

Auditing Disaster Relief and Recovery Efforts

LOCAL GOVERNMENT

22ND BIENNIAL

FORUM OF GOVERNMENT AUDITORS

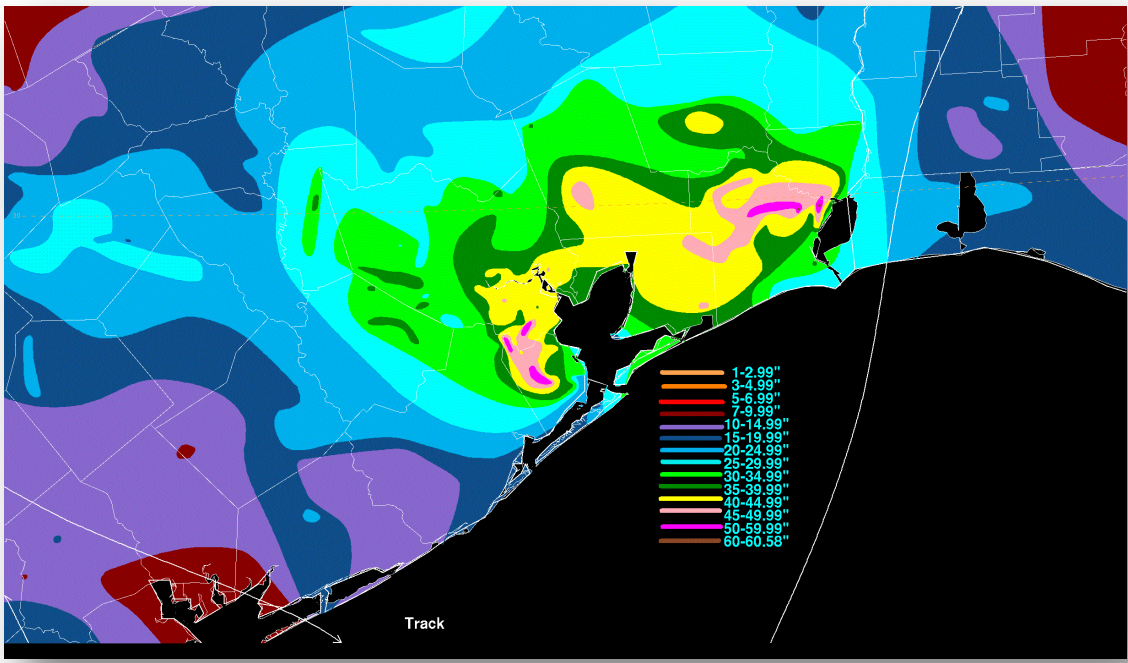
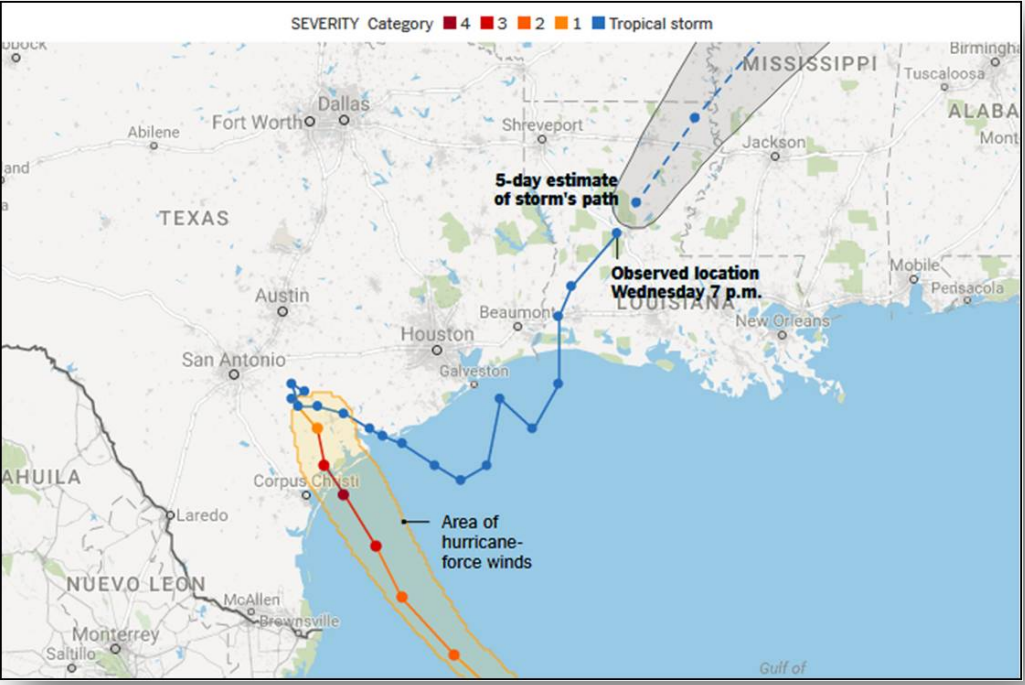
MAY 9, 2018

Harris County, Texas

- Over 1,700 square miles located 50 miles from Gulf of Mexico
- Population 4.6 million
- Over 100 elected County officials
- Over 80 County departments
- Approximately 17,000 County employees



Hurricane Harvey



Hurricane Harvey Aftermath



Prepare BEFORE the Disaster

What is the role of internal audit pre and post disaster?

- What role brings most value to the organization, audit or advisory?
- Can the organization contract with external firm for audit or advisory services?
- Know your resources
 - Key contacts with GAO/OIG, other local state/local contacts with experience
 - OIG publications/checklists
- Think ahead and help organization prepare

Prepare BEFORE the Disaster

Identify areas vulnerable for fraud and/or mismanagement **before** disaster

- **Vendor master file** – policy for changing vendor data such as bank information and address
- **Procurement** – procurement during exigent circumstances and beyond
- **Payroll** – documentation of pre and post storm time/overtime
- **Business Continuity**
 - Do procedures exist?
 - Have they been tested?
- Lack of understanding of disaster assistance guidelines



Prepare BEFORE the Disaster

Topics for consideration:

- Are local policies and procedures updated to include procurement under federal guidelines?
 - If local policies are more restrictive than federal, you must follow local
- Are employees routinely trained on policies and procedures?
- Are newly elected officials trained on what to expect?
- Are personnel involved in grant programs trained to **Document, Document, Document?**
 - The rules may change after the program starts. Always document correspondence with federal and state agencies to support decisions made at all times throughout the program.
- Are personnel involved in grant programs trained on how to address issues when federal or state agency will not give a direct answer?
 - Their silence is NOT freedom to do what you want!
- If possible, form or join a workgroup



Disaster Relief Work Group – Key Points

- **August 25, 2017** – Hurricane Harvey
- **September 18, 2017** – Email from NASACT requesting participation in conference call at the request of the Comptroller General, GAO and GAO Emergency Management Team with state and local auditors in Texas and Florida to coordinate efforts given size of relief bill expected from Congress. State Auditors invited from Louisiana, Mississippi and New Jersey given experience with previous disasters. While planning, Puerto Rico got hit by Hurricane Maria.
- **September 21, 2017** – 1st phone conference
 - Importance of internal controls over disaster assistance programs at state and local level
 - Education is mandatory – trainings on internal controls
 - Suggestion made about hiring external firm to audit as you go
 - Emphasized state is responsible for sub-grantees
 - Caution about double dipping with insurance
 - Recommended publications
 - *Audit Tips for Managing Disaster-Related Project Costs and Checklist for Reviewing Procurements under Grants by Non-Federal Entities* (OIG Homeland Security)



Disaster Relief Work Group – Key Points

- **October 13 , 2017** – Harris County meeting with GAO Homeland Security Team and GAO Acquisitions Team
 - Emergency Management
 - Budget Management
 - Engineering
 - Risk Management
 - County Commissioner representatives
 - County Auditor
 - Community Services (Housing)
- **December 14, 2017** – Harris County meeting with GAO Homeland Security
 - FEMA Public Assistance Model
 - Walkthrough of severely damaged buildings
- **January 9, 2018** – Harris County OIG Homeland Security capacity audit of procurement



Disaster Assistance Fraud – Case Study

Harris County, Texas



Harris County tightens cybersecurity after almost losing \$900K in phishing attack

By Mihir Zaveri | January 25, 2018 | Updated: January 31, 2018 9:46am

Disaster Assistance Fraud – Case Study

Minimize opportunities for electronic vendor fraud:

- Corroborate all request for changes to vendor address and/or banking information by phone, NOT email.
- Revise forms to require vendors to provide BOTH old and new bank routing and account numbers or billing addresses when requesting a bank change or a payment mailing change.
- Remove vendor change forms from website. Have vendors contact staff directly for forms.
- Be aware of unusual language or wording in emails.
- Once aware of fraudulent account, scrub vendor master file data for other vendor accounts that use the same bank routing number or account number. Inactivate questionable accounts immediately until resolved.

Source: Government Finance Officers Association (GFOA) Advisory, *Electronic Vendor Fraud*

<http://www.gfoa.org/electronic-vendor-fraud>

Resources

Publications

- *Checklist for Reviewing Procurements Under Grants by Non-Federal Entities – 2 CFR pt. 200 (FEMA)*
- *Audit Tips for Managing Disaster-Related Project Costs and Checklist for Reviewing Procurements under Grants by Non-Federal Entities (OIG Homeland Security)*
- *Subrecipient Vs. Contractor Checklist (AGA)*





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