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COUNTY OF ERIE

MARK C. POLONCARZ
COUNTY EXECUTIVE

April 9, 2013

Honorable Members
Erie County Legislature
92 Franklin Street, 4th Floor
Buffalo, New York 14202

Hon. Stefan I. Mychajliw
Erie County Comptroller
95 Franklin Street, 11th Floor
Buffalo, New York 14202

Re: US Department of Homeland Security, Office of Inspector General Revised October 2006 Storm Audit

Dear Honorable Members and Comptroller Mychajliw:

On April 1, 2013, the County received an e-mail message from the US Department of Homeland Security's ("DHS") Office of Inspector General ("OIG"), Office of Legislative Affairs attaching a revised audit regarding the October 2006 Storm. The revised audit was dated March 29, 2013 and a copy is attached for your reference ("Revised Audit").

In the Revised Audit, OIG claimed that it "reissued the report to respond to a Congressional request that we clarify Erie County's selection of a local contractor that was not made within the required context of open competition regulations. This revision did not change the substance of the finding or the recommendation." That is not true and is not accurate.

OIG Admits Errors on Audit Finding A – and then Announces new Findings

As you know, in the original audit, OIG reported a principal finding known as Finding A. In that finding, OIG asserted that the County was required to repay the federal government $39.4 million due to a "Lack of Open and Full Contracting Competition." The original audit emphasized that the County violated a federal prohibition against "administratively imposed geographical preferences in the evaluation of bids" and stated that because the Giambra Administration hired local contractors for debris removal and recovery, the County had violated federal law and regulations. The original audit report almost exclusively referenced the local vendor preference issue as the cause of Finding A.

As you know, in the County's written response dated March 14, 2013, we pointed out in great detail the various federal laws and Congressional actions in 2006 that had amended the Robert T. Stafford Disaster Relief and Emergency Assistance Act to specifically require local preference in disaster contracting, which meant that the OIG finding was erroneous.

Much to our surprise and disappointment, the Revised Audit continues to criticize the County regarding Finding A, while completely removing any references to the local preference issue which OIG

had so heavily relied on in the original audit and which the County successfully rebutted. Rather than concede that they were fundamentally wrong in their finding, OIG has created new findings and allegations against the County and once again, did not provide the audited entity with an opportunity to respond.

In the Revised Audit, Finding A asserts that Erie County's "Contracting Practices did not Comply with Federal Procurement Regulations." OIG has citied new factors to criticize the County, including findings which were (1) never discussed with the County at the August 2012 meeting with the County, and (2) issues that were never reported in the original audit. In the Revised Audit, OIG wrote two new pages of findings and narrative that were not previously reported, including allegations that the County did not take affirmative steps during the disaster response to hire minority and woman-owned businesses and that the County engaged in "arbitrary actions in the procurement process." Among other problems the County has with this newly-published findings, we believe the insertion of new issues into a revised audit report that were never reported, or discussed with the County as the audited entity violates Government Auditing Standards.

We believe it is not a coincidence that after receiving our March 14th written response rebutting their principal finding, OIG issued a revised report two weeks later with new findings and commentary that were never previously communicated or reported. That is profoundly troubling.

Government Auditing Standards

Upon receiving the Revised Audit, and based on our concerns, we re-reviewed the Yellow Book standards regarding performance audits. We believe there are serious issues involving OIG's actions in conducting the audit and issuing the original and Revised Audits. We are communicating with federal officials regarding these issues.

Conclusion

As explained in our March 14th letter, in oral testimony to the Legislature's Finance and Management Committee, and in our media comments, the County has expressed our position and concerns about the original audit. It is worth noting that in its original audit and in the Revised Audit, OIG continues to erroneously state that the County is operating under a control period imposed by the Erie County Fiscal Stability Authority starting in November 2006. As you all know, that is not accurate. ECFSA ended the control period on June 2, 2009 and reaffirmed advisory status subsequently. An error of this magnitude raises the question of the overall accuracy of OIG's findings, several of which the County has and will continue to rebut.

The Poloncarz administration is working with the local Congressional delegation, led by Senators Charles Schumer and Kirsten Gillibrand and Representative Brian Higgins and we expect to hold a meeting with them and DHS officials in Washington, DC in the near future. In addition, we will be having a conference call with New York State Division of Homeland Security and Emergency Services officials to discuss the original and Revised Audits. We will continue to advise you as developments warrant.

If you have any questions, please do not hesitate to contact my office.

Sincerely yours,

Robert W. Keating
Director of Budget and Management

RWK/tcc
Attachment

cc: Erie County Fiscal Stability Authority
Erie County Executive Mark C. Poloncarz

Department of Homeland Security

Office of Inspector General

FEMA Should Recover $48 Million of Public Assistance Grant Funds Awarded to Erie County, New York – Severe Weather October 2006

OIG-13-23 (Revised)

March 2013

OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

March 29, 2013

MEMORANDUM FOR: MaryAnn Tierney
Acting Regional Administrator, Region II
Federal Emergency Management Agency

FROM: D. Michael Beard
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Should Recover $48 Million of Public Assistance Grant Funds Awarded to Erie County, New York – Severe Weather October 2006*
FEMA Disaster Number 1665-DR-NY
Audit Report Number OIG-13-23 (Revised)

Attached for your information is our revised report, *FEMA Should Recover $48 Million of Public Assistance Grant Funds Awarded to Erie County, New York – Severe Weather October 2006*. We reissued the report to respond to a Congressional request that we clarify Erie County's selection of a local contractor that was not made within the required context of open competition regulations. The revision did not change the substance of the finding or the recommendation.

We audited Public Assistance funds awarded to Erie County (County), in New York (Public Assistance Identification Number 029-99029-00). Our audit objective was to determine whether the County accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to Federal regulations and FEMA guidelines.

The New York State Division of Homeland Security and Emergency Services (HSES), a FEMA grantee, awarded the County $55.4 million for damages caused by a severe lake effect snow and ice storm that occurred in October 2006. The award provided 75 percent FEMA funding for 30 large and 30 small projects.[1] Our audit covered the period October 12, 2006, through August 17, 2012, and included a review of 18 large projects totaling $53 million, or 96 percent of the total award (see Exhibit A, Schedule of Projects Audited).

We conducted this performance audit between February and August 2012 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government

[1] Federal regulations in effect at the time of the disaster set the large project threshold at $59,700.

auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. We conducted this audit according to the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We interviewed FEMA, HSES, and County officials; reviewed judgmentally selected project costs (generally based on dollar value); and performed other procedures considered necessary to accomplish our objective. Accomplishing our audit objective did not include assessing the adequacy of the County's internal controls applicable to grant activities. We did, however, gain an understanding of the County's method of accounting for disaster-related costs and its procurement policies and procedures.

BACKGROUND

On October 12–13, 2006, the County experienced a severe lake effect snow and ice storm. The storm was dubbed the "October Storm" and officially referred to by the National Weather Service as "Lake Storm Aphid." The October Storm dropped up to 2 feet of snow in less than 12 hours, causing tree limbs possessing significant foliage to snap, taking down power lines, and causing considerable damage throughout northern Erie County. The State of New York declared a state of emergency for the counties affected by the storm and requested FEMA aid. On October 24, 2006, President George W. Bush declared a major disaster for Erie and the surrounding counties. The original disaster declaration limited the period to 6 months for the County to incur reimbursable debris removal and cleanup costs. The County, unable to complete the needed work, requested numerous time extensions. The time extensions eventually expired on October 24, 2008, more than 2 years after the original disaster.

RESULTS OF AUDIT

Although the County accounted for FEMA grant funds on a project-by-project basis as required by Federal regulations, it did not comply with Federal grant regulations and FEMA guidelines when awarding contracts totaling $39.4 million of the $53 million we reviewed. In addition, FEMA reimbursed the County $9 million for inadequately supported costs. Finally, the County improperly charged $33,066 of administrative costs as direct costs, and included $10,456 of duplicate costs within the claimed Emergency Operations Center (EOC) supply costs. As a result, we question $48,465,416 of ineligible and unsupported costs claimed by the County.

Finding A: Contracting Practices Did Not Comply with Federal Procurement Regulations

The County awarded $39,391,260 in contracts in a manner that limited competition and disregarded Federal contracting regulations. The County Executive directed the purchasing department to award contracts giving preference to local contractors, but did not ensure the process followed open competition and documentation requirements. The work contracted for included vegetative debris removal and disposition, storm-damaged tree removal, and the monitoring of these activities. As a result, we question these costs as detailed in table 1.

Table 1: Projects and Their Contracted Amounts

Project	Amount Contracted	Amount Not Questioned*	Amount Questioned
6	$ 769,196		$ 769,196
208	812,306		812,306
241	809,854		809,854
242	1,667,633		1,667,633
243	9,221,951		9,221,951
244	1,031,546		1,031,546
330	6,121,895		6,121,895
342	2,244,165		2,244,165
344	7,740,314		7,740,314
485	202,689	$ 138,676	64,013
609	4,125,064	197,910	3,927,154
615	4,505,539		4,505,539
645	475,694		475,694
	$ 39,727,846	$ 336,586	$ 39,391,260

*Amount Not Questioned column includes costs incurred from October 18, 2006, through October 21, 2006, using contracts the County had in place at the time of the disaster.

Federal procurement standards, 44 Code of Federal Regulations (CFR) 13.36, require grant recipients to:

- Perform procurement transactions in a manner providing full and open competition except under certain circumstances. (13.36(c))
- Prepare a cost or price analysis in connection with every procurement action, including contract modifications. (13.36(f)(1))
- Take all necessary affirmative steps to assure that small businesses, minority firms, women's business enterprises, and labor surplus area firms were used when possible. (13.36(e))
- Not place arbitrary actions in the procurement process. (13.36(c)(1)(vii))

- Maintain records sufficient to detail the significant history of the procurement, including the rationale for the method of procurement, the basis for contractor selection, and basis for the contract price. (13.36(b)(9))

Full and Open Competition

The County's bid evaluation process did not comply with Federal procurement regulations. The County created a variety of unacceptable sole source and average bid methods for pricing the contracts. For example, a senior County official said that for several of the awards, the County computed an average or mean of the bids and awarded unit price contracts for similar services, using the same rate for all the awards. Ultimately, not all of the original bidders accepted the contract terms using this pricing method. The bidders on the low end of this scale of bids received a windfall profit, whereas some of those at the higher end of the scale chose not to accept the lower price, yet their bids still stayed in the pool to calculate the mean price. The logic behind this method increased the cost that was passed on to the Federal Government.

Cost or Price Analysis

The County provided no written evidence that it performed required cost or price analyses demonstrating the reasonableness of the contract pricing, as required by 44 CFR 13.36(b)(9) and 44 CFR 13.36(f)(1). The County provided only verbal statements of its use of an average rate methodology. We confirmed the County's statements regarding the computation of an average rate; and we could, within reason, mathematically achieve the same average rates. The County performs similar tasks (vegetation cleanup, trimming, removing hanging limbs, etc.) with its own workforce and equipment on a normal basis and should have cost records readily available. However, the County did not document a comparison of any of these proposed rates to its own costs. No basis for reasonableness as determined by the County exists. Therefore, we conclude that the County did not perform a cost or price analysis.

Affirmative Steps for Minority Firms, Women's Business Enterprises, and Labor Surplus Area Firms

The County failed to demonstrate the implementation of required affirmative steps to assure minority firms, women's business enterprises, and labor surplus area firms were used when possible, as required by 44 CFR 13.36(e). The requirement for prime contractors to take affirmative steps to use minority firms, women's business enterprises, and labor surplus area firms was particularly important in the County because of the shortage of qualified contractors in the area. In many cases, winning local contractors ultimately subcontracted the work to non-local subcontractors. The County could not provide us with evidence showing the non-local subcontractors used local labor, minority firms, women's business

enterprises, or labor surplus area firms[2]. Having a local company subcontract to a non-local contractor does not achieve the intent of the legislation to put local people to work and keep the dollars within the community.

No Arbitrary Actions

The County is prohibited from placing arbitrary actions in the procurement process, as per 44 CFR 13.36(c)(1)(vii). FEMA provided the County copies of the regulations, supporting materials, and direct access to FEMA and HSES personnel during the initial stages of the disaster recovery. Materials provided clearly explain the procurement process required for Federal grant recipients. The County did not provide any written policies or procedures memorializing the preference in selecting local contractors while keeping the open competition principles set forth in the CFR or FEMA policies.

History and Rationale for Procurement Decisions

County officials said they spoke with FEMA to get acceptance prior to implementing the local contracting decision. During the course of our audit, the County could not substantiate the claim or provide the names of the FEMA officials who said that the County could disregard the Code of Federal Regulations in awarding contracts. However, we did find a news interview at the time of the disaster in which a FEMA spokeswoman would not say whether the County's decision to award contracts only to local vendors posed a problem. She did say that the County needed to solicit bids, evaluate offers, and award contracts in compliance with all of the applicable regulations. We could not verify many of the County representations, nor ensure that proper measures were taken due to a lack of records.

Conclusion

We conclude that the County did not conduct the procurement transactions in a manner providing full and open competition. As the County's contracting practices did not comply with Federal rules and regulations, we question $39,391,260 as ineligible contract costs.

County Response. County officials disagree with this finding. The current Director of Purchasing said that the County followed its own contracting procedures during the disaster. She also said that whenever County contracting procedures appeared to violate a Federal rule or regulation, the County obtained and followed guidance provided by a FEMA representative. For the contracts in question, she said she received verbal approval from FEMA for the County's actions. However, she could not get the FEMA representatives to commit their approval to writing. In addition, she said she lost the notes and records of the discussions she had with FEMA concerning this issue. The Director of Purchasing also said

[2] At the time of the disaster and storm clean up, the City of Buffalo, in Erie County, was a labor surplus area as defined by the U.S. Department of Labor.

that restricting contracting to local firms did not cause FEMA to incur additional costs. She said the County solicited bids before awarding the contracts and in some cases, it averaged the bids and offered the average rate to any contractor who could accept the contract. For example, for debris removal, the County offered a rate of $11.25 per cubic yard of debris to all prospective contractors. The County said that the use of an average unit rate for similar services and multiple contractors mitigates any harm to FEMA for noncompetitive contracting and is a fair method of dealing with multiple contractors for the same service.

OIG Response. The County violated Federal contracting rules and regulations. A FEMA representative cannot nullify Federal rules and regulations verbally or in writing. The County provided no documentation of meetings with FEMA representatives. In addition, we found no evidence that the use of a set rate per unit of service mitigates the impact of noncompetitive contracting.

Finding B: Unsupported Claimed Costs

The County claimed unsupported costs of $9,030,634 under projects 600, 614, 628, and 675.

Table 2: Unsupported Costs by Project

Project	Amount Questioned
600	$5,447,640
614	1,388,830
628	2,190,301
675	3,863
	$9,030,634

Federal regulation 2 CFR 225, *Cost Principles for State, Local, and Indian Tribal Governments*, Appendix A, C.1.j., states that a cost must be adequately documented to be allowable under Federal awards. Federal regulation 44 CFR 13.20(b)(6) further states that accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contract and subgrantee award documents, and so on. In addition, 44 CFR 206.223(a)(1) states that an item of work must be required as a result of a major disaster event to be eligible for financial assistance. The County did not provide adequate documentation to show that the amounts charged to projects 600, 614, 628, and 675 contain expenditures allowable under the PA program. Further, the County could not produce a cost summary or reconciliation that could support the amounts questioned. The project worksheets simply described these costs as estimates. In addition, the interim summaries provided by the County showed these costs as estimates, and the projects as not completed. The County never performed a final reconciliation. Finding E: Accounting and Grant Management, discusses this issue further.

County Response. The County disagreed with this finding. The County stated that the records for projects 600, 614, 628, and 675 were lost.

OIG Response. Because Federal cost principles state that a cost must be adequately documented to be allowable under Federal awards, the County will have to provide invoices and canceled checks to document that it incurred and paid the costs it claimed. If the County can produce records documenting the amounts in question, the costs could be allowable.

Finding C: Administrative Costs Charged Direct

The County claimed ineligible administrative costs of $33,066 under project 675. These expenditures apply to activities not specifically accountable to a work project.

Per FEMA 322, Public Assistance Guide, October 1999, the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, Public Law 93-288, as amended, 42 U.S.C. 5121, et. seq., stipulates that each grant recipient be provided an administrative allowance to meet the cost of administering the grant. The administrative allowance for subgrantees covers direct and indirect costs incurred in requesting, obtaining, and administering public assistance.

FEMA denied the County's initial claim of $45,000 for project 675 consultant fees. The County appealed the denial and FEMA subsequently authorized the $45,000 claim provided the County demonstrates the eligibility of the expenditures. During our subsequent review of the invoices, we determined that a portion of the claimed costs are administrative in nature and therefore not eligible.

Of the $45,000 in claimed costs, the County paid $33,066 to a consultant to review and research projects and other issues for the County. The consultant fee is supposed to be part of the administrative allowance. We determined the remaining $11,934 as eligible costs.

County Response. The County said that the letter reinstating the funding made the cost eligible.

OIG Response. The County misunderstood FEMA's response to the appeal. FEMA authorized the payment of the non administrative portion of the $45,000 claim. The claim contained $33,066 of administrative expenses.

Finding D: Duplicate Costs Included in the EOC Supplies Costs

The County claimed duplicate costs of $10,456 under project 675 as part of an equipment usage claim.

The County claimed equipment usage using FEMA's equipment rates. The County also claimed the repair and maintenance costs for that same equipment. Federal regulation 44 CFR 206.228(a)(1)(iii) states that when there are no established rates, reimbursement for ownership and operation costs of applicant-owned equipment will be done through FEMA equipment rates. In addition, FEMA Public Assistance Guide, FEMA 322, restates the above and adds that the work performed with the equipment must be eligible work. Equipment usage rates are based on either a mileage or hourly rate, which includes costs of fuel, insurance, depreciation, and maintenance. Given that FEMA's equipment rates are developed to include maintenance and general supplies, by claiming both the rate and expense, the County is being reimbursed twice.

We question $10,456 as follows:

- *Vehicle and Small Motor Repairs and Maintenance*. The County claimed $8,470 for repairs on two pickup trucks, gasoline, oil, fuel stabilizer, repairs on a small motor, and two new tires.

- *Aviation Repairs*. The County claimed $1,986 for repairs to a small airplane used to survey the disaster recovery efforts.

By claiming the costs of equipment repair as well as the equipment usage rate, the County received duplicate reimbursement. We determined that the County submitted the duplicate charges because it apparently misunderstood FEMA disaster recovery regulations.

County Response. The County did not respond to this finding.

Finding E: Accounting and Grant Management

The County and HSES did not exercise due prudence over FEMA's $55.4 million disaster assistance grant. The County's internal report on recordkeeping, overtime, and financial issues made these same observations. While the County is ultimately responsible for its recordkeeping and the costs incurred; HSES did not provide adequate day-to-day management or monitor subgrant activity.

The County's 2006 A-133 Audit and the County's Comptroller September 2010 "Review of the Erie County Storm Fund" identified recordkeeping errors with the accounting of reimbursements from FEMA. The 2006 A-133 Audit reported that the County did not follow generally accepted accounting principles, which resulted in an approximately $5,000,000 timing error. The County's 2010 Comptroller report disclosed that the County's reimbursements from FEMA and HSES exceeded the County's incurred costs by $1.4 million.

We could not reconcile all claimed project costs with the actual costs incurred. We did not report this as a separate finding within this report but included it as questioned costs, reported under other FEMA and Federal criteria. To resolve this issue, we interviewed the then Deputy Commissioner of Emergency Services, responsible for maintaining the disaster accounting records. He did not adequately explain why his recordkeeping of the costs stopped before project finalization. Instead, what he provided showed that the County submitted estimated costs to HSES for reimbursement. Thus, we concluded that the County did not complete all cost reconciliations for all of the final individual projects.

The County's post-disaster change in its overtime policy resulted in the County improperly billing FEMA $3.6 million. FEMA will reimburse overtime costs of regular employees in accordance with the County's pre-disaster personnel policy. Per FEMA 322 Public Assistance Guide, normal procedures must not be altered because of the potential for reimbursement from Federal funds. The County legislature passed a special ordinance, early in the disaster recovery, to allow overtime payment to certain employees previously barred from this benefit. The County's Comptroller took exception to the legislative change. Two reports the County Comptroller's office issued, "Review of the Erie County Storm Fund" and "Erie County Department of Personnel Audit of Payroll Transactions for the Period January 1, 2007 – December 31, 2008," expressed concern over the County's payroll recordkeeping and this policy change. However, in support of the overtime policy change, administration officials said that the County needed to set a precedent on the payment of overtime in disaster situations. They said that a failure to do so would place future overtime reimbursements in jeopardy. In addition, they said that since FEMA will reimburse overtime for regular employees, the County would be foolish not to pay it.[3] Due to the County's inability to provide adequate support, finding B captures this labor practice within the total questioned amount.

HSES should have better managed its grant responsibilities and should have been aware of the County's need for additional support. Federal regulation 44 CFR 13.37(a)(2) requires the grantee to ensure that subgrantees know of the requirements imposed on them by Federal regulations. Further, 44 CFR 13.40(a) requires the grantee to manage the day-to-day operations of subgrant activity and monitor subgrant activity to assure compliance with applicable Federal requirements. In July 2005, the New York State Legislature and Governor created the Erie County Fiscal Stability Authority (ECFSA) to monitor the County's finances, stating, "a condition of fiscal stress exists." On November 3, 2006, ECFSA declared a "control period," which remains in effect to date, allowing it to establish wage and/or hiring freezes and set maximum levels of County spending. Further, the FEMA-State Agreement for this disaster requires HSES to comply with the requirements of laws and regulations contained in

[3] It should be noted that the Deputy Commissioner earned the second highest overtime amount in this disaster. He retired promptly after the final FEMA reimbursement. The Comptroller noted in his report that the massive amount of overtime earned would increase one's retirement funds, should one retire soon after the earning. Seven out of the ten highest overtime earners retired shortly after the disaster period.

the *Robert T. Stafford Disaster Relief and Emergency Assistance Act* and its related Federal regulations.

RECOMMENDATIONS

We recommend that the Acting Regional Administrator, FEMA Region II:

Recommendation #1: Disallow $39,391,260 (Federal share $29,543,445) of improperly procured contract costs as ineligible, unless FEMA grants an exemption for all or part of the costs as provided for in 44 CFR 13.43(a) and section 705(c) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act as amended. (finding A)

Recommendation #2: Disallow $9,030,634 (Federal share $6,772,976) in unsupported costs unless the County provides adequate documentation to support these costs. (finding B)

Recommendation #3: Disallow $33,066 (Federal share $24,800) as indirect administrative costs. (finding C)

Recommendation #4: Disallow $10,456 as duplicate expenditures. (finding D)

Recommendation #5: Develop and enforce policies and procedures to ensure that grantees and subgrantees in the State of New York follow proper Federal procurement procedures when expending public assistance grant funds. (finding E)

Recommendation #6: Develop and enforce policies and procedures to ensure that grantees and subgrantees in the State of New York follow proper accounting practices and procedures when accounting for public assistance grant funds. (finding E)

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with County officials and included their comments in this report, as appropriate. We held an exit conference with the County on August 17, 2012. The County generally did not agree with our findings.

Within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until we receive and evaluate your response, the recommendation will be considered open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Major contributors to this report are Kaye McTighe, Division Director; Trudi Powell, Audit Manager; and Ken Valrance, Senior Auditor.

Please call me with any questions, or your staff may contact John Kelly, Deputy Assistant Inspector General, Office of Emergency Management Oversight, at (202) 254-4100.

EXHIBIT A

Schedule of Projects Audited
October 12, 2006, to October 24, 2008
Erie County, New York
FEMA Disaster Number 1665-DR-NY

Project Number	Award Amount	Finding A	Finding B	Finding C	Finding D	Total Questioned Costs
243	$ 9,221,951	$ 9,221,951				$ 9,221,951
344	7,740,314	7,740,314				7,740,314
600	7,103,234		$5,447,640			5,447,640
330	6,121,895	6,121,895				6,121,895
615	4,505,539	4,505,539				4,505,539
609	4,125,064	3,927,154				3,927,154
628	3,605,931		2,190,301			2,190,301
342	2,244,165	2,244,165				2,244,165
242	1,667,633	1,667,633				1,667,633
614	1,388,830		1,388,830			1,388,830
244	1,031,546	1,031,546				1,031,546
208	812,306	812,306				812,306
241	809,854	809,854				809,854
6	769,196	769,196				769,196
649	704,098					0
675	495,070		3,863	$33,066	$10,456	47,385
645	475,694	475,694				475,694
485	202,689	64,013				64,013
Totals	$53,025,009	$39,391,260	$9,030,634	$33,066	$10,456	$48,465,416

Appendix A
Report Distribution

Department of Homeland Security

Secretary
Chief Financial Officer
Under Secretary for Management
Audit Liaison, DHS
Acting Chief Privacy Officer

Federal Emergency Management Agency

Administrator
Chief of Staff
Chief Financial Officer
Chief Counsel
Director, Risk Management and Compliance
Audit Liaison. FEMA Region II
Audit Liaison, FEMA (Job Code G-12-015)

Grantee

Director, New York State Division of Homeland Security and Emergency Services
Deputy Comptroller for Local Government and School Accountability

Subgrantee

Erie County, New York

Office of Management and Budget
Chief, Homeland Security Branch
DHS OIG Budget Examiner

Congress
Senate Committee on Appropriations, Subcommittee on Homeland Security
Senate Committee on Homeland Security and Governmental Affairs
House Committee on Appropriations, Subcommittee on Homeland Security
House Committee on Homeland Security
House Committee on Oversight and Government Reform

ADDITIONAL INFORMATION AND COPIES

To obtain additional copies of this document, please call us at (202) 254-4100, fax your request to (202) 254-4305, or e-mail your request to our Office of Inspector General (OIG) Office of Public Affairs at: DHS-OIG.OfficePublicAffairs@oig.dhs.gov.

For additional information, visit our website at: www.oig.dhs.gov, or follow us on Twitter at: @dhsoig.

OIG HOTLINE

To expedite the reporting of alleged fraud, waste, abuse or mismanagement, or any other kinds of criminal or noncriminal misconduct relative to Department of Homeland Security (DHS) programs and operations, please visit our website at www.oig.dhs.gov and click on the red tab titled "Hotline" to report. You will be directed to complete and submit an automated DHS OIG Investigative Referral Submission Form. Submission through our website ensures that your complaint will be promptly received and reviewed by DHS OIG.

Should you be unable to access our website, you may submit your complaint in writing to: DHS Office of Inspector General, Attention: Office of Investigations Hotline, 245 Murray Drive, SW, Building 410/Mail Stop 2600, Washington, DC, 20528; or you may call 1 (800) 323-8603; or fax it directly to us at (202) 254-4297.

The OIG seeks to protect the identity of each writer and caller.