. According to the director, his goal was to have all subgrants, except those related to one program, approved and signed by April 15, 2010. He also indicated that Cal EMA would not begin to disburse Recovery Act JAG Program funds until the third or fourth quarter of fiscal year 2009–10 and that significant disbursements most likely would not begin until the second and third quarters of fiscal year 2010–11. As a result, these substantial disbursements will not occur until about 1.5 years after the passage of the Recovery Act and more than one year after Cal EMA received the Recovery Act JAG Program grant.

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

***Cal EMA's Action: Corrective action taken.***

Cal EMA reported that as of June 30, 2010, it had executed all 229 JAG Program agreements supported by Recovery Act funds. Cal EMA indicated that it distributed Recovery Act funds as follows: \$33.4 million for law enforcement programs, \$10.4 million for prosecution and court programs, \$150,000 for prevention and education programs, \$44.6 million for corrections and community corrections to reduce the likelihood of recidivism, \$44.5 million for drug treatment and enforcement programs, \$1.5 million for crime victim and witness programs, and \$1.1 million for administrative costs.

**Finding #2: Cal EMA needs to improve its monitoring of subrecipients' use of Recovery Act JAG Program funds.**

Under the terms of its grant agreement with the U.S. Department of Justice, Cal EMA must monitor Recovery Act JAG Program funds in accordance with, among other governing requirements, all federal statutes, regulations, and the U.S. Office of Management and Budget (OMB) Circular A 133, to provide reasonable assurance that subrecipients comply with specific program requirements. In addition, the grant agreement states that, upon request, Cal EMA will provide documentation of its policies and procedures for meeting the monitoring requirements. However, although it provided monitoring planning documents that were general in nature, it was unable to provide policies and procedures or plans that would result in the required monitoring specific to Recovery Act JAG Program subrecipients.

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

***Cal EMA's Action: Corrective action taken.***

Cal EMA provided a monitoring plan for all its grant subrecipients that involves a risk-based approach that contains the following four key components: subrecipients are monitored during the term of the grant award; monitoring efforts focus on the areas of the most significant risk to the agency; all findings are addressed through appropriate corrective action; and ongoing financial and administrative training and technical assistance is provided to subrecipients. According to its monitoring plan, specific to Recovery Act funds, Cal EMA randomly selects subrecipients to receive extended scope reviews through the risk assessment process. Additionally, the plan indicates that all subrecipients receiving Recovery Act funds will receive a limited scope review within six months after the award is granted. This review may lead to an extended scope field review if needed to assure subrecipient compliance.

**Finding #3: Cal EMA could not demonstrate it has determined the number of program staff it needs to monitor Recovery Act subrecipients.**

Although the workload for subrecipient monitoring will increase significantly as a result of the 226 Recovery Act JAG Program subgrants that will be awarded during fiscal year 2009–10, Cal EMA could not demonstrate that it has adequately identified the number of program staff needed to monitor the use of those funds. The chief of the Public Safety Branch indicated that Cal EMA has acknowledged that the \$592,000 of Recovery Act JAG Program funds appropriated by the Legislature to pay its administrative costs for fiscal year 2009–10 will not provide enough funds to accomplish the monitoring the branch would like to achieve. Cal EMA submitted a budget change proposal seeking to use interest earned on its Recovery Act JAG Program funds—\$800,000 for fiscal year 2010–11 and \$800,000 for fiscal year 2011–12—to administer the Recovery Act JAG Program and it believes that these amounts will be adequate to manage the subgrants. However, the Legislative Analyst's Office found that Cal EMA had not provided sufficient workload information to justify the requested funding and recommended the Legislature reduce the requested funding to the fiscal year 2009–10 level.

of \$592,000. Moreover, the documents Cal EMA provided us did not clearly identify the workload associated with managing the subgrants or how the additional funds it requested met its needs for managing the additional workload.

We recommended that to plan its monitoring activities properly, Cal EMA 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: Partial corrective action taken.***

Cal EMA reported that its goal is to monitor all 229 Recovery Act subrecipients through site visits by June 30, 2011, and reported it had completed onsite monitoring for 84 of the 229 subrecipients as of December 13, 2010. It also provided its estimate of the number of work hours needed to conduct at least one site visit during the grant period for each subrecipient. The estimate identified that it needed 8.62 personnel years to perform this work. In addition, Cal EMA reported that it hired a retired annuitant to assist existing staff in conducting site visits. However, Cal EMA pointed out that it is limited to spending \$592,000 each fiscal year on state operations to administer the Recovery Act projects and it intends to stay within that amount. Cal EMA also stated that it does not have eight staff who are dedicated 100 percent to the Recovery Act funded projects, but rather several program and monitoring staff who administer and monitor other federal- and state-funded projects as well.

**Finding #4: Cal EMA misreported the administrative costs it charged to the Recovery Act JAG Program.**

Cal EMA failed to consistently report to federal agencies the administrative costs it charged to its Recovery Act JAG Program award. Cal EMA has divided the reporting responsibilities for two reports between the Fiscal Services Division (quarterly expenditure reports to the U.S. Department of Justice) and the Public Safety Branch (quarterly progress reports to the federal Recovery Accountability and Transparency Board (Accountability Board)). Although the Fiscal Services Division reported \$104,000 in administrative costs as of December 31, 2009, the Public Safety Branch reported to the Accountability Board that Cal EMA did not spend any Recovery Act JAG Program funds for the same period. The Fiscal Services Division provided accounting reports to support the expenditures it reported. The records the Public Safety Branch offered as support for the report were project time reporting records that showed no staff time charged to the Recovery Act JAG Program activities. However, these project records were from October 2008 through December 2008, one year before the reporting period. We questioned the federal funds program manager regarding the accuracy of the time period covered in the project time reporting records she provided, and she responded that no time was charged to the accounting codes used to collect administrative costs related to the Recovery Act JAG Program award.

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

***Cal EMA's Action: Corrective action taken.***

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

