

**The Baldwin County
Commission Effectively
Managed FEMA Grant Funds
Awarded for Damages from
Spring 2014 Storms**





DHS OIG HIGHLIGHTS

The Baldwin County Commission Effectively Managed FEMA Grant Funds Awarded for Damages from Spring 2014 Storms

June 30, 2016

Why We Did This Audit

At the time of our audit, FEMA had granted the Commission a \$7.4 million grant for damages from severe storms, tornadoes, straight-line winds, and flooding that occurred in April and May 2014. We conducted this audit early in the grant process to identify areas where the Commission 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 Baldwin County, Alabama, Commission (Commission) accounted for and expended Public Assistance grant funds according to Federal regulations and Federal Emergency Management Agency (FEMA) guidelines. The Commission accounted for disaster costs on a project-by-project basis and adequately supported costs claimed. Further, the contracts we reviewed that the Commission awarded for flood-related damages met Federal procurement standards.

FEMA Response

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



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Department of Homeland Security

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

June 30, 2016

MEMORANDUM FOR: Gracia Szczech
Regional Administrator, Region IV
Federal Emergency Management Agency


Thomas M. Salmon
Acting Assistant Inspector General
Office of Emergency Management Oversight

FROM: Thomas M. Salmon
Acting Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *The Baldwin County, Alabama Commission Effectively
Managed FEMA Grant Funds Awarded for
Damages from Spring 2014 Storms*
Audit Report Number OIG-16-107-D

We audited Federal Emergency Management Agency (FEMA) Public Assistance grant funds awarded to the Baldwin County Commission (Commission) in Robertsedale, Alabama. We conducted this audit early in the Public Assistance Program process to identify areas where the Commission 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 October 27, 2015, the Commission had received a Public Assistance award of \$7.4 million from the Alabama Emergency Management Agency (Alabama), a FEMA grantee, for damages resulting from severe storms, tornadoes, straight-line winds, and flooding beginning on April 28, 2014, and continuing through May 5, 2014. The award provided 75 percent FEMA funding for debris removal, emergency protective measures, and permanent work. We reviewed four large projects totaling \$5.1 million (see appendix A, table 1), or about 68 percent of the total \$7.4 million gross award the Commission received. The Commission did not receive any insurance proceeds for disaster-related damages. At the time of our audit, the Commission had not completed work on all projects and, therefore, had not submitted a final claim to Alabama for all project expenditures.



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Background

The Commission is in Baldwin County, Alabama, which is located along the shores of the Gulf of Mexico and Mobile Bay. During the incident period of April 28, 2014, through May 5, 2014, torrential rains, over 26 inches in some areas, poured onto the coastal area, causing record-breaking flooding. As a result, Baldwin County suffered significant damages to infrastructure, residential neighborhoods, schools, businesses, and other public facilities, with the Commission having to close many roads (see figures 1 and 2). The President issued a disaster declaration on May 2, 2014.

Figure 1: McLeod Lane Flood Damage



Source: Baldwin County Commission



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Figure 2: Battles Road Flood Damage



Source: Baldwin County Commission

Results of Audit

The Commission accounted for and expended Public Assistance grant funds according to Federal regulations and FEMA guidelines. For example, the Commission accounted for disaster costs on a project-by-project basis and adequately supported costs claimed. Further, the contracts we reviewed that the Commission awarded for flood-related damages met Federal procurement standards.

Project Cost Accounting

The Commission has an effective system in place to provide reasonable assurance that it accounts for disaster costs on a project-by-project basis and adequately supports disaster-related costs as Federal regulations and FEMA guidelines require:

- Recipients must account for large project expenditures on a project-by-project basis (44 Code of Federal Regulations (CFR) 206.205(b)). FEMA requires subrecipients to keep records for all projects on a project-by-project basis (*Public Assistance Guide*, FEMA 322, June 2007, p. 137).
- Subrecipients must maintain accounting records that adequately identify the source and application of Federal funds and maintain source



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documentation to support those accounting records (44 CFR 13.20(b)(2) and (6)).

The Commission put a project management system in place to record all disaster-related expenses and created specific activity codes that enabled it to account for all costs by project. We assessed the adequacy of the Commission's policies and procedures for the \$1.4 million (Federal share \$1 million) of claimed cost documentation for two projects consisting of force account labor, equipment, materials, and contract costs. For two additional projects, although the Commission had not submitted claimed costs, we reviewed cost records it had accumulated. We determined that the Commission properly segregated costs by project and maintained sufficient detailed documentation to support the costs.

Procurement Practices

The Commission has adequate procurement practices in place to provide reasonable assurance of its compliance with Federal procurement requirements at 44 CFR 13.36. We discussed the Commission's procurement practices with its contracting official and reviewed the Commission's contracting files. The Commission competitively awarded contracts; conducted cost or price analyses; awarded to the lowest bidders; maintained adequate records documenting procurement history; and monitored contractors to ensure they met the contract terms, conditions, and specifications. The Commission's procurement practices also included affirmative steps to ensure the use of small and minority firms, women's business enterprises, and labor surplus area firms when possible.

Discussion with Management and Audit Follow-Up

We discussed the results of our audit with Commission, Alabama, and FEMA officials during our audit. We also provided a draft report in advance to these officials and discussed it at the exit conference on April 21, 2016. FEMA, Alabama, and Commission officials generally agreed with our comments. This audit did not identify any issues requiring further actions by FEMA; therefore, we consider this audit closed.

The Office of Emergency Management Oversight major contributors to this report are Larry Arnold, Director; John Skrmetti, Audit Manager; Emma Peyton, Auditor-in-charge; and Sean Forney, Auditor.

Please call me with any questions at (202) 254-4100, or your staff may contact Larry Arnold, Director, Gulf Coast Regional Office, at (228) 822-0387.



Appendix A

Objective, Scope, and Methodology

We audited FEMA Public Assistance Program grant funds awarded to the Commission (Public Assistance Identification Number 003-99003-00). Our audit objective was to determine whether the Commission accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines for FEMA Disaster Number 4176-DR-AL. The Commission received a Public Assistance grant award of \$7.4 from Alabama, a FEMA grantee, for damages resulting from severe storms, tornadoes, straight-line winds, and flooding beginning on April 28, 2014 and continuing through May 5, 2014. The award provided 75 percent FEMA funding for debris removal activities; emergency protective measures; repairs to roads and bridges; and repairs to buildings and other facilities for 8 large and 10 small projects.¹

We audited four large projects totaling \$5.1 million (Federal share \$3.8 million). Our audit covered the period May 2014 to October 2015, during which the Commission claimed \$1.4 million (Federal share \$1 million) in costs for the four projects in our audit scope. For two of the four projects, we performed a full audit review that included eligibility of work, procurement practices, and supporting documentation. For the remaining two projects, although the Commission had not submitted claimed costs, we reviewed eligibility and cost records it had accumulated.

As of October 27, 2015, the cutoff date of our audit, Alabama had paid the Commission \$1 million (27 percent of the \$3.8 million Federal share of our scope projects) in disaster cost reimbursements for two projects.

We interviewed FEMA, Alabama, and Commission officials; assessed the adequacy of the policies, procedures, and business practices the Commission uses to account for and expend Federal grant funds and to procure and monitor contracts for disaster work. We judgmentally selected and reviewed (generally based on dollar amounts) project costs and procurement transactions for the projects included in our audit scope. We also reviewed applicable Federal regulations and FEMA guidelines, and performed other procedures considered necessary under the circumstances to accomplish our audit objective. We did not perform a detailed assessment of the Commission's internal controls over its grant activities because it was not necessary to accomplish our audit objective.

¹ Federal regulations in effect at the time of Alabama Floods set the large project threshold at \$120,000 [Notice of Adjustment of Disaster Grant Amounts, 79 Federal Register 10685 (February 26, 2014)].



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We conducted this performance audit between October 2015 and April 2016 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. Unless stated otherwise in this report, to conduct this audit, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

Table 1: Schedule of Projects Audited and Claimed Costs²

Project Number	Category of Work - Project Scope³	Net Amount Awarded	Amount Claimed
80	Cat C - Baldwin Roads	\$1,114,188	\$1,114,188
192	Cat C - Baldwin Roads	262,263	262,263
309	Cat C - Baldwin Culverts	1,483,243	0
310	Cat C - Baldwin Culverts	2,202,652	0
Totals		\$5,062,346	\$1,376,451

Source: Office of Inspector General (OIG) analysis of project worksheets and Commission records

² For projects 309 and 310, although the Commission had not submitted claimed costs, we reviewed eligibility and cost records it had accumulated.

³ FEMA classifies disaster-related work by type: debris removal (Category A), emergency protective measures (Category B), and permanent work (Categories C through G).



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Appendix B

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