

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

May 2010 Letter Report 2009-119.4



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Elaine M. Howle
State Auditor
Doug Cordiner
Chief Deputy

CALIFORNIA STATE AUDITOR

Bureau of State Audits

555 Capitol Mall, Suite 300

Sacramento, CA 95814

916.445.0255

916.327.0019 fax

www.bsa.ca.gov

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Letter Report 2009-119.4

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

This letter report presents a review conducted by the Bureau of State Audits (bureau) 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). 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. See the Appendix for a table summarizing Cal EMA's level of preparation for managing the Recovery Act JAG Program.

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.

In addition, Cal EMA needs to improve its monitoring of Recovery Act JAG Program funds it has awarded. 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.

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 they requested met their needs for managing the additional workload.

Finally, 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.

Recommendations

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.

To ensure that it meets the monitoring requirements of the Recovery Act JAG Program, Cal EMA should 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.

To plan its 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 should develop the necessary procedures to ensure that it accurately meets its Recovery Act reporting requirements.

Background

On February 17, 2009, the federal government enacted the Recovery Act for purposes that include preserving and creating jobs; promoting economic recovery; assisting those most affected by the recession; investing in transportation, environmental protection, and other infrastructure; and stabilizing state and local government budgets. One general principle of the Recovery Act is that the funds be used to achieve its purposes as quickly as possible, consistent with prudent management.

Accountability Objectives for Implementing the American Recovery and Reinvestment Act of 2009

- American Recovery and Reinvestment Act of 2009 (Recovery Act) funds are awarded and distributed in a prompt, fair, and reasonable manner.
- The recipients and uses of all Recovery Act funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.
- Recovery Act funds are used for authorized purposes, and the potential for fraud, waste, and abuse is mitigated.
- Projects funded under the Recovery Act avoid unnecessary delays and cost overruns.
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

Source: U.S. Office of Management and Budget's *Initial Implementing Guidance for the Recovery Act*, February 18, 2009.

Accountability Requirements for the Use of Recovery Act Funds

Accountability and transparency are cornerstones of the Recovery Act. In its February 18, 2009, initial guidance for implementing the Recovery Act, the OMB directed federal agencies to immediately take critical steps to meet the accountability objectives defined as shown in the text box. On April 3, 2009, the OMB updated its initial guidance to clarify existing provisions, such as those related to the mechanics of implementing the reporting requirements of the Recovery Act, and to establish additional steps that must be taken to facilitate the act's accountability objectives. In addition to the guidance the OMB issues, federal agencies responsible for administering Recovery Act programs provide guidance for states, local governments, and Indian tribes that use program funds or provide them to subrecipients.

The Recovery Act also established the Accountability Board to coordinate and conduct oversight of federal agencies' handling of Recovery Act funds in order to prevent fraud, waste, and abuse. The Accountability Board's responsibilities include auditing or reviewing funds to determine whether wasteful spending, poor contract or grant management, and other abuses are occurring, as well as referring matters it considers appropriate for investigation to the inspector general of the federal agency that distributed the funds. The Accountability Board also must coordinate its oversight activities with the comptroller general of the United States (better known as the Government Accountability Office, or GAO) and state auditors.

The OMB provides guidance for conducting state and local audits of federal financial assistance programs, including those programs authorized or augmented by the Recovery Act. The Single Audit Act of 1984 established requirements for audits of states, local governments, and Indian tribes that administer federal financial assistance programs. The OMB provides program compliance requirements for recipients of federal financial assistance program funds and guidelines to assist auditors in performing required audits. For Recovery Act programs, this guidance is contained in OMB's 2009 *Compliance Supplement to Circular A-133* and the June 30, 2009, *Addendum to the Compliance Supplement*.

California's Administration of the JAG Program

The Recovery Act expanded funding for the existing JAG Program. The JAG Program allows states and local governments to support a range of activities targeted at preventing and controlling crime and improving the criminal justice system, as specified in the text box. The Recovery Act designated \$2 billion for the JAG Program, of which California was awarded \$225.3 million. Of that amount, \$135.6 million (60 percent) was allocated for statewide distribution through Cal EMA. The remaining \$89.7 million (40 percent), which is administered by the federal Bureau of Justice Assistance located within the U.S. Department of Justice, was allocated directly to local units of government, such as cities and counties. Of the \$135.6 million allocated to Cal EMA, about \$592,000 was appropriated to fund its costs related to administering this grant.

To obtain Recovery Act JAG Program funds, the U.S. Department of Justice required eligible grantees to submit applications by April 9, 2009, and required each applicant to include program, budget, and review narratives. In these documents, an applicant must outline the type of programs it plans to fund with the Recovery Act JAG Program award and show the need for those programs, prepare a budget that estimates the amount of Recovery Act JAG Program funds it would use to support and implement the programs, and include the date it made the Recovery Act JAG Program application available for review by the applicant's governing body and a statement affirming that the application was made public.

Edward Byrne Memorial Justice Assistance Grant Program funds may be used for the following types of costs related to criminal justice services:

- State and local initiatives
- Personnel
- Equipment and supplies
- Contractual support
- Training and technical assistance
- Information systems
- Criminal justice-related research and evaluation activities that will improve or enhance the following:
 - Law enforcement programs
 - Prosecution and court programs
 - Prevention and education programs
 - Corrections and community corrections programs
 - Drug treatment and enforcement programs
 - Planning, evaluation, and technology improvement programs
 - Crime victim and witness programs

Source: U.S. Department of Justice's state solicitation for Recovery Act Edward Byrne Memorial Justice Assistance Grant Formula Program.

Recovery Act Edward Byrne Memorial Justice Assistance Grant Programs

- Anti-Drug Abuse Enhancement Team Recovery Act Program
- Anti-Human Trafficking Task Force Program
- California Multi-Jurisdictional Methamphetamine Enforcement Team Recovery Act Program
- Drug Task Force Training Recovery Act Program
- Evidence-Based Probation Supervision Program
- Firearms Trafficking Task Force Recovery Act Program
- Parolee Reentry Court Program
- Regional Anti-Gang Intelligence Led Policing Program
- Substance Abuse Offender Treatment Program
- Victim Information and Notification Everyday Recovery Act Program

Source: California Emergency Management Agency requests for applications and requests for proposals.

The Bureau of Justice Assistance awarded Cal EMA the Recovery Act JAG Program grant effective June 15, 2009. After it received the award and budget authority, Cal EMA began posting RFAs and requests for proposals (RFPs) on its Web site for each of the separate programs. Between November 2009 and February 2010, it posted RFAs and RFPs for nine of 10 available programs, and it issued the final RFA on March 18, 2010. The programs, which have subgrant periods ranging from 1.5 to three years, are shown in the text box. As of March 2010, Cal EMA anticipates subrecipients will submit applications to finance 226 different projects. Subrecipients of the Recovery Act JAG Program funds may not request those funds for the reimbursement of program expenses until they first have paid the expenses. All subrecipients, except community-based organizations, must report and request reimbursement of their expenditures quarterly, unless specifically authorized by Cal EMA.

Finally, the California Council on Criminal Justice (Council) is the oversight board for Cal EMA's planning activities for federal criminal justice grants. The Council reviews, approves, and may revise the State's comprehensive plan to improve criminal justice and delinquency prevention activities statewide and to establish priorities for, and approve the use of, funds to implement the plan and federal programs. In addition, the Council must review the State's application for Recovery Act JAG Program grants.

Executive Branch Oversight of Recovery Act Funds

California provides guidance and oversight of state agencies' use of Recovery Act funds through entities such as the California Recovery Task Force (Task Force), the Office of the Inspector General, and the Department of Finance. The governor created the Task Force in March 2009 through Executive Order S-02-09. The Task Force ensures that the State receives the optimal benefit from the Recovery Act, and that the funds are used strategically and in a manner consistent with federal requirements. It provides accountability and transparency regarding the programs funded under the Recovery Act.

Further, in April 2009 the governor signed Executive Order S-04-09, creating the Office of the Inspector General as an entity independent of the Task Force. According to the governor's executive order, the inspector general's responsibilities include protecting the integrity and accountability of the expenditure of Recovery Act funds by detecting and preventing fraud, waste, and misconduct in the use of those funds and conducting periodic reviews and audits to ensure that state and local governments comply with the federal requirements of the Recovery Act and state law. The Department of Finance, among other duties, serves as the governor's chief fiscal policy adviser and ensures the State's financial integrity by issuing policy directives and by monitoring and auditing expenditures and internal controls of state agencies to ensure compliance with the law, approved standards, and policies.

Scope and Methodology

The Joint Legislative Audit Committee requested that the bureau conduct a review of California's preparedness to receive federal Recovery Act funds for selected federal programs. We used selection criteria contained in the audit request to choose the JAG Program for review. To gain an understanding of the program's requirements, we obtained and reviewed laws, rules, regulations, and guidance from federal oversight agencies that are relevant to the program and significant to the audit objectives. We also reviewed the *Federal Register* to determine whether the OMB or the U.S. Department of Justice had proposed new regulations governing the use of Recovery Act JAG Program funds as of March 17, 2010.

To gain an understanding of Cal EMA's design of internal controls over relevant and material program compliance requirements, we interviewed its management and staff and reviewed relevant documents, when available. To determine the effectiveness of the internal controls, we performed tests of transactions for the JAG Program and evaluated the effectiveness of internal control systems. Cal EMA had not yet disbursed Recovery Act JAG Program funds to subrecipients at the time of our fieldwork, so we reviewed transactions related to the fiscal year 2008-09 JAG Program grant. In addition, Cal EMA signed 52 subawards during March 2010 so we reviewed its processing of those awards to gain assurance it continued to follow its procedures during this period of high-volume workload.

Finally, we assessed the extent to which Cal EMA was prepared to receive and administer the funds. To achieve this objective, we interviewed Cal EMA's key management and staff and reviewed documents, when available, to support their assertions regarding the status of its preparedness. We primarily used program

risk considerations and other program guidance developed by the OMB and the U.S. Department of Justice, the terms and conditions attached to the federal Recovery Act grant award, and Cal EMA's plan for using the grant funds.

Cal EMA Is Moderately Prepared to Administer Its Recovery Act JAG Program Award and Only Recently Began to Award Subgrants

























As shown in Table 1, Cal EMA is moderately prepared to administer its Recovery Act JAG Program award. We based our determination on the results of our evaluation of the risk factors contained in Table A in the Appendix and our testing of compliance requirements contained in OMB's *Compliance Supplement to Circular A-133*. Cal EMA was unable to provide a plan specific to the Recovery Act JAG Program funds to address its part of the requirements for during-the-award monitoring of subrecipients. Additionally, it has not secured the resources it believes it needs to monitor its subrecipients. Finally, for the quarter ending December 31, 2009, Cal EMA reported to the U.S. Department of Justice that it had spent about \$104,000 in Recovery Act JAG Program funds for program administration, but it reported to the federal Accountability Board that it had not spent any of the funds.

Cal EMA did not begin awarding Recovery Act JAG Program funds until about 12 months after the passage of the Recovery Act and eight months after the U.S. Department of Justice awarded it the funds.

Cal EMA did not begin awarding Recovery Act JAG Program funds until about 12 months after the passage of the Recovery Act and eight months after the U.S. Department of Justice awarded it the funds. The timeline in the Figure on page 10 shows the significant events from the passage of the Recovery Act in February 2009 through March 2010. The U.S. Department of Justice awarded Cal EMA almost \$136 million in Recovery Act JAG Program funds on June 15, 2009. However, Cal EMA did not approve its first subgrant until after testifying before the Senate Budget and Fiscal Review Committee on January 28, 2010. As of February 22, 2010, it had signed agreements for, and thereby awarded, only four subgrants, totaling just over \$4 million, or about 3 percent of its total Recovery Act JAG Program grant. According to Cal EMA's records, by March 11, 2010, it had awarded additional Recovery Act JAG Program subgrants, totaling \$31 million, to 52 more subrecipients, for a total of \$35 million, or 26 percent. Further, as of the end of March 2010, 13 months after the passage of the Recovery Act, Cal EMA reported it had not made any payments to these subrecipients but had spent \$104,000 for its own administrative costs.

According to the director of Grants Management, the Recovery Act JAG Program awards moved at a good pace. The director stated that the Recovery Act required that Cal EMA create multiple new programs. He further indicated that Cal EMA gave priority to those new programs, and gave greater priority to the two largest new programs, the Evidence-Based Probation Supervision Program and


Table 1**Summary of the California Emergency Management Agency's Preparedness to Administer Funding Received Under the Recovery Act**

AREA OF PROGRAM RISK	LEVEL OF PREPAREDNESS
Overall Preparedness	
Human Capital	
Sufficient staff are available	
Staff are trained	
Financial and Operational Systems	
Separate accounting is maintained for Recovery Act funds	
Systems are configured properly	
Systems can handle volume	
Fraud, Waste, Abuse	
Controls are in place to prevent misuse of funds	
Policies and Procedures	
Recovery Act provisions have been incorporated	
Cash management procedures are in place	
Eligibility determination policies and procedures are in place	
Corrective action processes are in place	
Recipient guidelines are in place	
Acquisitions/Contracts	
Requests for proposals contain Recovery Act provisions	
Awards are prompt and fair	
Proper terms are included	
Costs are controlled to prevent overruns	
Awards are transparent to public	
Public benefits are reported	
Transparency and Accountability	
Governance body is established	
Data elements are identified	
Reporting mechanisms are established to collect data	
Reports are reviewed	
Reports are prepared on a timely basis	
Recipients are monitored	

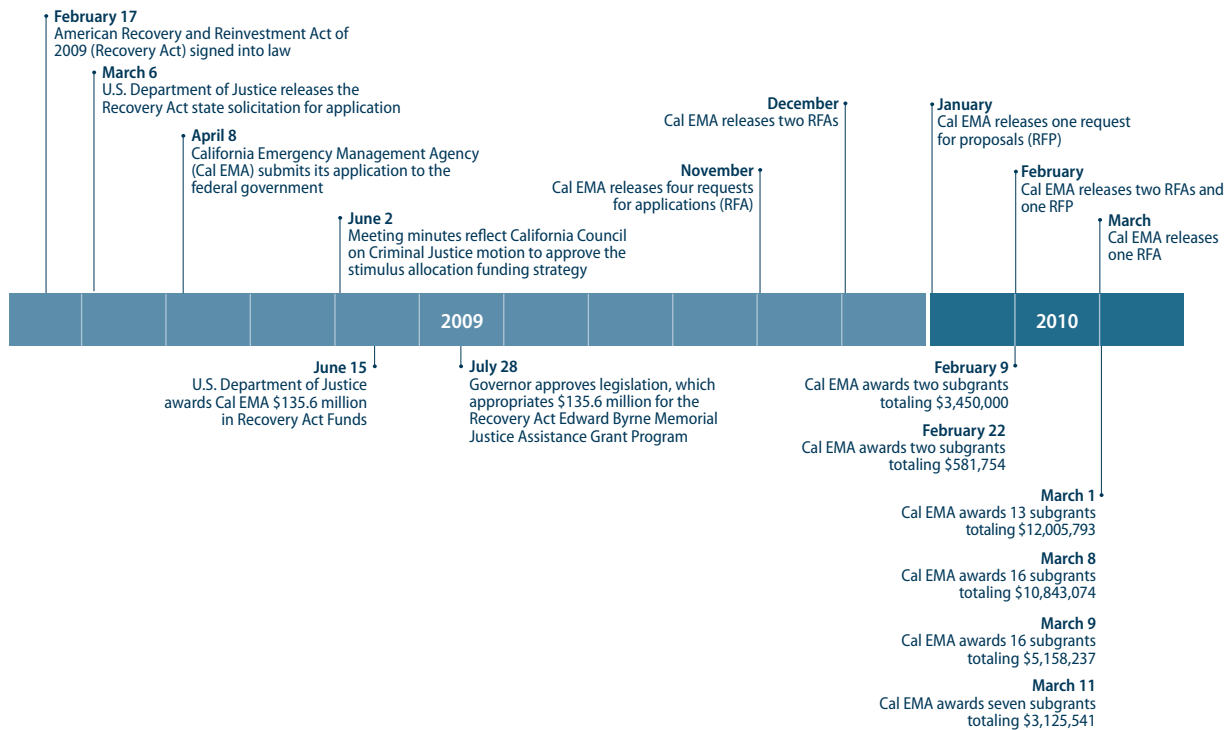
Note: For detailed descriptions of the legend refer to pages 23 and 24.

 = Prepared

 = Mostly prepared

 = Moderately prepared

 = Not prepared

Figure**Progress of the California Emergency Management Agency in Implementing the Recovery Act Edward Byrne Memorial Justice Assistance Grant Program**

Sources: Cal EMA; U.S. Public Law 111-5; U.S. Department of Justice's Web site; California Chapter 1, Statutes 2009, Fourth Extraordinary Session.

Note: Cal EMA funds 10 programs under the Recovery Act Edward Byrne Memorial Justice Assistance Grant Program award. Cal EMA may have released more than one RFA/RFP for a particular program; therefore, the total number of RFA/RFPs will not necessarily equal 10.

the Substance Abuse Offender Treatment Program, which comprise 66 percent of the total Recovery Act JAG Program funds. According to the director, RFAs for the two largest programs were released to potential subrecipients in October and November 2009, and RFAs for all but one program funded by the Recovery Act JAG Program funds were released 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. Table 2 shows the status of the 10 programs funded by the Recovery Act JAG Program as of March 29, 2010.

During a January 28, 2010, Senate Budget and Fiscal Review Committee hearing, the director testified on the status of the Recovery Act JAG Program subgrants. According to the director, Grants Management had not yet awarded all the subgrants, primarily because Cal EMA had to start up seven new programs for the Recovery Act funds. He stated that his goal was to have all subgrants, except those related to one program, approved and

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Table 2**Edward Byrne Memorial Justice Assistance Grant Program—Status of Recovery Act Funds by Program as of March 29, 2010**

PROGRAM NAME	NUMBER OF SUBGRANTS ANTICIPATED	NUMBER OF SUBGRANTS AWARDED DURING FEBRUARY AND MARCH 2010	AMOUNTS	AMOUNT OF SUBGRANTS AWARDED DURING FEBRUARY AND MARCH 2010	AMOUNT REMAINING TO BE AWARDED
Anti-Drug Abuse Enforcement Team Recovery Act Program					
Request for Applications (February 4, 2010)	55	0	\$19,750,000	\$0	\$19,750,000
Anti-Human Trafficking Task Force Recovery Act Program					
Request for Applications (November 2, 2009)	6	2	2,250,000	750,000	1,500,000
Request for Proposals (February 22, 2010)	3	0	1,500,000	0	1,500,000
California Multi-Jurisdictional Methamphetamine Enforcement Team Recovery Act Program					
Request for Applications (February 4, 2010)	34	0	4,500,000	0	4,500,000
Drug Task Force Training Recovery Act Program					
Request for Applications (December 1, 2009)	1	1	150,000	150,000	0
Evidence-Based Probation Supervision Program					
Request for Applications (November 2, 2009)	58	19	44,576,000	7,617,879	36,958,121
Interagency Agreement with the Administrative Office of the Courts			424,000		0
Firearms Trafficking Task Force Recovery Act Program					
Request for Applications (December 1, 2009)	1	1	3,300,000	3,300,000	0
Parolee Reentry Court Program					
Request for Proposals (January 8, 2010)	7	0	9,500,000	0	9,500,000
Interagency Agreement with the Administrative Offices of the Courts			500,000		0
Regional Anti-Gang Intelligence Led Policing Program					
Request for Applications (November 23, 2009)	7	1	2,100,000	300,000	1,800,000
Substance Abuse Offender Treatment Program					
Request for Applications (November 5, 2009)	53	32	44,400,000	23,046,520	21,353,480
Interagency Agreement with the Department of Alcohol and Drug Programs			600,000		
Victim Information and Notification Everyday Recovery Act Program					
Request for Applications (March 18, 2010)	1	0	1,500,000	0	1,500,000
State Operating Costs			592,000		
Totals	226	56	\$135,642,000	\$36,164,399*	\$98,361,601*

Sources: California Emergency Management Agency (Cal EMA) subrecipient chart; Cal EMA requests for applications/requests for proposals.

* These totals do not include \$104,152 in state operating costs expended as of December 31, 2009, or \$487,848 to be expended in the future. In addition, these totals do not include \$924,000 for the two interagency agreements with the Administrative Office of the Courts or \$600,000 for the interagency agreement with the Department of Alcohol and Drug Programs.

signed by April 15, 2010. But he also stated 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 significant disbursements to subrecipients most likely would not occur 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 award. Without disbursements to subrecipients, the intended benefits of the Recovery Act—to quickly stimulate the economy and to stabilize state and local government budgets in order to minimize and avoid reductions in essential services—cannot be met. Specifically, the Recovery Act states that funds authorized should be spent to achieve its purpose as quickly as possible, consistent with prudent management.

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 subgrants in accordance with, among other governing requirements, all applicable statutes and regulations, as well as OMB Circular A-133 guidance. Although Cal EMA meets the requirements for two of the three elements contained in OMB Circular A-133 for monitoring subrecipients, it was unable to provide a plan for complying with the requirement to conduct during-the-award monitoring that applies specifically to its subrecipients' use of Recovery Act JAG Program grant funds. The purpose of this type of monitoring is to enable Cal EMA to obtain reasonable assurance that subrecipients administer federal awards in compliance with laws, regulations, and the provisions of contracts or subgrant agreements.

Cal EMA was unable to provide a plan for complying with the requirement to conduct during-the-award monitoring that applies specifically to its subrecipients' use of Recovery Act JAG Program grant funds.

On May 22, 2009, the Department of Finance's Office of State Audits and Evaluations (OSAE), at the request of the Task Force, completed an oversight and accountability readiness review for the Recovery Act funding for Cal EMA. As part of that review, OSAE analyzed Cal EMA's readiness in the area of grant management and accountability and reported that Cal EMA had only partially met the expectation that it would assess the risks associated with administering the Recovery Act JAG Program and perform risk assessments and audits of subrecipients of the program funds. It reported that Cal EMA relied on OMB Circular A-133 audits of local governments and nonprofit organizations for risk assessments or audits of subrecipients. OSAE also included an assertion by Cal EMA that it was developing a risk assessment process. Based on the results of this risk assessment, Cal EMA told OSAE it would audit the subrecipients identified as having the greatest risk. In response to OSAE's review, Cal EMA submitted a 10-day corrective action plan, stating that it had developed a risk assessment process and planned to begin the process as soon as program staff assembled the necessary documentation. Cal EMA also indicated that the risk assessment would be completed within 10 days of its onset. Cal EMA also stated that it planned to audit all subrecipients

rated as high risk. However, although the Grants Monitoring Division developed a process to assess risk of noncompliance with federal awards in general, the process does not identify adequately how Cal EMA plans to assess risks specific to the Recovery Act JAG Program. Rather, the process focuses on subrecipients and is intended only to identify a representative sample of subrecipients for each federal grant program.

The Recovery Act JAG Program grant agreement between Cal EMA and the U.S. Department of Justice states that Cal EMA is responsible for overseeing subrecipient spending and specific outcomes and benefits that result from the use of the program funds and that Cal EMA agrees to submit, upon request, documentation of its policies and procedures for monitoring such subgrants. Federal law and OMB Circular A-133 indicate that primary recipients of Recovery Act JAG Program grants, such as Cal EMA, are responsible for making sure that subrecipients receiving over a certain amount of federal money fulfill the audit requirements of OMB Circular A-133 to comply with the terms and conditions for accepting the funds. The text box shows the subrecipient monitoring requirements for the Recovery Act JAG Program. For subrecipients that are not subject to the audit requirements of OMB Circular A-133, Cal EMA must perform procedures to provide reasonable assurance they comply with program requirements.

Office of Management and Budget Circular A-133 Requirements for Monitoring Recovery Act Subrecipients

- **Award identification**—At the time of the award, inform subrecipients of the federal award information such as the name and number of the federal program, the name of the federal awarding agency, and the applicable compliance requirements.
- **During-the-award monitoring**—Monitor the subrecipient's use of federal awards through reporting, site visits, regular contacts, or other means to provide reasonable assurance that the subrecipient administers in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- **Subrecipient audits**—Ensure that all subrecipients have met the audit requirements of the Office of Management and Budget Circular A-133 and take timely and appropriate corrective action on all audit findings.

Source: Office of Management and Budget's *Compliance Supplement to Circular A-133*.

Cal EMA Meets Two of Three OMB Circular A-133 Requirements for Monitoring Recovery Act Subrecipients

Based on our review, Cal EMA meets the requirements for two of the three elements of Recovery Act subrecipient monitoring identified by OMB Circular A-133. Under Cal EMA's monitoring procedures, award information is provided to subrecipients through, among other means, subgrant agreements and RFAs for the various programs funded using Recovery Act funds and through program guidance posted on Cal EMA's Web site. For example, it notifies applicants for Recovery Act JAG Program subgrants of the allowable and unallowable uses of the funds and the reporting requirements as well as the need to register in the Central Contractor Registration database and to obtain a Data Universal Numbering System number. The Grants Monitoring Division is responsible for ensuring that all subrecipients meet the audit requirements of OMB Circular A-133 and take timely and appropriate corrective

action on audit findings. Cal EMA has established a database to track subrecipients required to procure OMB Circular A-133 audits and any findings reported for all federal awards the subrecipients receive. It has established procedures to follow up on required corrective action plans for findings related to Cal EMA-administered federal awards. According to the chief of the Grants Monitoring Division, the audit review database tracks findings for programs administered by Cal EMA and the resolution of those findings, but does not generally track the grant type or award number as reported in OMB Circular A-133 audits, as the information provided by the external auditors is inconsistent and often inaccurate. As a result, the system cannot provide data specific to individual federal programs, such as the Recovery Act JAG Program.

Examples of during-the-award subrecipient monitoring provided by the Office of Management and Budget Circular A-133:

- **Reporting**—Reviewing financial and performance reports submitted by the subrecipients.
- **Site visits**—Performing site visits at subrecipients' facilities to review financial and programmatic records and observe operations.
- **Regular contact**—Regular contacts with subrecipients and appropriate inquiries concerning program activities.

Source: Office of Management and Budget's *Compliance Supplement to Circular A-133*.

Cal EMA was unable to provide a documented plan for its during-the-award monitoring specific to subrecipients' use of Recovery Act JAG Program funds. The text box shows examples of this monitoring as provided in OMB Circular A-133. The circular further directs that subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. For example, new subrecipients would generally require closer monitoring, as would existing subrecipients with a history of noncompliance, new personnel, or new or substantially changed systems. Cal EMA has assigned subgrant periods ranging from 1.5 to two years for almost half of the funds it is awarding to Recovery Act JAG Program subrecipients. We would expect that it would have developed a plan outlining how it intends to monitor the subrecipients and how it intends to implement the plan.

Cal EMA's Public Safety Branch Has No Detailed Plans for During-the-Award Monitoring of Recovery Act JAG Program Subrecipients

Cal EMA has divided the responsibility for during-the-award monitoring between its Public Safety Branch and the Grants Monitoring Division. According to the Public Safety Branch chief, the branch is responsible for monitoring subrecipients' achievement of program goals and objectives, while the Grants Monitoring Division is responsible for ensuring fiscal compliance. She stated that as a general rule the two types of site visits are conducted independently; therefore, staff usually meet with different individuals when visiting the subrecipients.

The chief of the Public Safety Branch explained that program staff oversee subrecipients to determine whether they accomplish program goals and objectives through site visits, desk reviews, and contacts via telephone calls and e-mails. However, she was unable to provide details of how she planned these activities to meet the during-the-award monitoring requirements. She stated that the goal of her program staff is to visit each project funded by a subgrant at least once within a three-year period. She stated the main purpose of a site visit is to ensure the subrecipients' success in achieving programmatic goals and objectives, compliance with the subgrant agreement, and to provide technical assistance. However, our review of RFAs revealed that the time periods for six of 10 programs funded by Recovery Act JAG Program funds are less than three years. As such, site visits once every three years would not meet the during-the-award monitoring requirements. Furthermore, our review of JAG Program site visits occurring in fiscal year 2008–09, before Cal EMA was awarded Recovery Act funds, showed that program staff visited only seven of 24 JAG Program subrecipients. As we discuss later in this report, the monitoring workload will increase significantly as a result of the increase in Recovery Act JAG Program subgrants for fiscal year 2009–10.

The chief indicated that staff travel has been restricted over the past year as a result of budget constraints. She said that, in cases where site visits could not be conducted, program staff completed extensive desk reviews and provided oversight of subrecipients using e-mail and telephone communications. When we asked for the records of past desk reviews of JAG Program subrecipients, she stated that desk reviews are part of day-to-day activities and are conducted routinely when subrecipients submit grant applications, requests for reimbursement, or modifications. These reviews are designed to ensure that subrecipients' documentation is complete, expenditures are appropriate, and that apparent problems are addressed. Although we requested copies, the chief did not provide us with evidence of any completed desk reviews; instead, she gave us desk review guidelines used to perform the reviews. Our examination of the guidelines revealed that they were somewhat general in nature and contained little guidance regarding how to accomplish or document a desk review. Therefore, we were unable to determine how effective these desk reviews might be as a tool for monitoring subrecipients' use of Recovery Act JAG Program funds.

The chief also shared examples of telephone messages and copies of e-mails from fiscal year 2008–09 as evidence of the program staff's contacts with subrecipients. However, the telephone messages did not contain the purpose or subject of the calls, and the e-mails appeared to be related to gathering information required for preparing subgrant agreements rather than for monitoring the use of subgrant funds. The branch chief did not explain how

Although we requested copies, the chief did not provide us with evidence of any completed desk reviews; instead, she gave us desk review guidelines used to perform the reviews.

the contacts were a part of a strategy to monitor subrecipients and comply with Recovery Act JAG Program requirements; nor was it apparent from our review of the documents.

For Recovery Act JAG Program subrecipients, the chief stated that program staff would begin scheduling site visits once the applications have been processed and the agreements are completed. The chief indicated that the plan is to visit new subrecipients first because many Recovery Act JAG Program subrecipients previously received JAG Program funding and are familiar with its requirements. She also stated that site visits for those subrecipients would be scheduled later in the year, depending on the availability of funding for administrative costs. However, scheduling monitoring activities based on the availability of funding for administrative costs does not meet the during-the-award monitoring requirement. Rather, such activities should be conducted to gain reasonable assurance that subrecipients administer federal awards in compliance with laws, regulations, and contracts or subgrant agreements.

The four types of compliance reviews contained in the Grants Monitoring Division's procedures manual:

- **Extended scope field review**—Includes travel and a review of fiscal and administrative compliance issues. May include a corrective action plan from the subrecipient.
- **Extended scope desk review**—In-office inspection that includes a review of fiscal and administrative compliance issues. May include a corrective action plan from the subrecipient. May also include a limited field review of equipment purchases.
- **Limited scope field review**—Includes travel and a review of one or two targeted compliance areas.
- **Limited scope desk review**—In-office inspection including a review of one or two compliance areas. May include questionnaires or audit reviews.

Source: Grants Monitoring Division's procedures manual, chapter 7.

The Grants Monitoring Division Could Not Provide a During-the-Award Monitoring Plan Specific to Recovery Act JAG Program Funds

The Grants Monitoring Division was also unable to provide a plan specific to the Recovery Act JAG Program funds to address its part of the requirement for during-the-award monitoring of subrecipients. The chief of the Grants Monitoring Division provided a chapter from the division's recently approved procedures manual, titled *Assessing, Monitoring and Mitigating Subrecipient Risk*. The manual outlines a process for identifying higher-risk subrecipients of all the federal grants Cal EMA administers and describes the types of reviews the Grants Monitoring Division may perform to monitor and manage subrecipient risk. The text box shows the four types of compliance reviews contained in the procedures manual. As part of limited scope desk reviews, the procedures manual also indicates that the division may mail a questionnaire covering a targeted financial management component or administrative procedure, such as contracting and procurement

procedures or documentation of personnel services. According to the manual, the purpose of the questionnaire is to detect any risk of noncompliance with various program areas. However, very little of the planning information provided by the Grants Monitoring

Division chief was identified specifically with the Recovery Act JAG Program. In fact, according to the chief, only one review was planned for a JAG Program subgrant during fiscal year 2008–09, and the division used this review to test one of its questionnaires.

Additionally, the manual specifies that the division’s annual risk assessment and monitoring plan is intended to ensure that all subrecipients receive monitoring during a three-year period, and that risk is assessed and monitored for all grant programs through testing of a representative sampling of subrecipients. For fiscal year 2009–10, the chief offered us a monitoring plan that sorted all Cal EMA subrecipients by the award amount and identified those that were randomly selected for review, were selected for an extended desk or field review, and those that the division determined need not be monitored during fiscal year 2009–10. The decisions regarding whether to monitor subrecipients are based on risk assessments that included the dollar amounts of federal awards, the timing of the latest monitoring, results of prior audits, and a random sampling of subrecipients not otherwise selected for monitoring. However, the plan she provided did not specifically identify Recovery Act JAG Program grants the division planned to monitor during fiscal year 2009–10. Another document that we were provided, titled “Subrecipients for Extended Monitoring FY09–10,” did contain a listing with two Recovery Act JAG Program subrecipients scheduled for field and desk reviews.

With respect to Recovery Act programs, the Grants Monitoring Division’s procedures manual states only that organizations receiving Recovery Act funds will receive a limited scope desk review six months after the subgrant is awarded. The manual further states that limited scope reviews may be elevated to extended scope field reviews if needed to ensure subrecipient compliance. However, we believe the review procedures from the limited scope desk review are not adequate to determine compliance with significant program elements. Instead, they appear to be a form of risk assessment. The text box shows the limited review procedures from the division’s procedures manual.

Furthermore, the procedures manual does not identify information from the limited scope desk review that would trigger an extended scope field review. Although the manual states that the limited scope reviews may be elevated to extended scope reviews, the chief of the Grants Monitoring Division did not provide details about the fiscal or administrative compliance procedures that would

Limited Scope Desk Reviews for Recovery Act Edward Byrne Memorial Justice Assistance Grant Program Subrecipients

Limited reviews include the following:

- Determining whether the subrecipient or program is new and therefore may not have an existing administrative control structure.
- Identifying the final recipients of the funds.
- Identifying the subrecipient’s history of grants management via audit findings or previously identified compliance issues.
- Determining whether the subrecipient has internal controls in place to mitigate the risk of waste, fraud, and abuse.

These limited scope reviews may be elevated to extended scope field reviews if needed to ensure subrecipient compliance.

Source: Grants Monitoring Division’s procedures manual.

be performed in such an elevated review. Additionally, we found that 10 of the 15 questionnaires related to limited scope reviews are still in draft form. According to the chief, five other questionnaires have been finalized. She stated that the 10 questionnaires would remain in draft form until they have been tested by sending them to the subrecipients. The division normally distributes and reviews questionnaires during July, August, November, and December.

Cal EMA Could Not Demonstrate It Has Determined the Number of Program Staff It Needs to Monitor Recovery Act Subrecipients

We question whether Cal EMA has adequately identified the number of program staff needed to perform required Recovery Act JAG Program subrecipient monitoring during the award period. The workload for subrecipient monitoring will increase significantly as a result of the 226 Recovery Act JAG Program subgrants it plans to award during fiscal year 2009–10. There will likely be more subgrants than subrecipients because some subrecipients may receive more than one subgrant. However, Cal EMA was unable to provide workload standards or demonstrate it had adequate staff resources to accomplish the added workload. Without first identifying its available staff resources and its staffing requirements, Cal EMA cannot plan its monitoring activities sufficiently.

Cal EMA is still seeking the funding it believes it needs to administer the Recovery Act JAG Program. According to the chief of the Public Safety Branch, 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. However, the Legislative Analyst’s Office found that Cal EMA had not provided sufficient workload information to justify the requested funding increase and recommended the Legislature reduce the requested funding increase to the fiscal year 2009–10 level of \$592,000. The chief of the Public Safety Branch indicated that she is confident that \$800,000 for fiscal year 2010–11 and \$800,000 for fiscal year 2011–12 will be adequate to manage the subgrants. But, she was unable to provide us documents that demonstrated the workload associated with managing the subgrants or how the additional funds met their needs for the additional workload.

The Legislative Analyst’s Office found that Cal EMA had not provided sufficient workload information to justify the requested funding increase and recommended the Legislature reduce the requested funding increase to the fiscal year 2009–10 level of \$592,000.

We asked Cal EMA for a time study or staffing model that would demonstrate the staff resources necessary to meet the workload associated with administering the 226 new subgrants. Cal EMA management ultimately provided three separate documents containing information regarding workload measures for administering the Recovery Act JAG Program funds—none of which provided convincing evidence of the program staff needed. The Public Safety Branch chief provided the first document, titled “Workload Measures,” that she characterized as the document Cal EMA uses as support when it prepares budget change proposals. However, she did not explain—nor was it apparent from our review of the document—how the document relates to the staffing needed to administer Recovery Act JAG Program funds. The document merely shows the tasks one staff member can perform in a year, is designated as a sample document, and is not specifically identified as referring to the Recovery Act JAG Program subgrants. The workload measures document did not support Cal EMA’s request for additional funding.

When we brought this to management’s attention, the deputy chief of staff provided another workload measures document she identified as for the Recovery Act JAG Program. However, the source and age of the document was not clear, nor was the document identified as relating to the Recovery Act JAG Program. Subsequently, the deputy chief of staff stated the document was for the annual JAG Program and provided a third document she identified as specific to the Recovery Act JAG Program subgrants. However, both documents contained almost identical tasks and workload volumes and neither connected the workload measures to administering 226 Recovery Act JAG Program subgrants or the need for six criminal justice specialists Cal EMA asked for in its budget change proposal. For example, both documents identified a need to review and process 600 grant applications; however, Cal EMA anticipates only 226 subgrants for the Recovery Act JAG Program and only a third of that amount for its fiscal year 2009–10 annual JAG Program.

Finally, we question whether the Grants Monitoring Division can perform its required monitoring for each subrecipient during the award period. According to the chief of the Grants Monitoring Division, during the fiscal year 2008–09 monitoring cycle, the division performed during-the-award monitoring for only one JAG Program subrecipient while testing one of the 15 questionnaires it plans to use to survey subrecipients to identify risk of noncompliance. The 15 questionnaires were in draft form at the time.

Cal EMA management ultimately provided three separate documents containing information regarding workload measures for administering the Recovery Act JAG Program funds—none of which provided convincing evidence of the program staff needed.

The Grants Monitoring Division has currently assigned only one specialist to manage and monitor the anticipated 226 Recovery Act JAG Program subgrants.

For the fiscal year 2009–10 monitoring cycle, the division planned reviews of two subrecipients for March and June; however, as of the end of March 2010 the documents she provided showed neither had been completed. She also stated that her staff was not able to accomplish more during-the-award monitoring of JAG Program subrecipients because of staffing shortages and competing priorities. According to the information provided by the assistant secretary, the Grants Monitoring Division has one staff management auditor and one criminal justice specialist to manage and monitor the Recovery Act JAG Program subgrants. The staff management auditor position is vacant. As a result, there is only one specialist currently assigned to manage and monitor the anticipated 226 Recovery Act JAG Program subgrants. That will not be sufficient staffing to accomplish the tasks.

Cal EMA Misreported the Administrative Costs It Charged to the Recovery Act JAG Program

According to documents provided by Cal EMA, it failed to consistently report to federal agencies the administrative costs it charged to its Recovery Act JAG Program award. Cal EMA is responsible for reporting quarterly expenditures for its Recovery Act JAG Program award—including its costs to administer the award—to the federal awarding agency, the U.S. Department of Justice. For the quarter ending December 31, 2009, Cal EMA reported a cumulative total of about \$104,000 in Recovery Act JAG Program expenditures for its administrative costs. Similarly, through the California ARRA and Accountability Tool (CAAT), Cal EMA is to provide quarterly progress reports to the Accountability Board. The Recovery Act created this board with two goals: to provide transparency in relation to the use of Recovery Act funds, and to prevent and detect fraud, waste, and mismanagement of Recovery Act funds. The Accountability Board maintains its Web site (www.Recovery.gov) so the public can see how federal agencies distribute Recovery Act funds and how recipients use them. However, based on the documents provided by Cal EMA, information is not available to the public regarding the use of its Recovery Act JAG Program award.

Cal EMA has divided reporting responsibilities for the 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 Accountability Board). Although the Fiscal Services Division reported \$104,000 in administrative costs as of December 31, 2009, to the U.S. Department of Justice, 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 were project time reporting records that showed no staff time charged to the Recovery Act JAG Program activities. However, the 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. However, the accounting records provided by the Fiscal Services Division clearly show \$104,000 charged to the accounting code as of December 31, 2009.

Recommendations

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.

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.

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

The Fiscal Services Division reported \$104,000 in administrative costs as of December 31, 2009, to the U.S. Department of Justice; however, 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.

May 2010

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in this letter report.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

Staff: Denise L. Vose, CPA, Audit Principal
Norm Calloway, CPA
Lisa Ayrapetyan
Angela C. Owens, MPPA
Katrina Solorio

Legal: Scott A. Baxter, JD

For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

Appendix

STATUS OF PREPAREDNESS OF THE CALIFORNIA EMERGENCY MANAGEMENT AGENCY TO ADMINISTER FUNDING RECEIVED UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

Table A on the following pages provides a summary of our assessment of the preparedness of the California Emergency Management Agency (Cal EMA) to administer the funds received under the American Recovery and Reinvestment Act of 2009 (Recovery Act). We assessed Cal EMA's ability to administer the Recovery Act funding it received for the U.S. Department of Justice's Edward Byrne Memorial Justice Assistance Grant Program. We determined that Cal EMA is moderately prepared to administer the funds.

We used the following ranking system, consisting of four colors and symbols, to indicate Cal EMA's preparedness with respect to each program risk area:

: Prepared

- Documentation was provided to support Cal EMA's assertions.
- Guidance has been received and implemented.
- Guidance is deemed not necessary, and appropriate action to prepare for receipt of Recovery Act funds has taken place.

: Mostly prepared

- Documentation was not provided to support Cal EMA's assertions.
- The federal program was not audited during the past two fiscal years. Therefore, we are not sure if internal controls are adequate.
- Guidance has been received, and Cal EMA is in the process of implementing such guidance.
- No guidance is necessary, but Cal EMA is still in the process of taking action to prepare for receipt of Recovery Act funds.

- : Moderately prepared
 - Documentation was not provided to support Cal EMA's assertions.
 - No guidance is necessary, but Cal EMA has not taken any action to prepare for receipt of Recovery Act funds.
- ✗: Not prepared
 - Documentation was not provided to support Cal EMA's assertions.
 - Proposed implementation of provisions will not be effective or timely.






We applied the lowest-ranking symbol when more than one condition was present. For example, if we found that Cal EMA provided documentation to support its assertions in a risk area but that more activities in that area needed to be accomplished, we did not give it a green symbol.

Table A

The California Emergency Management Agency's Preparedness to Administer the Recovery Act Funding for the Edward Byrne Memorial Justice Assistance Grant Program

AREA OF PROGRAM RISK	PREPAREDNESS	EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM (CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER 16.803)
Overall Preparedness		
Overall, is the California Emergency Management Agency (Cal EMA) prepared to track, monitor, and report on American Recovery and Reinvestment Act of 2009 (Recovery Act) funds and to comply with Recovery Act provisions?	■	Although our review found that overall Cal EMA is moderately prepared to administer its Recovery Act Edward Byrne Memorial Justice Assistance Grant Program (JAG Program) award, we found that Cal EMA only recently began to award Recovery Act JAG Program funds to subrecipients. We also found areas in which it needs to improve the administration of its Recovery Act JAG Program award. For example, Cal EMA was unable to provide a plan specific to the Recovery Act JAG Program funds to address requirements for during-the-award monitoring of subrecipients. We also question whether it has identified adequately the number of staff it needs to perform the required Recovery Act JAG Program subrecipient monitoring during the award period. Further, for the quarter ending December 31, 2009, Cal EMA reported to the U.S. Department of Justice that it had spent about \$104,000 in Recovery Act JAG Program funds for administrative costs but reported to the federal Recovery Accountability and Transparency Board (Accountability Board) that it had not spent any of the funds.
Human Capital		
Does a sufficient level of personnel exist to manage the Recovery Act programs?	✗	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 those subrecipients' use of Recovery Act JAG Program funds. According to staffing information provided by the assistant secretary for administrative services, Cal EMA currently has four Public Safety Branch program staff and one Grants Monitoring Division program staff available to monitor the subrecipients. According to the chief of the Public Safety Branch, 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






May 2010

AREA OF PROGRAM RISK	PREPAREDNESS	EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM (CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER 16.803)
		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 chief of the Public Safety Branch was unable to provide documents that demonstrated the workload associated with managing the subgrants or how the additional funds would be enough to manage the additional workload. Moreover, the Legislative Analyst's Office found that Cal EMA had not provided sufficient workload information to justify the requested funding and it recommended the Legislature reduce the requested funding increase to the fiscal year 2009–10 level of \$592,000.
Are staff adequately trained to effectively implement Recovery Act provisions?		Cal EMA's federal funds program manager told us that the analysts currently assigned to administer its Recovery Act JAG programs are adequately trained to implement Recovery Act provisions effectively. For example, she stated that staff attended five U.S. Department of Justice, Bureau of Justice Assistance (BJA), Webinars regarding Recovery Act general provisions, including Section 1512 reporting requirements. Additionally, the chief of the Public Safety Branch stated that in December 2009, Cal EMA staff attended an on-site training conducted by the BJA that covered Section 1512 reporting. The chief also stated that the BJA has agreed to coordinate a Webinar with Cal EMA for the benefit of the Recovery Act JAG Program subrecipients. She indicated that she anticipates this training will be conducted by May 2010. The federal funds program manager also stated that she attends weekly data work group meetings with the California Recovery Task Force (Task Force) and that these meetings provide updates and tools to meet Recovery Act reporting requirements. Although Cal EMA provided course materials related to the trainings described above, it was unable to provide documentation to confirm which staff attended the courses.
Financial and Operational Systems		
Are separate accounts established to ensure that Recovery Act funds are clearly distinguishable?		Based on our review, Cal EMA has established a separate interest-bearing special deposit fund for the funds it received from the Recovery Act JAG Program to ensure that they are clearly distinguishable. Moreover, Cal EMA's accounting records demonstrate that it deposited its Recovery Act JAG Program funds into the special deposit fund.
Are financial and operational systems configured to manage and control Recovery Act funds?		According to the chief of the Fiscal Services Division, Cal EMA's financial and operational systems are configured to manage and control Recovery Act funds and were in existence before its receipt of Recovery Act funds. The chief stated that Cal EMA uses the California State Accounting and Reporting System (CalSTARS) as its accounting system and that its operational system is an automated ledger system (ledger system), which it developed independently to track its federal awards. The ledger system traces the funding, allocations, and payments to local governments and other state agencies. The chief also indicated that accounting staff upload information from the ledger system into CalSTARS. Furthermore, the chief of the Fiscal Services Division stated that the Accounting Branch also uses CalSTARS and the ledger system to manage and control Recovery Act funds by keeping them separately distinguished. For example, we noted that the Accounting Branch established a unique project number, program code, and program cost account for each of the 10 Recovery Act programs.
Can financial and operational systems support the increase in volume of contracts, subgrants, and loans?		As stated in the previous response, Cal EMA's financial system was in place before the Recovery Act funds were awarded. The chief of the Fiscal Services Division stated that, as a result Cal EMA's financial system already independently handles the volume of subgrants and programs it manages.
Fraud, Waste, and Abuse		
Will Recovery Act funds be used for authorized purposes, and will the potential for fraud, waste, error, and abuse be minimized and/or mitigated? (Do internal controls related to allowable and unallowable activities exist?)		According to the chief of the Fiscal Services Division, Cal EMA has established two levels of checks and balances to help ensure that Recovery Act funds are used for authorized purposes, and that the potential for fraud, waste, and abuse is minimized or mitigated. According to the written procedures when a subrecipient submits a claim for reimbursement, the Accounting Branch will enter the claim into the ledger system by recipient, fund, program, and expenditure categories. If the Accounting Branch finds that the claim exceeds the approved allocation amount, it will immediately dispute the claim and return it to the subrecipient. The chief also indicated that if the claim is within the approved allocation amount, a program specialist will review the request as compared with the subrecipient's approved budget.

continued on next page...





AREA OF PROGRAM RISK	PREPAREDNESS	EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM (CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER 16.803)
		<p>The chief of the Public Safety Branch stated that criminal justice specialists assigned to Recovery Act JAG programs have access to the federal solicitation that outlines allowable and nonallowable uses of the funds. The chief indicated that the allowable uses of these Recovery Act JAG Program funds are no different from the annual JAG Program awards received by the State, which Cal EMA has administered for many years. She also stated that Cal EMA staff ensure that all grant goals and objectives are reasonable, that outcomes are achieved, and that subrecipients comply with federal and state guidance and accountability of funds.</p> <p>Additionally, the chief of the Public Safety Branch stated that the Cal EMA Monitoring Division ensures that the potential for fraud, waste, error, and abuse will be minimized and/or mitigated by conducting independent reviews of the Recovery Act JAG Program subrecipients. However, we are concerned about whether the Monitoring Division's reviews meet the subrecipient monitoring requirements of the JAG Program. As we describe in more detail on pages 12 to 18 of the report, Cal EMA was unable to provide a plan for complying with the requirement to conduct during-the-award monitoring, specifically of its subrecipients of Recovery Act JAG Program subgrants. The chief also stated that Cal EMA staff attended fraud, waste, error, and abuse training in 2009 conducted by the Office of the Inspector General in order to obtain the training to identify and detect fraud, waste, error, and abuse.</p>
Policies and Procedures		
Have specific provisions of the Recovery Act been incorporated into agency policies?	✓	According to the chief of the Public Safety Branch, Recovery Act programs are consistent with established federal programs and are already a part of existing agency policies. As described later, we found that Cal EMA incorporated specific Recovery Act provisions into the request for applications (RFAs) and request for proposals (RFPs) that it released to potential subrecipients. It also included specific Recovery Act provisions in its agreements with subrecipients.
Do written departmental policies exist that provide procedures for: (1) requesting cash advances as close as is administratively possible to actual cash outlays; (2) monitoring cash management activities; and (3) seeking repayment of excess interest earnings when required? (Do internal controls related to cash management exist?)	✓	Federal laws for the Recovery Act JAG Program permit recipients to draw awarded funds after accepting the award. Cal EMA drew the grant award funds as allowed and placed them and associated interest earnings in a separate trust fund, as required. As described in the Background, Cal EMA reimburses subrecipients after they provide evidence of authorized expenditures. Therefore, it is not necessary for Cal EMA to monitor cash management activities or seek repayment of excess interest earnings.
Have written policies and procedures been established to provide direction for making and documenting eligibility determinations for Recovery Act fund grants? (Do internal controls related to eligibility exist?)	✓	Chapter 1, Statutes of 2009, Fourth Extraordinary Session designated the programs and participants eligible to receive Recovery Act JAG Program funding. In addition, our review found that Cal EMA provided written eligibility guidance to applicants in RFAs and RFPs for each of the 10 Recovery Act JAG programs. In each RFA, Cal EMA included an eligibility section, which clearly identifies those eligible to receive Recovery Act JAG Program funds.
Are corrective action processes in place to promptly resolve any audit findings that may affect Cal EMA's ability to successfully implement the Recovery Act?	✓	<p>The Office of Audit and Evaluation has policies in place to ensure prompt corrective action of any audit findings that may affect Cal EMA's ability to implement the Recovery Act successfully. According to its administrative manual, each manager is responsible for seeing that corrective action on any reported deficient conditions discovered during an audit is planned or taken within 30 days of receipt of a report disclosing those conditions. Additionally, the administrative manual also indicates that managers are responsible for ensuring that a written report of action planned is forwarded to the audit chief for evaluation.</p> <p>The deputy chief of staff stated that the audit chief ensures that any plans or actions taken to correct reported conditions are evaluated for satisfactory disposition of audit findings and, if the disposition is considered unsatisfactory, ensures that further discussions are held to achieve satisfactory dispositions. She also stated that Cal EMA follows up on all reported findings and ensures that the corrective action plan has been implemented.</p>

May 2010





AREA OF PROGRAM RISK	PREPAREDNESS	EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM (CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER 16.803)
Have new requirements, conditions, and guidance regarding Recovery Act funds been provided to potential recipients?		As described in the next response, Cal EMA provided Recovery Act requirements, conditions, and guidance to potential recipients through its RFAs and RFPs, which are available on its Web site. The federal funds program manager stated that Cal EMA not only provides guidance to subgrant recipients through the RFA, telephone and e-mail communication, and in-person site visits but also conducts project director training for all subrecipients. She stated, for example, that Cal EMA coordinated a project directors meeting with the Department of Alcohol and Drug Programs for the Recovery JAG Offender Treatment Program subrecipients. The chief of the Public Safety Branch stated that she provided training and Recovery Act JAG Program overview to the chief probation officers of California with regard to the Recovery Act JAG Evidence-Based Probation Supervision Program. She also stated that Cal EMA provided Recovery Act JAG Program information to the sheriffs as part of a project directors meeting, as well as to the California State Sheriffs Association with regard to the Recovery Act JAG Victim Information and Notification Everyday Program. Cal EMA also provided potential subrecipients with Recovery Act grant requirements, conditions, and guidance through frequently asked questions on its Web site.
Acquisitions/Contracts		
Do new RFPs issued under Recovery Act initiatives contain the necessary language to satisfy the provisions of the Recovery Act?		The RFAs and RFPs issued under the Recovery Act initiatives contain the necessary language to satisfy the provisions of the Recovery Act. We reviewed each of the RFAs and RFPs that Cal EMA issued for the Recovery Act JAG programs and found that they did contain the language necessary to satisfy the provisions of the Recovery Act either directly or through an attachment. For example, these documents include the need to have a Data Universal Numbering System number, the need to maintain current registrations in the Central Contractor Registration database, and the reporting requirements from Section 1512 of the Recovery Act.
Are contracts using Recovery Act funds awarded in a prompt, fair, and reasonable manner?		According to the chief of the Public Safety Branch, subgrants from Recovery Act JAG Program funds are awarded in a prompt, fair, and reasonable manner. She stated that Cal EMA usually processes subgrant applications within three to four weeks if all required information is received from the subrecipient. The chief also stated that if all required documentation is not received, processing an application into a subgrant award agreement takes much longer. In addition, she indicated that several subrecipients have requested extensions to submit their applications much later than originally scheduled. As stated earlier, the director of Grants Management said that Cal EMA has awarded the Recovery Act JAG Program subgrants at a good pace. When we asked why it had not awarded any of the funds to subrecipients until eight months after receiving the Recovery Act JAG Program funds, he stated that the Recovery Act required Cal EMA to create multiple new programs, two of which represent 66 percent of the total Recovery Act JAG Program funds. Cal EMA only recently began to award its subrecipients Recovery Act JAG Program funds. Specifically, as of February 22, 2010, Cal EMA had awarded only four subgrants, totaling \$4 million, or about 3 percent of its total Recovery Act JAG Program grant. After we began our review, Cal EMA awarded an additional 52 subgrants totaling \$31 million.
Do new contracts awarded using Recovery Act funds have the specific terms and clauses required?		The subgrant agreements Cal EMA issued using Recovery Act funds contain terms and clauses required to satisfy the provisions of the Recovery Act. We reviewed 14 of the 56 subgrant agreements Cal EMA had executed as of March 11, 2010, for Recovery Act JAG programs and found that they each contain language necessary to satisfy the provisions of the Recovery Act. For example, within each subgrant agreement, Cal EMA required the subrecipient to certify that it would comply with the provisions of the Recovery Act, as described therein.
Will projects funded under the Recovery Act avoid unnecessary delays and cost overruns?		The chiefs of the Fiscal Services Division and the Public Safety Branch stated that the projects funded under Recovery Act funds avoid unnecessary delays and cost overruns based on use of the financial systems and program staff oversight of subrecipient awards. According to the chief of the Fiscal Services Division, he runs quarterly reports to examine the expenditure of the funds at the subgrant level. He stated that these reports are shared with program staff responsible for addressing any areas of concern. Further, as described previously, he stated that when the Accounting Branch enters a claim into Cal EMA's automated ledger system and the system identifies a possible cost overrun, the Accounting Branch disputes the claim and returns it to the subrecipient for resolution before releasing a payment. We discuss that Cal EMA only recently began to award Recovery Act JAG Program subgrants on pages 8 to 12 of the report. We discuss the lack of a plan for monitoring subrecipients, which could assist Cal EMA in identifying delays at the subrecipient level, on pages 12 to 18.

continued on next page...

AREA OF PROGRAM RISK	PREPAREDNESS	EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM (CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER 16.803)
<p>Are contracts awarded using Recovery Act funds transparent to the public?</p>		<p>According to the chief of the Public Safety Branch, Cal EMA takes several steps to help ensure that subgrants awarded using Recovery Act funds are transparent to the public. For instance, she stated that Cal EMA makes subgrant agreements available to the public through Public Records Act requests. As stated on page 13, we also found that Cal EMA posted its RFAs and RFPs on its Web site. Additionally, we found that Cal EMA provides updates regarding Recovery Act JAG Program subgrant awards to the California Council on Criminal Justice (Council), whose meetings are open to the public.</p> <p>The chief also stated that Cal EMA makes Recovery Act JAG Program subgrant awards transparent to the public by reporting the performance and benefits of the grant through federally required quarterly reports. Section 1512 of the Recovery Act requires Cal EMA to submit quarterly reports to a federal reporting Web site. Cal EMA submits these reports through the California ARRA and Accountability Tool (CAAT), which is a mandatory tool used for federal reporting as set forth in Section 1512 of the Recovery Act and for state reporting required by the Task Force.</p>
<p>Are the public benefits of Recovery Act funds used under contract reported clearly, accurately, and in a timely manner?</p>		<p>The chief of the Public Safety Branch told us that Cal EMA reports the public benefits of subgrants of Recovery Act JAG Program funds clearly, accurately, and in a timely manner. Section 1512 of the Recovery Act requires Cal EMA to submit quarterly reports regarding certain data elements 10 days after the end of each quarter, and BJA requires Cal EMA to report quarterly on certain performance measures 30 days after the end of each quarter. The chief stated that Cal EMA intends for subrecipients to submit statistical information and for criminal justice specialists to confirm the information. According to the chief, the federal funds program manager will then compile all individual subrecipient information into one concise report. The chief also said the subgrants were not operational during the first two reporting periods required per Section 1512, so Cal EMA submitted the reports with zero statistics.</p> <p>Our review found that Cal EMA provided federal report due dates to subrecipients in the RFAs and RFPs. We also found that Cal EMA submitted its first two reports required under Section 1512 within the imposed deadlines. However, as we discuss in the report on pages 20 to 21, contrary to the chief's assertions, Cal EMA has not ensured that its Section 1512 reports are accurate.</p>
<p>Transparency and Accountability</p>		
<p>Has a governance body been established to manage the overall implementation of the Recovery Act?</p>		<p>Cal EMA has not established an in-house Recovery Act governance body; however, the chief of the Public Safety Branch indicated that the federal funds program manager attends weekly work group meetings with the Task Force to discuss the latest guidance on federal reporting requirements. Moreover, the chief told us that Cal EMA's director of Grants Management is a member of the Task Force and relays information back to Cal EMA regarding various Recovery Act requirements, including reporting.</p> <p>As described in the Background, the Council oversees activities for planning the improvement of criminal justice and delinquency prevention. According to the chief of the Public Safety Branch, the Council also will manage the overall implementation of the Recovery Act JAG Program funds through its quarterly meetings. Our review of the minutes from the April, June, and August 2009 and the January 2010 meetings, found that the Recovery Act JAG programs were discussed.</p>
<p>Have the data elements that must be captured, classified, and aggregated for analysis and reporting to meet Recovery Act provisions been identified?</p>		<p>Section 1512 of the Recovery Act requires the State to submit quarterly progress reports that include information on the amount of Recovery Act funds spent, a list of projects for which the funds were used, the status of the projects, and an estimate of the number of jobs created and retained by the projects. States such as California, which have received Recovery Act funds directly from the federal government in the form of grants, loans, or contracts, are required to submit the reports.</p> <p>As we describe on pages 20 to 21, Cal EMA reported inaccurate information regarding the total amount of Recovery Act funds spent, which is one of the required data elements that must be reported to meet Recovery Act provisions. Specifically, in its Section 1512 report for the quarter ending December 31, 2009, Cal EMA reported that it had not spent any of the Recovery Act funds, even though it reported to the U.S. Department of Justice that it had spent about \$104,000 in Recovery Act JAG Program funds for its costs to administer the program during the same period.</p>

AREA OF PROGRAM RISK	PREPAREDNESS	EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM (CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER 16.803)
Are reporting mechanisms in place to collect the required data from recipients to meet Recovery Act transparency provisions?		The CAAT contains a spreadsheet and instructions that Recovery Act recipients and subrecipients must use to submit Section 1512 reports. According to the chief of the Public Safety Branch, Cal EMA modified this spreadsheet for the Recovery Act JAG Program and plans to place this spreadsheet and instructions on its Web site. However, as of March 29, 2010, Cal EMA had not posted these instructions. After collecting information from subrecipients through the CAAT tool, Cal EMA plans to submit the quarterly reports to the Task Force using the CAAT, and the Task Force will submit it to the required federal reporting Web site.
Are reports published under the Recovery Act reviewed and approved for accuracy and completeness? (Do internal controls related to reporting exist?)		Section 1512 of the Recovery Act requires Cal EMA to submit quarterly progress reports regarding certain data elements 10 days after the end of each quarter. As described previously, the chief of the Public Safety Branch indicated that once Cal EMA has disbursed funds to subrecipients, she plans to have subrecipients submit statistical information and to have criminal justice specialists confirm the information. However, the chief did not describe Cal EMA's process for preparing and reviewing its portion of the report required by Section 1512 of the Recovery Act. Our review of the report required by Section 1512 of the Recovery Act that Cal EMA submitted for the quarter ending December 31, 2009, indicated that Cal EMA reported it had not spent any of the Recovery Act JAG Program funds. However, in a financial report covering the same period, it reported to the U.S. Department of Justice that it had spent about \$104,000 for administrative costs. If Cal EMA does not establish procedures for reviewing and approving reports required by the Recovery Act, it risks reporting inaccurate information in these reports, as it appears to have done already.
Are reports prepared on a timely basis?		According to the chief of the Public Safety Branch, the federal funds program manager established a schedule to help ensure that federally required reports are submitted on time. However, Cal EMA did not provide a written schedule to verify its claim. Our review found that Cal EMA submitted its first Recovery Act required report on October 8, 2009, two days before it was due, and its second Recovery Act required report on January 13, 2010, two days before the extended due date. Although Cal EMA has so far been able to meet the federally imposed reporting deadlines for its Recovery Act JAG Program subgrants, as of March 12, 2010, it still had not put these planned processes in writing and had not fully implemented them.
Will Cal EMA regularly monitor subrecipients' compliance with federal program requirements? (Do internal controls related to monitoring subrecipients exist?)		According to the chief of the Public Safety Branch, Cal EMA staff will conduct regular monitoring of the Recovery Act JAG Program subgrants. However, as we describe in more detail on pages 12 to 18 of the report, Cal EMA was unable to provide a plan for complying with the requirement to conduct during-the-award monitoring specifically of its subrecipients of Recovery Act JAG Program subgrants. In addition, as described on pages 18 to 20 of the report, we question whether Cal EMA has accurately identified the resources it will need to accomplish the monitoring.

Sources: Interviews with key Cal EMA personnel and reviews of relevant documents pertaining to processes, controls, and procedures that Cal EMA has in place or is developing for implementing provisions of the Recovery Act.

-  = Prepared
-  = Mostly prepared
-  = Moderately prepared
-  = Not prepared

Note: For a detailed description of each legend, refer to pages 23 to 24.

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(Agency response provided as text only.)

April 23, 2010

California Emergency Management Agency
3650 Schriever Avenue
Mather, CA 95655

Elaine M. Howle, CPA*
State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

The California Emergency Management Agency (CalEMA) has received and reviewed the Bureau of State Audits (BSA) Report concerning the preparedness of CalEMA to receive and administer American Recovery and Reinvestment Act of 2009 (ARRA or Recovery Act) funds awarded by the U.S. Department of Justice through the Edward Byrne Memorial Justice Assistant Grant (JAG) Program.

At CalEMA we strive for excellence in all that we do and appreciate your timely, independent review of our administration of the important ARRA funds provided by the federal government to California and, in this case, to CalEMA and its partners. Your review is of the utmost importance to us, our grant recipients, and other agencies tasked with appropriately investing these critical funds during this historic period of economic crisis. As the Governor has directed and repeatedly reiterated, the quick and efficient distribution of Recovery Act funds is a top priority of the administration and transparent spending of these funds is absolutely essential. We also know that under the JAG program we always seek to find ways to be more effective in our crime prevention efforts. Our dedicated team of public servants is always open to learning how we can do a better job.

Recommendation #1

As soon as possible, CalEMA should take the necessary steps to promptly and prudently execute subgrant agreements with subrecipients so that California can more fully realize the benefits of the Recovery Act funds.

CalEMA Response to Recommendation #1

As of April 20, 2010, we are pleased to report that CalEMA has now executed 204 of 226 grant awards, which represents completion of over **90 percent** of all ARRA JAG applications into specific grant award agreements. This represents a significant increase from the time of BSA's audit.

After notification of the Legislature's final approval and appropriation for the distribution of the Recovery Act JAG funds on July 28, 2009, CalEMA began the necessary steps to develop grant application processes and execute grant agreements with our sub-recipients through the grant application process. CalEMA developed ten programs (funding investigations of drug trafficking organizations, funding for drug courts, establishing evidence-based intensive probation and offender treatment programs), identified in the Amended Budget Act approved by the Legislature and signed by the Governor. In consultation and collaboration with other

* California State Auditor's comment appears on page 35.

Ms. Elaine Howle, CPA

April 23, 2010

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state and local agencies and organizations, CalEMA held numerous public and stakeholder meetings in August and September 2009, to establish programmatic goals, application requirements, suggested start dates, grant expenditure periods and the scope of work to be conducted by potential grant recipients to meet the federal and state intent for the appropriate use of these funds. Based on the information obtained, CalEMA developed nine Requests for Applications (RFAs) and two Requests for Proposals (RFPs). Six RFAs were released in October and November 2009 to solicit grant applications and funding of projects which subsequently resulted in 204 executed grants award agreement as of April 20, 2010.

BSA completed their audit while CalEMA was in the process of administering and awarding applications. Since that time, CalEMA has now awarded 90 percent of all grants as of April 20, 2010. These grants provided adequate time to local governments so that they could complete expenditure plans and formalize paper work to ensure accountability for all of the JAG funds.

Recommendation #2

To ensure it meets the monitoring requirements of its Recovery Act JAG Program, CalEMA should 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.

CalEMA Response to Recommendation #2

Last calendar year, CalEMA developed and implemented a sub-recipient risk assessment program that allows for the monitoring of all grants during the grant award period through either limited or extended field and/or desk reviews. The monitoring program was approved in October 2009 and was immediately implemented the following month. This new program will ensure that CalEMA meets all subrecipient requirements for all of our federal awards. As a result of this BSA review, our Monitoring Division manual that addresses assessing, mitigating and monitoring sub-recipient risk will be expanded to explain in greater detail the coordination of monitoring activities between our Program and Monitoring staff, as well as more fully quantify the number and scope of sub recipient reviews that will occur during each fiscal year.

Recommendation #3

To properly plan its monitoring activities, CalEMA should first identify the workload associated with monitoring its Recovery Act JAG subrecipients and the workload standards necessary to derive the number of program staff needed.

CalEMA Response to Recommendation #3

- ① CalEMA did provide our workload measurement tool to the BSA auditors for review. We used this model to calculate the total number of positions needed for the ARRA JAG grant funds and prepare a Budget Change Proposal. The Legislature allocated \$592,000 for the 2009/10 Fiscal Year to administer the ARRA JAG program. This allocation allows CalEMA to use six staff to administer these funds; originally CalEMA had requested nine staff and \$800,000 per year for the three-year life of the ARRA JAG funds.

Ms. Elaine Howle, CPA
April 23, 2010
Page 3

As workload on these grants increases and more monitoring work needs to be completed at CalEMA, with the support of the administration, CalEMA will ensure that the appropriate level of staffing for monitoring activities is put into place by working together to observe what resources are required as appropriate.

Recommendation #4

CalEMA should develop the necessary procedures to ensure it accurately meets its reporting requirements.

CalEMA Response to Recommendation #4

CalEMA concurs with the recommendation. CalEMA has implemented procedures to assure the information reported to the federal government on our Federal Financial Reports is also timely and accurately uploaded into the California ARRA Accountability Tool (CAAT). The \$104,000 in administrative costs was appropriately charged to the ARRA grant program and should have also been timely reported in the CAAT. Your review helped us to improve communications and procedures among our grant and fiscal departments to accurately and timely report this information.

On behalf of CalEMA, and our dedicated team, we thank you and the Bureau of State of Audits for the review of the American Recovery and Reinvestment Act, Byrne/Justice Assistance Grant Funds and programs we administer. We look forward to reviewing your final report and continuing our efforts to improve our effectiveness and customer service. If you have any additional questions or concerns, please feel free to contact my Deputy Chief of Staff, Helen Lopez at (916) 323-7615.

Sincerely,

(Signed by: Matthew R. Bettenhausen)

MATTHEW R. BETTENHAUSEN
Secretary

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Comment

CALIFORNIA STATE AUDITOR'S COMMENT ON THE RESPONSE FROM THE CALIFORNIA EMERGENCY MANAGEMENT AGENCY

To provide clarity and perspective, we are commenting on the response from the California Emergency Management Agency (Cal EMA). The number below corresponds to the number we placed in the margin of Cal EMA's response.

Cal EMA actually provided us three workload measurement tools. As we describe on pages 18 through 20 in the report, these workload measurement tools did not provide convincing evidence of the program staff needed for administering the American Recovery and Reinvestment Act of 2009 (Recovery Act) Edward Byrne Memorial Justice Assistance Grant Program (JAG Program) funds. Moreover, Cal EMA's comments in its response to our audit report indicate it has not yet determined the level of resources it requires to administer the Recovery Act funds, despite the workload measures it provided to us. Nonetheless, Cal EMA has requested the Legislature to authorize increased funding for administering the Recovery Act JAG Program funds in the amounts of \$800,000 for fiscal years 2010–11 and \$800,000 for fiscal year 2011–12.

①

May 2010

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State
Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press