REVIEW OF THE FLOOD MITIGATION ASSISTANCE PROGRAM

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Project Team
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Executive Summary

Overview

Texas Water Development Board’s (TWDB) processes provide reasonable assurance that Flood Mitigation Assistance goals are accomplished effectively, efficiently and in compliance with federal, state and agency requirements. TWDB has processes in place to ensure that approved projects are completed on schedule and in accordance with the grant agreement and scope of work. Procedures include identification of flood-prone communities, community assistance (with grant applications, cost effectiveness determinations, and planning workshops) and project monitoring visits. Contractor expense certifications help ensure cash draws are consistent with project completion status and that compliance with contract requirements is being achieved. Sub-recipient monitoring and reimbursement approval controls are sufficient for ensuring federal and TWDB assets are safeguarded. Grant closeout reviews assist in ensuring that obligated funds are liquidated, and in a manner consistent with the approved scope of work.

Background

The Flood Mitigation Assistance (FMA) Grant Program, under the Federal Emergency Management Agency’s (FEMA) Hazard Mitigation Assistance Grant Programs, assists states and communities by providing federal funds for cost-effective measures to reduce and eliminate the long-term risk of flood damage due to Severe Repetitive Loss (SRL), Repetitive Loss (RL), and other insured structures under the National Flood Insurance Program. This is accomplished through long-term comprehensive mitigation planning and projects. TWDB was designated as the state agency to administer the Flood Mitigation Assistance and Severe Repetitive Loss grant programs with effect from November 25, 1997 and February 5, 2008, respectively. Since then, FEMA has awarded the state a total of more than $145 million for both programs. The Flood Mitigation Assistance grant program has a three tier federal cost share depending on the type of insured structure. SRL structures receive 100% federal funding, RL structures receive 90%, and insured structures and plans receive 75%. TWDB can request up to 10% of the total grant funding for management costs.

The management of the program is mostly shared between the FMA and Contract Development teams. The FMA team works with communities to develop awardable sub-grant applications, and reviews/ranks sub-applications for inclusion in the state FMA grant application to FEMA. Once the grants are awarded, the FMA team works with sub-grantees to ensure the projects are completed timely and that all performance and financial reporting requirements are met. The Contract Development team facilitates and manages TWDB contract preparation, negotiation, and finalization of the scope of work for the awarded sub-grant.
Summary of Management’s Response

Management appreciates Internal Audit’s efforts to evaluate the internal controls within the Flood Mitigation Assistance Program. Management appreciates the acknowledgement that the processes include sufficient internal controls to ensure reliability and integrity of information, safeguarding of assets and compliance with requirements.

Closing

We would like to thank Flood Mitigation Assistance and Contract Development for the cooperation and assistance provided to the audit staff during this audit. For questions or additional information concerning this audit report, please contact Amanda Jenami at 512-463-7978.
Objectives and Conclusions

The overall objective of this audit was to determine the extent to which the agency has processes and controls to ensure Flood Mitigation Assistance objectives are met efficiently, effectively, and in compliance with relevant laws, program requirements, and TWDB procedures.

The audit focused primarily on Flood Mitigation Assistance (FMA) and Severe Repetitive Loss (SRL) grant program activities from September 1, 2012, to August 31, 2014. Fieldwork was conducted from September through November 2014. The detailed audit objectives and conclusions are described next.

Objective 1 – Operational Efficiency

Determine the extent to which the agency’s processes ensure operational efficiency.

An analysis of the work process flowcharts found a streamlined process, with little duplication of effort. Integrating CAS, the legacy system used to manage FEMA grants, with the agency enterprise system, TxWISE, could improve operational efficiency and consistency.

Determine the extent to which program deliverables are met in a timely manner.

A review of reimbursements (to sub-recipients) found that they are generally performed in a timely manner. Five percent (9 out of 185) of the payments took more than 50 days to process. Processing time represents the time from when the payment request was received to the time the payment was released. Management was aware of this issue and has set up a system to track and monitor the timeliness of reimbursements with a view to addressing bottlenecks. Contract Development staff is coordinating more closely with the agency’s Accounts Payable team regarding contract related payments.

Objective 2 – Operational Effectiveness

Determine the extent to which the program has processes in place to ensure program goals are met, and that assets are safeguarded.

FMA has processes in place to ensure program goals (i.e., grant development, submittal, awards, administration, community assistance, reporting and closeout) are met. The review tested two quarters of reporting for completeness, accuracy and timeliness. In addition, the review tested two grant closeouts for operational effectiveness. The quarterly grant performance reports (to FEMA) provide information on actual accomplishments in relation to approved activity objectives. Information includes project completion status, expenditure and payment-to-date for each approved sub-grant award. The process of developing the quarterly reports includes reconciling program data to the financial management system (MIP).

The review tested two flood mitigation projects for timely completion, and found no exceptions.
FMA processes have sufficient controls to ensure agency assets are safeguarded. The review vouched reimbursements against sub-recipients’ supporting documentation (i.e. invoices or third party certifications). No issues were found.

**Objective 3 – Regulatory Compliance**

**Determine the extent to which the program has processes in place to ensure compliance with federal, state and TWDB contract requirements.**

TWDB’s processes include sufficient internal controls to ensure compliance with FEMA and state requirements. TWDB and its potential sub-recipients apply for FEMA grants using FEMA’s eGrants system, a streamlined process that ensures requirements are met. Both FMP and FEMA review the application for program eligibility. TWDB also contracts with the sub-recipients using standard agency contract templates and, where necessary, additional grant requirements. We reviewed supporting documentation for program eligibility, grant closeout submissions and reimbursement payments and found them to be in compliance with FEMA and TWDB requirements. FMA’s closeout procedures assist in ensuring obligated funds were liquidated in a manner consistent with the scope of work, including ensuring that environmental compliance measures were implemented appropriately. All the closeout reports tested had been submitted within 90 days of project completion, as required. The review also found that federal draws (for reimbursements) were performed in a manner that minimizes the time between transfer of funds from the US Treasury and disbursement by the grantee and sub-grantees.

In addition, the review tested CAS’ transactional controls and 3 sub-grants’ cost share and found them to be in compliance with the relevant grant.
Scope and Methodology

The overall objective of this audit was to determine the extent to which TWDB has processes and controls within the Flood Mitigation Assistance Program that ensure program objectives are met efficiently, effectively, and in compliance with relevant laws, program requirements, and agency procedures.

The audit focused primarily on Flood Mitigation Assistance (FMA) and Severe Repetitive Loss (SRL) grant program activities from September 1, 2012, to August 31, 2014. Fieldwork was conducted from September through November 2014.

The audit was based upon standards as set forth in 44 Code of Federal Regulations, Part 79, Texas Administrative Code, TWDB rules, and other sound administrative practices. The audit was performed in compliance with the Institute of Internal Auditors’ “International Standards for Professional Practice of Internal Auditing.”

Additionally, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our evidence-gathering methods included the following:

- We reviewed applicable laws, rules, and established procedures.
- We reviewed the quarterly FMA (performance and financial) status reports to FEMA.
- We tested a sample of FMA projects for eligibility, matching requirements, timeliness of reimbursement payments and project completion.
- We reviewed CAS’ and eGrants’ transactional controls for data completeness and accuracy.
- We conducted interviews with staff.
- We followed up on the SAO’s Report # 13-02, issued in February 2013, concerning the submission of FFATA reports.
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**TWDB Mission Statement**

The Texas Water Development Board’s (TWDB) mission is to provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas.

**Internal Audit Division’s Mission Statement**

Our mission is to assist all members of management and the Board with objective reports, recommendations, counsel, and information on the adequacy and effectiveness of TWDB’s system of internal controls and the quality of performance in carrying out assigned responsibilities.

To obtain a hard copy of this TWDB Audit Report, please e-mail Amanda.jenami@twdb.texas.gov or call 512-463-7978.