

**DIVISION OF EMERGENCY  
MANAGEMENT**

**OIL SPILL RESPONSE EXPENDITURES**

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**Operational Audit**



## DIRECTOR OF THE DIVISION OF EMERGENCY MANAGEMENT

The Director of the Division of Emergency Management is appointed by, and serves at the pleasure of, the Governor. Pursuant to Section 20.18(2)(a), Florida Statutes, the Division was administratively housed within the Department of Community Affairs until October 1, 2011, when the Division was transferred to the Executive Office of the Governor pursuant to Chapter 2011-142, Laws of Florida. The following served as Directors:

Bryan Koon	From February 1, 2011
David Halstead	From January 5, 2010, Through January 31, 2011
Ruben Almaguer (Interim Director)	Through January 4, 2010

The audit team leaders were Danta White and Kathy Simmons and the audit was supervised by Haesun Baek, CPA. Please address inquiries regarding this report to David R. Vick, CPA, Audit Manager, by e-mail at [davidvick@aud.state.fl.us](mailto:davidvick@aud.state.fl.us) or by telephone at (850) 487-4494.

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# DIVISION OF EMERGENCY MANAGEMENT

## Oil Spill Response Expenditures

### SUMMARY

This audit of the Division of Emergency Management (Division) focused on oil spill response expenditures and a follow-up on findings included in our report No. 2010-012. Our audit disclosed the following:

#### OIL SPILL RESPONSE EXPENDITURES

**Finding No. 1:** The Division provided advances to State agencies, local governments, and not-for-profit organizations. The Division’s administrative processing and accountability of these advances needed improvement.

**Finding No. 2:** The Division did not always obtain and properly review expenditure documentation supporting reimbursements to State agencies.

**Finding No. 3:** The Division’s management of the Florida BP Grants System access privileges needed improvement.

**Finding No. 4:** Certain Division security controls protecting the Florida BP Grants System data and IT resources needed improvement.

### BACKGROUND

During the period covered by our audit, the Division of Emergency Management (Division) operated as an autonomous entity, although administratively housed within the Department of Community Affairs (Department).<sup>1</sup> The Director of the Division served at the pleasure of the Governor and was the agency head for all purposes. The Division is responsible for coordinating emergency planning, preparedness, response, recovery, and mitigation for all natural, technological, or manmade disasters that may occur in the State of Florida.<sup>2</sup>

According to an interagency agreement between the Department and the Division, the Department was responsible for handling administrative activities of the Division; however, the Division was not subject to control, supervision, or direction by the Department in any manner.

### FINDINGS AND RECOMMENDATIONS

This operational audit of the Division focused primarily on oil spill response expenditures and a determination of the status of corrective actions taken with respect to the findings included in our report No. 2010-012, Division of Emergency Management - Delays in Settling Disaster Claims. Our audit disclosed that the Division had taken, or was in the process of taking, corrective actions with respect to findings included in our report No. 2010-012.

#### Oil Spill Response Expenditures

On April 20, 2010, an explosion occurred on the mobile drilling platform Deepwater Horizon, located approximately 130 miles southeast of New Orleans, Louisiana. Due to the threat that oil leaking from the Deepwater Horizon drilling platform and well posed to the State of Florida, the Governor declared a state of emergency for six counties

<sup>1</sup> Effective October 1, 2011, the Division of Emergency Management was transferred to the Executive Office of the Governor, pursuant to Chapter 2011-142, Laws of Florida.

<sup>2</sup> Sections 252.34 and 252.35, Florida Statutes.

on April 30, 2010.<sup>3</sup> The Governor designated the Director of the Division as the State Coordinating Officer for the duration of this emergency and directed him to activate the State's Comprehensive Emergency Management Plan and other response, recovery, and mitigation plans necessary to cope with the emergency. The Department of Environmental Protection (DEP) was designated as lead State agency to coordinate emergency response activities among the various State and local governments responding to this emergency. On May 3, 2010, the Governor expanded the declaration to include 13 additional counties,<sup>4</sup> and on May 20, 2010, seven additional counties.<sup>5</sup> On August 26, 2010, for 19 of the 26 counties the state of emergency was canceled, while the state of emergency was extended through October 27, 2010 for the remaining 7 counties.<sup>6</sup>

In an effort to assist the State in paying the costs incurred in response to damages resulting from the explosion and oil spill at the Deepwater Horizon drilling platform, British Petroleum Exploration & Production, Inc., (BP) provided the Division with \$75.1 million.

Under the authority provided in established laws and rules,<sup>7</sup> the Division provided from the \$75.1 million, approximately \$65.3 million in advances to State agencies, local governments, and not-for-profit organizations. The Division obtained the Executive Office of the Governor's approval prior to the execution of the agreements that authorized the advances.

According to the agreement between BP and the State, the Division was responsible for the administration of the funds that were received to pay or otherwise cover costs related to the oil spill and to promote tourism in the State in a manner designed to alleviate or mitigate concerns resulting from the oil spill. The Division established the BP Block Grants Program, consisting of the following grants:

- Deepwater Horizon – Boom Operations (Grant No. 1120P) – Established for expenses related to the oil spill and boom operations. Funding within the grant was to be utilized as follows:
  - A total of \$40 million was advanced to DEP to assist counties with the purchase and installation of protective measures, the procurement of consultant support, and the costs of other planning or implementation strategies associated with the oil spill response and recovery. As of March 2011, DEP had refunded to the Division approximately \$9.8 million of the \$40 million advanced, as BP assumed from DEP the responsibility of oil booming contracts. The refunded amount was added to the amounts made available through reimbursement agreements.
  - Initially, a total of \$10 million was paid to State agencies to reimburse reasonable costs incurred in preparing for and responding to the oil spill. Subsequently, as noted above, additional amounts refunded from DEP were made available for reimbursements.
- Deepwater Horizon – BP Funding for Tourism (Grant No. 1120V) – Established for expenses related to the promotion of tourism in Florida. The Division provided \$25 million in advances to various entities.
- Deepwater Horizon – BP Funding for Volunteer Florida (Grant No. 1120Q) – The Division provided an advance of \$100,000 to the Governor's Commission on Volunteerism and Community Service (Volunteer Florida) for management and oversight of the recruitment, direction, engagement, and utilization of volunteers in Florida related to the oil spill.

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<sup>3</sup> Included Escambia, Santa Rosa, Okaloosa, Walton, Bay, and Gulf Counties, pursuant to Executive Order Number 10-99.

<sup>4</sup> Included Franklin, Wakulla, Jefferson, Taylor, Dixie, Levy, Citrus, Hernando, Pasco, Pinellas, Hillsborough, Manatee, and Sarasota Counties, pursuant to Executive Order Number 10-100.

<sup>5</sup> Included Charlotte, Lee, Collier, Monroe, Miami-Dade, Broward, and Palm Beach Counties, pursuant to Executive Order Number 10-106.

<sup>6</sup> Included Escambia, Santa Rosa, Okaloosa, Walton, Bay, Gulf, and Franklin Counties, pursuant to Executive Order Number 10-191.

<sup>7</sup> Sections 216.181(16) and 252.32(2), Florida Statutes, and Department of Financial Services Rule 69I-40.120, Florida Administrative Codes.

In addition to the funds available through the BP Block Grants Program, the Department of Business and Professional Regulation, as directed by the Governor, provided to the Division \$700,000 for additional promotion of State tourism.<sup>8</sup>

As of February 28, 2011, the Division had disbursed approximately \$71.7 million (excluding \$9.8 million subsequently refunded by DEP), which included approximately \$55.5 million in advances and \$16.2 million in reimbursements made to State agencies, local governments, and not-for-profit entities.

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### Finding No. 1: Advance Payments

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As indicated above, a total of \$65.3 million was advanced. In connection with the amounts advanced, as shown by **Exhibit A**, the Division entered into 28 agreements to make advance payments to 18 recipients, from May 2010 through October 2010. The agreement provisions required that advances be used for the primary purpose stated in the agreement and that recipients track related expenditures and provide supporting documentation, including proof-of-payment, to the Division.

Division staff indicated that, although no written procedures were developed, the following procedures were utilized relative to the amounts advanced:

- Division staff were to remind the recipient to submit a closeout report and supporting expenditure documentation, including proof-of-payment, by the applicable due date;
- Division staff were to validate recipient expenditures (identified on the closeout report) by reviewing the supporting documentation on a sample basis;
- Division staff were to document the expenditure validation by recording the staff member's initials on the closeout report; and
- Division staff were to perform a supervisory review of the closeout report (with supporting documentation), as necessary.

Advance payments related to the oil spill response were recorded in FLAIR by Department staff based on the information included on Department's Request for Payment Form prepared by Division staff. Department procedures<sup>9</sup> established object codes that were to be used to record and account for advance payments.

We reviewed Department and Division records for ten advance transactions, shown on **Exhibit B**, totaling \$49,121,753 paid to eight recipients. Our review disclosed the following:

- In two instances (**Exhibit B, Item Nos. 9 and 10**), totaling \$40 million, the agreements did not include an agreement period or a timeframe to provide supporting expenditure documentation to the Division. The Division documented an agreement period for both of the agreements in its agreement files, however, the Division was unable to provide any documentation showing that the Division had notified the recipient (DEP) of the agreement period. As of January 24, 2012, the Division had not requested or obtained any supporting documentation for the advanced expenditures for either agreement. As part of our audit, we reviewed DEP's supporting expenditures for a selection of transactions and found that the transaction amounts were supported by appropriate documentation.
- In eight instances, the agreement included an agreement period and a specified date for recipients to submit supporting expenditure documentation (including proof-of-payment) to the Division, however, we noted the following:

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<sup>8</sup> Funding source was fees received by the Department of Business and Professional Regulation from licensed public lodging and food service establishments.

<sup>9</sup> Department's Subrecipient Payment Processing Desk Procedures Information Sheet.

- In all eight instances totaling \$9,121,753, the Division did not maintain documentation of its validation that the recipient had expended the advanced funds for allowable activities under the terms of the agreement.
  - In four of these eight instances, totaling \$4,068,298, the supporting expenditure documentation received from recipients was not sufficient. In these instances, the documentation did not include both proof-of-payments and invoices.
- For six advances totaling \$17,893,548, the Division did not properly code the amounts as advances, resulting in their being misclassified in FLAIR as reimbursements. Proper coding of advance payments in FLAIR enables appropriate identification of oil spill-related advances for budgeting, monitoring, and financial reporting purposes.

Absent adequate agreement provisions, proper receipt and review of supporting documentation, and proper recording in FLAIR, the Division's procedures, as implemented, provided reduced assurance that grant funds were properly utilized, managed, monitored, and reported.

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**Recommendation:** The Division should ensure that agreements include proper provisions (including an agreement period and a timeframe for submitting supporting expenditure documentation). The Division should also document the receipt and review of expenditure documentation and accurately code and record in FLAIR amounts advanced.

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## Finding No. 2: Reimbursements to State Agencies

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As shown by **Exhibit C**, the Division entered into agreements with 12 State agencies during the period May 2010 through February 2011, to reimburse costs (subject to funds availability) related to oil spill response. The agreements required State agencies to track related expenditures and to provide supporting documentation, including invoices and proof-of-payments, to the Division.

The BP Grants Claims Approval Committee (Committee)<sup>10</sup> was established in July 2010, to review and approve State agencies' requests for reimbursement related to the oil spill response. The Committee provided specific guidance to the Division regarding documentation to be obtained from State agencies and for the review of such documentation. The guidance included the following:

- Committee Guidance Memo No. 1 required State agencies requesting reimbursement for labor expenses to submit to the Division: (a) a copy of the employee's approved timesheet that shows a breakdown of both Deepwater Horizon and non-Deepwater Horizon hours worked, and (b) some form of documentation to show that the appropriate amount was actually paid to the employee.
- Committee Guidance Memo No. 2 required that Division staff complete for each claim, a validation involving a comparison of at least ten percent of the claimed charges to the documentation presented by the agencies.

In addition, the Division's procedures required documentation of the methodology used to select State agency expenses for validation and the results of the validation.

Upon completion of the Division's review of State agency reimbursement requests, in accordance with both Committee guidance and Division procedures, the Division was to seek the Committee's approval prior to making payments to recipients.

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<sup>10</sup> The Committee consists of two representatives from the Division, one representative from DEP, and one representative from the Executive Office of Governor.

Our review of ten reimbursement transactions, totaling \$8,022,039 paid to eight State agencies and shown on **Exhibit D**, disclosed the following deficiencies:

- For six claims, totaling \$6,875,678, contrary to the Committee guidance, the Division did not obtain supporting documentation for payroll costs (i.e., no documentation to support that requested payroll amounts were actually paid). Division staff indicated that the Division followed the validation method used for Federal Emergency Management Administration (FEMA) Public Assistance projects, which did not require the Division to verify proof of payment for payroll costs. Division staff indicated that the two Committee representatives from the Division were notified of the change in validation methodology; however, no documentation showing Committee action to revise Committee Guidance Memo No. 1 was provided for our review.
- For two claims, the Division did not document that the required validation was completed (**Exhibit D, Item Nos. 4 & 8**) and for one claim the methodology used for validation sample selection was not documented. (**Exhibit D, Item No. 1**).

Absent receipt and adequate review of supporting documentation, the Division had reduced assurance that funds were utilized in accordance with grant terms.

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**Recommendation:** We recommend that the Division follow the Committee's guidance for validation of claimed expenses and the Division procedures for documentation of methodology used to select expenses for validation.

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### **Finding No. 3: System Access Controls**

The Division utilized a Web-based portal, the Florida BP Grants System (System) to document all aspects of the Division's process of receiving, reviewing, approving, and paying reimbursement requests from recipients. The System can be accessed by Division staff and non-Division users (e.g., recipient State agency staff and Committee members). As shown by **Exhibit C**, during the period May 2010 to February 2011, the Division utilized the System to process payments totaling approximately \$16.2 million to reimburse State agencies.

Division Management is responsible for implementing procedures that provide access control based on an individual's demonstrated need to view, add, or delete data. Such procedures if appropriately designed and effectively operated can reduce the risk of inappropriate or unnecessary access privileges. Such procedures include, but are not limited to, ensuring users' participation in information security awareness training, documenting authorizations for system access, periodically reviewing the appropriateness of access privileges, and promptly removing the access privileges of former employees.

Our review of the System application controls disclosed that the Division had not established procedures for removing or modifying user access to the System upon user termination or change in user responsibilities, and as a consequence, user access privileges had not been effectively managed. Specifically:

- For eight terminated Division employees, the user accounts were not timely removed. As of April 12, 2011, System access privileges for these eight former employees had remained active from 115 to 228 calendar days after termination.
- For two non-Division users no longer requiring system access (i.e., due to a transfer from one State agency to another), System access privileges had remained active 84 and 165 calendar days after transfers, respectively, as of April 12, 2011.

Absent timely removal of access privileges of those individuals no longer requiring access to the System, unauthorized activity may occur and not be timely detected. Subsequent to audit inquiry, the Division removed the user access privileges identified above.

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**Recommendation:** We recommend that the Division periodically review System access privileges and ensure that the access privileges of former employees and users no longer requiring access are timely removed.

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#### **Finding No. 4: Security Controls – User Authentication**

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Our audit disclosed certain other Division security controls related to the System that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising the Division's data and IT resources. However, we have notified appropriate Division management of the specific issues. Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that Division data and IT resources may be subject to improper disclosure, modification, or destruction.

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**Recommendation:** To ensure the confidentiality, integrity, and availability of Division data and IT resources, the Division should enhance System security controls.

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#### **Follow-up on Prior Audit Findings**

Our audit disclosed that the Division had taken, or was in the process of taking corrective actions during the period of our audit with respect to findings included in our report No. 2010-012.

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

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The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from January 2011 to August 2011 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.

This operational audit focused on oil spill response expenditures and a follow-up on findings included in our report No. 2010-012. The overall objectives of the audit were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.

- To determine whether the Division had corrected, or was in the process of correcting, the deficiencies disclosed in our report No. 2010-012.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit included examinations of transactions (as well as events and conditions) occurring during the period, April 2010 through February 2011, and selected actions taken through January 2012. In conducting our audit, we:

- Obtained an understanding and tested the effectiveness of internal controls applicable to the Division's oil spill response processes in relation to:
  - Receipts and expenditures;
  - Funding agreements and;
  - Validation of recipient expenditures.
- Obtained an understanding of IT controls, assessed the risks of those controls, evaluated whether selected application IT controls were in place, and tested the effectiveness of the controls.
- Performed inquires and inspections related to the Division's oil spill response expenditure processes to determine whether the Division had established appropriate controls to include all necessary language in the agreements prior to entering into agreements that provided funding for oil spill activities.<sup>11</sup>
- Performed inquiries, inspections, and observations related to the Division's appropriations, expenditures, and budgetary procedures for accounting for expenditures and receipts related to oil spill response to determine whether the Division obtained release authority to expend funds and whether the Division properly established controls to identify and track receipts and expenditures applicable to the oil spill response.
- Tested ten advance agreements and ten related transactions to determine whether:
  - Advance agreements were properly reviewed and approved prior to the execution of agreements;
  - The Division advanced amounts in accordance with the agreement and properly recorded advance transactions;
  - The Division maintained documentation of recipient expenditures, including proof of payment, and adequately documented its review of such expenditures;
  - Amounts not utilized for the purpose set forth in the agreement were refunded to the Division;
  - The Division ensured that advances were properly deducted before subsequent reimbursement payments were made; and
  - The transaction was properly coded for recording into FLAIR.
- Tested ten reimbursement agreements and ten related transactions to determine whether:
  - Reimbursement agreements were properly reviewed and approved prior to the recipient's request for reimbursement;
  - Transactions were supported by appropriate documentation;
  - The Division adequately validated recipient expenditures and documented the validation prior to paying reimbursements;
  - The transaction was properly approved at all levels; and
  - The transaction was properly coded for recording into FLAIR.

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<sup>11</sup> According to the Division, the Executive Office of the Governor determined recipients and amounts to be awarded. Additionally, the Committee determined eligibility requirements for State agency reimbursements.

- Performed analytical procedures of the Division's personnel costs to determine whether costs were properly calculated and allocated; and whether State funds used for oil spill response activities were timely reimbursed with funds received from BP.
- Performed inquiries, observations, and inspections of Division controls and records to determine if the Division had corrected the deficiencies listed in our report No. 2010-012.
  - Performed analytical procedures using FloridaPA System data to identify projects with closure dates earlier than the actual project completion dates. Tested five projects, for which closeout packages were submitted to FEMA during the period July 21, 2010, through April 14, 2011, to determine the accuracy and completeness of FloridaPA System closeout workflow dates.
  - Tested ten subgrantee quarterly reports submitted to the Federal Emergency Management Agency (FEMA) for quarters ending September 2010 and December 2010 to determine whether the required quarterly reports for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) (PA) Program projects were processed in accordance with Division procedures.
  - Reviewed five interim inspections, completed during the period September 1, 2010, through February 28, 2011, to determine whether inspections for PA Program projects were processed in accordance with Division procedures.
  - Analyzed the Division's August 2011 listing of outstanding balances due from subgrantees because of PA Program project overpayments. Tested five projects with outstanding balances to determine whether the Division followed its procedures to timely resolve overpayments.
- Performed various other auditing procedures including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Communicated on an interim basis with applicable Division officials to ensure the timely resolution of issues involving controls and noncompliance.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe those matters requiring corrective actions.

**AUTHORITY**

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA  
Auditor General

**MANAGEMENT'S RESPONSE**

In a response letter dated February 27, 2012, the Director of the Division provided a response to our preliminary and tentative audit findings. The Director's response is included as **Exhibit E**.

## EXHIBIT A

## Summary of Agreements that Provided Advances

Recipient No.	Grant Number	Number of Agreements	Total Agreement Amounts	Advanced Amount
1	1120V	2	\$ 750,000	\$ 750,000
2	1120V	2	2,266,595	2,266,595
3	1120V	1	500,000	500,000
4	1120V	1	850,000	850,000
5	1120V	1	1,250,000	1,250,000
6	1120V	2	2,700,000	2,700,000
7	1120V	2	1,000,000	1,000,000
8	1120V	2	504,700	504,700
9	1120V	1	400,000	400,000
10	1120V	2	1,400,000	1,400,000
11	1120V	2	150,500	150,500
12	1120V	2	50,000	50,000
13	1120V	1	1,150,000	1,150,000
14	1120V	2	11,878,205	11,878,205
15	1120V	1	150,000	150,000
16	1120Q	1	100,000	100,000
17	1120P	2	40,000,000	40,000,000
18	1390S <sup>(1)</sup>	1	700,000	235,000
<b>Totals</b>		<b><u>28</u></b>	<b><u>\$65,800,000</u></b>	<b><u>\$65,335,000</u></b>

Source: Division Records.

(1) Funded by the State. All other agreements were funded by BP.

**EXHIBIT B**

**Recap of Expenditure Test Results for  
Agreements Providing Advances  
Finding No. 1**

Item No.	Recipient No. (1)	Amount Advanced	Compliance Issue (3)				
			A	B	C	D	E
1	16	\$ 100,000		X	X		X
2	2	1,133,298		X	X	X	X
3	6	1,350,000		X		X	X
4	6	1,350,000		X		X	
5	11	75,250		X	X		X
6	15	150,000		X	X		
7	14	4,728,205		X	X		
8	18	235,000 (2)		X	X	X	X
9	17	15,000,000	X	(4)		(4)	X
10	17	25,000,000	X	(4)		(4)	
<b>No. of Exceptions</b>			<u>2</u>	<u>8</u>	<u>6</u>	<u>4</u>	<u>6</u>
<b>Expenditures Total</b>		<b>\$49,121,753</b>	<b>\$40,000,000</b>	<b>\$9,121,753</b>	<b>\$6,421,753</b>	<b>\$4,068,298</b>	<b>\$17,893,548</b>

Source: FLAIR and Division Records.

- (1) See EXHIBIT A.
- (2) Funded by the State. All other agreements were funded by BP.
- (3) Specific types of compliance issues included the following:
  - A. The agreement did not include an agreement period or a timeframe to provide supporting expenditure documentation to the Division.
  - B. The Division did not maintain adequate documentation of its review of recipient supporting expenditure documentation.
  - C. The Division did not document the date expenditure documentation was received.
  - D. Supporting documentation of recipient expenditures was incomplete.
  - E. The expenditure was miscoded in FLAIR.
- (4) The Division had not requested nor obtained any supporting documentation for expenditures.

**EXHIBIT C**

**Reimbursed Expenditures to State Agencies(1)**

State Agency No. (2)	Number of Reimbursement Requests	Total Reimbursed Amount Through February 2011
1	4	\$ 1,423,654
2	1	70,172
3	7	2,959,071
4	6	4,135,496
5	1	5,937
6	3	644,494
7	1	68,019
8	4	34,323
9	1	4,617
10	3	121,950
11	2	90,670
12	7	6,626,883
<b>Total</b>	<b><u>40</u></b>	<b><u>\$16,185,286</u></b>

Source: FLAIR and Division Records

(1) Grant No. 1120P funded by BP.

(2) Division entered into one agreement with each State agency. Grant agreement amounts were subject to funds availability, Division's approval of estimated project cost, and the Committee's approval of reimbursement requests.

**EXHIBIT D**

**Recap of Reimbursed Expenditures Test Results  
Finding No. 2**

Item No.	State Agency No. (1)	Reimbursed Amount Tested	Compliance Issue Type (2)	
			A	B
1	2	\$ 70,172		X
2	4	1,722,882	X	
3	1	175,325		
4	8	10,202	X	X
5	12	3,184,533	X	
6	7	68,019	X	
7	3	896,247		
8	9	4,617		X
9	12	1,359,075	X	
10	3	530,967	X	
<b>Total No. of Items</b>			<b><u>6</u></b>	<b><u>3</u></b>
<b>Total Amounts</b>		<b><u>\$8,022,039</u></b>	<b><u>\$6,875,678</u></b>	<b><u>\$84,991</u></b>

Source: FLAIR and Division Records

(1) See EXHIBIT C.

(2) Specific types of compliance issues included the following:

A. The Division did not obtain supporting documentation (i.e. proof-of-payment) for payroll costs.

B. The Division did not document that the required validation was completed or the methodology used for validation sample selection.

**EXHIBIT E**  
**MANAGEMENT'S RESPONSE**



STATE OF FLORIDA  
**DIVISION OF EMERGENCY MANAGEMENT**

RICK SCOTT  
Governor

BRYAN W. KOON  
Director

February 27, 2012

David W. Martin, CPA  
Auditor General  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

This letter is to provide the Division's responses to the preliminary and tentative findings dated January 27, 2012, regarding the Division of Emergency Management, Oil Spill Response Expenditures, Operational Audit.

**Finding #1: Advance Payments**

**Recommendation:** The Division should ensure that agreements include proper provisions (including an agreement period and a timeframe for submitting supporting expenditure documentation). The Division should also document the receipt and review of expenditure documentation and accurately code and record in FLAIR amounts advanced.

**Response:** *In the future, the Division will ensure that agreements include the timeframe for submitting supporting expenditure documentation. The coding used to process these payments was clearly an oversight due to the timing required for the release of payments. The Division will take the necessary steps to accurately code advance payments in the future.*

**Finding #2: Reimbursement to State Agencies**

**Recommendation:** We recommend that the Division follow the Committee's guidance for validation of claimed expenses and the Division procedures for documentation of methodology used to select expenses for validation.

**Response:** *The Division has addressed reimbursements to State Agencies in a memo dated September 14, 2010. In the meeting following the receipt of this memo, the Committee discussed and approved these changes. The meeting was held principally by conference call.*

**Finding #3: System Access Controls**

**Recommendation:** We recommend that the Division periodically review System access privileges and ensure that the access privileges of former employees and users no longer requiring access are timely removed.

**EXHIBIT E**  
**MANAGEMENT'S RESPONSE (CONTINUED)**

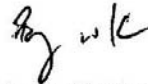
**Response:** *All security concerns relating to access privileges of former employees and users no longer requiring access have been corrected.*

**Finding #4: Security Controls – User Authentication**

**Recommendation:** To ensure the confidentiality, integrity, and availability of Division data and IT resources, the Division should enhance System security controls

**Response:** *FDEM concurs and will correct this finding. This issue will be resolved with the next version of the software. The vendor is currently working with Division IT staff to begin the testing and upgrading to the system.*

Sincerely,



Bryan W. Koon, Director  
Division of Emergency Management

BK/cmf  
cc: Candie Fuller, Interim Inspector General