

**Scott County, Minnesota, Physical
Development Department Has
Adequate Policies, Procedures,
and Business Practices to
Effectively Manage Its FEMA
Public Assistance Grant Funding**





DHS OIG HIGHLIGHTS

Scott County, Minnesota, Physical Development Department Has Policies, Procedures, and Business Practices to Effectively Manage Its FEMA Public Assistance Grant Funding

August 12, 2015

Why We Did This

Scott County's Physical Development Department in Jordan, Minnesota (County), received a \$2.6 million grant for damages from a June 2014 disaster. We conducted this audit early in the grant process to identify areas where the County may need additional technical assistance or monitoring to ensure compliance with Federal requirements.

What We Recommend

The report contains no recommendations.

For Further Information:

Contact our Office of Public Affairs at (202) 254-4100, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov

What We Found

The County has established policies, procedures, and business practices to account for and expend Federal Emergency Management Agency (FEMA) Public Assistance grant funds according to Federal regulations and FEMA guidelines.

FEMA Response

Because the audit did not identify any issues requiring further action from FEMA Region V, we consider this audit closed.



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AUG 12 2015

MEMORANDUM FOR: Andrew Velasquez, III
Regional Administrator, Region V
Federal Emergency Management Agency

FROM: John V. Kelly
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *Scott County, Minnesota, Physical Development
Department Has Adequate Policies, Procedures, and
Business Practices to Effectively Manage Its FEMA
Public Assistance Grant Funding*
Audit Report Number OIG-15-125-D

We audited Federal Emergency Management Agency (FEMA) Public Assistance grant funds awarded to Scott County's Physical Development Department in Jordan, Minnesota (County). We conducted this audit early in the Public Assistance Program process to identify areas where the County may need additional technical assistance or monitoring to ensure compliance with Federal regulations and FEMA guidelines. In addition, by undergoing an audit early in the grant cycle, grant recipients have the opportunity to correct noncompliance before they spend the majority of their grant funding. It also allows them the opportunity to supplement deficient documentation or locate missing records before too much time elapses.

As of January 2015, the Minnesota Department of Public Safety, Division of Homeland Security and Emergency Management (Minnesota), a FEMA grantee, had awarded the County \$2.6 million for damages resulting from severe storms, flooding, landslides, and mudslides beginning on June 11, 2014, and continuing through July 11, 2014. The award provided 75 percent funding for debris removal, emergency protective measures, and permanent work. To assess the County's policies, procedures, and business practices, we reviewed costs from one large and two small FEMA-approved projects totaling \$887,983 (see appendix A). At the time of our audit, the County had completed two projects, was working on another, and had not started its one remaining project, the largest permanent work project.



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Background

During the incident period of June 11, 2014, through July 11, 2014, torrential rain impacted the State of Minnesota. Rivers and streams crested at near record levels. The flooding deposited debris including vegetation, mud, and silt on County roads and rights of way. As a result, the County closed numerous roads because of flooding, landslides, and mudslides. The storm brought down electrical wires and trees, disrupting services and emergency assistance to citizens stranded in their residences, and disabled vehicles in the flooded areas (see figure 1).

Figure 1: County Road and Shoulder Erosion and Slope Failure



Source: Scott County, Minnesota

Results of Audit

The County has adequate policies, procedures, and business practices to account for and expend FEMA grant funds according to Federal regulations and FEMA guidelines. The County accounted for disaster costs on a project-by-project basis and adequately supported the costs. Further, the contracts the County awarded for flood related damages met Federal procurement requirements at 44 Code of Federal Regulations (CFR) 13.36.



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Project Cost Accounting

The County has an effective system in place to ensure it accounts for disaster costs on a project-by-project basis and can adequately support disaster-related costs as the following Federal regulations and FEMA guidelines require:

- Grantees must account for large project expenditures on a project-by-project basis (44 CFR 206.205(b)). FEMA requires subgrantees to keep records for all projects on a project-by-project basis (*Public Assistance Guide*, FEMA 322, June 2007, p. 137).
- Subgrantees must maintain accounting records that adequately identify the source and application of Federal funds and maintain source documentation to support those accounting records (44 CFR 13.20(b)(2) and (6)).

The County established a cost center to designate all disaster-related expenses and created location and activity-specific codes that enabled it to account for all costs by project. We assessed the adequacy of the County's policies and procedures for the \$887,983 of claimed cost documentation for three projects consisting of force account, contract, and direct administrative costs. We determined that the County properly segregated costs by project and maintained sufficient detailed documentation to support the costs.

Procurement Practices

The County has adequate procurement practices in place to ensure compliance with Federal procurement requirements at 44 CFR 13.36. We discussed the County's procurement practices with its contracting officials and reviewed the County's contracting files. The County competitively awarded contracts; conducted cost or price analysis; awarded to the lowest bidder; maintained adequate records documenting procurement history; and monitored contractors to ensure they met the contract terms, conditions, and specifications. The County also has affirmative steps to ensure the use of minority firms, women's business enterprises, and labor-surplus area firms when possible. During the County's emergency period, it awarded three contracts to a minority firm.



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Discussions with Management and Audit Follow-Up

We discussed the results of our audit with FEMA, Minnesota, and County officials during our audit. We also provided a draft report in advance to these officials and discussed it at an exit conference with Minnesota officials on June 16, 2015. Because there were no findings, FEMA and County officials declined the final exit conference. Because the audit did not identify any issues requiring further action from FEMA, we consider this audit closed.

The Office of Emergency Management Oversight major contributors to this report are Paige Hamrick, Director; Patti Smith, Acting Audit Manager; Sharon Snedeker, Senior Auditor; and Patricia Epperly, Auditor.

Please call me with any questions at (202) 254-4100, or your staff may contact Paige Hamrick, Director, Central Regional Office - North, at (214) 436-5200.



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Appendix A

Objective, Scope, and Methodology

We audited FEMA Public Assistance grant funds awarded to the County, Public Assistance Identification Number 139-99139-03. Our audit objective was to determine whether the County's policies, procedures, and business practices are adequate to account for and expend FEMA grant funds according to Federal regulations and FEMA guidelines for FEMA Disaster Number 4182-DR-MN. As of January 23, 2015, the cutoff date of our audit, Minnesota had awarded the County \$2,578,819 for damages resulting from severe storms, flooding, landslides, and mudslides beginning on June 11, 2014. The award provided 75 percent FEMA funding for debris removal, emergency protective measures, and permanent work and for two large and two small projects.¹

As of the audit cutoff date, the County had requested \$887,983 (34 percent of its award) in disaster costs reimbursements for three projects. To assess the policies and procedures the County used for this disaster, we reviewed costs for one large and two small FEMA-approved projects totaling \$887,983 (see table 1).

Table 1: Projects Reviewed

Project Number	Category of Work	Award Amount
259	B – Protective Measures	\$ 14,406
556	C – Roads and Bridges	83,727
261	A – Debris Removal	789,850
Total		\$887,983

Source: FEMA project worksheets

We interviewed FEMA, Minnesota, and County officials; assessed the adequacy of the policies, procedures, and business practices the County uses or plans to use to account for and expend Federal grant funds and to procure and monitor contracts for disaster work; judgmentally selected and reviewed (generally based on dollar amounts) project costs and procurement transactions for the projects included in our audit scope; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our objective. As part of our standard audit procedures, we notified the Recovery Accountability and Transparency Board of selected contracts the County awarded under the grant to determine whether the contractors were debarred or whether there were any indications of other issues related to the

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$120,000.



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Appendix A (continued)

contractors that would indicate fraud, waste, or abuse. As of the date of this report, the Recovery Accountability and Transparency Board's analysis was ongoing. When it is complete, we will review the results and determine whether additional action is necessary. We did not perform a detailed assessment of the County's internal controls over its grant activities because it was not necessary to accomplish our audit objective.

We conducted this performance audit from January 2015 to June 2015, pursuant to the *Inspector General Act of 1978*, as amended, and according to 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 upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. In conducting this audit, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.



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Appendix B

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