

**FEMA Should Recover  
\$51.2 Million in Grant Funds  
Awarded to Cimarron Electric  
Cooperative, Kingfisher,  
Oklahoma**





# **DHS OIG HIGHLIGHTS**

## ***FEMA Should Recover \$51.2 Million in Grant Funds Awarded to Cimarron Electric Cooperative, Kingfisher, Oklahoma***

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**June 8, 2016**

### **Why We Did This Audit**

Cimarron Electric Cooperative (Cimarron) received a \$69.2 million Federal grant from the Oklahoma Department of Emergency Management (Oklahoma), a FEMA grantee, for damages resulting from a severe winter storm in February 2013. Our audit objective was to determine whether Cimarron accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines.

### **What We Recommend**

FEMA should disallow \$51.2 million of improper contracting costs.

#### **For Further Information:**

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

### **What We Found**

Cimarron did not follow Federal procurement standards in awarding \$52.2 million for the repair and replacement of its electrical distribution system. We are not questioning about \$1 million of contract costs Cimarron incurred under exigent circumstances to restore electrical power. However, after restoring power to its customers, Cimarron continued to use noncompetitive contracts for work estimated to total \$51.2 million. Additionally, Cimarron did not take the required affirmative steps to ensure the use of small and minority firms, women's business enterprises, and labor surplus area firms when possible. As a result, the Federal Emergency Management Agency (FEMA) has no assurance that costs were reasonable or that disadvantaged firms received sufficient opportunities to bid on federally funded work.

Cimarron officials said this occurred because, as an electric cooperative following Rural Utilities Service standards, they did not know they were required to follow Federal procurement standards for work under a FEMA Public Assistance grant. However, as FEMA's grantee, Oklahoma was responsible for ensuring that Cimarron was aware of and followed Federal regulations.

### **FEMA Response**

FEMA officials agreed with our findings and recommendations. Appendix B includes FEMA's written response in its entirety.




## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

June 8, 2016

MEMORANDUM FOR: George A. Robinson  
Regional Administrator, Region VI  
Federal Emergency Management Agency



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

SUBJECT: *FEMA Should Recover \$51.2 Million in Grant Funds  
Awarded to Cimarron Electric Cooperative, Kingfisher,  
Oklahoma*  
Report Number OIG-16-97-D

We audited Public Assistance grant funds awarded to Cimarron Electric Cooperative (Cimarron) in Kingfisher, Oklahoma. The Oklahoma Department of Emergency Management (Oklahoma), a Federal Emergency Management Agency (FEMA) grantee, awarded Cimarron \$69.2 million for damages resulting from a severe winter storm that occurred February 24–26, 2013. The award provided 75 percent Federal funding for eligible work. We audited 14 projects totaling \$69.2 million, or 100 percent of the total award (see appendix A, table 2). As of November 6, 2015, the cutoff date of our audit, Cimarron had completed four large projects and two small projects and incurred contracting costs of \$23.2 million. Cimarron had submitted cost documentation to Oklahoma of \$6.5 million at the time of the audit.

### Background

Cimarron, a nonprofit organization, was the state's first rural electric cooperative. It provides electrical service to 15,500 meters in 9 counties that include 4,500 miles of overhead distribution lines. During the incident period of February 24–26, 2013, a severe winter storm with blizzard conditions caused significant ice and snow accumulations over a large portion of northwestern Oklahoma. This storm caused widespread power outages and extensive damage to Cimarron's electrical distribution system. At the time of our audit, Cimarron was continuing its repair and replacement of distribution lines, poles, cross arms, and transformers.





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**Figure 1: Damaged Electrical Lines, Blaine County, Oklahoma**



*Source: Cimarron Electric Cooperative*

### Results of Audit

Cimarron did not follow Federal procurement standards in awarding \$52.2 million for the repair and replacement of its electrical distribution system. We are not questioning nearly \$1 million of contract costs Cimarron incurred for electric line repair and tree trimming work because contractors performed this work under exigent circumstances to restore electrical power. However, after restoring power to its customers, Cimarron continued to use noncompetitive contracts for work estimated to total \$51.2 million for electric line repair and replacement, architectural and engineering (A&E) work, and tree trimming services. Additionally, Cimarron did not take the required affirmative steps to ensure the use of small and minority firms, women's business enterprises, and labor surplus area firms when possible. As a result, FEMA has no assurance that costs were reasonable or that disadvantaged firms received sufficient opportunities to bid on federally funded work. Cimarron officials said this occurred because, as an electric cooperative following Rural Utilities Service standards, they did not know they were required to follow FEMA's Federal regulations.<sup>1</sup>

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<sup>1</sup> The Rural Utilities Service (RUS) is an agency within the U.S. Department of Agriculture charged with providing public utilities (electricity, telephone, water, and sewer) to rural areas in the United States via public-private partnerships.



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Cimarron also claimed \$42,983 of duplicate contract costs and \$10,210 of unsupported contract costs. Therefore, we question the following costs totaling \$51,227,490:

- \$51,174,297 of ineligible contract costs (consisting of \$22,070,789 of incurred costs and \$29,103,508 in planned contracting costs),
- \$42,983 of duplicate contract costs, and
- \$10,210 of unsupported contract costs.

The problems we identified in this report occurred, in part, because Oklahoma, as the grantee, did not adequately monitor Cimarron's subgrant activities to ensure compliance with Federal procurement regulations. Oklahoma is responsible for ensuring that Cimarron is aware of and complies with these requirements as well as for providing technical assistance and monitoring grant activities. Oklahoma officials are aware that they need to improve subgrantee monitoring and are taking steps to improve monitoring. Likewise, FEMA officials have increased outreach and training opportunities to Oklahoma and its subgrantees to help improve compliance with Federal regulations and FEMA policies.

### **Finding A: Improper Procurement**

Cimarron used its own employees, mutual aid agreements with other cooperatives, and contractors to repair and replace segments of its damaged electrical distribution system. However, Cimarron did not follow Federal procurement standards in awarding seven disaster-related contracts totaling \$52.2 million (see table 1).<sup>2</sup> As a result, FEMA has no assurance that costs were reasonable and all potential contractors received an opportunity to bid including small businesses, minority-owned firms, and women's business entities. We question all of the contract costs as ineligible except for nearly \$1 million Cimarron spent for exigent contract work to restore power to its customers. Federal procurement standards at 2 Code of Federal Regulations (CFR) Part 215 require that subgrantees—

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<sup>2</sup> The *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-profit Organizations* at 2 CFR 215 (formerly known as Office of Management and Budget (OMB) Circular A-110) include applicable Federal procurement standards.



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1. perform procurement transactions in a manner to provide, to the maximum extent practical, open and free competition and make awards to the bidder or offeror whose bid or offer is responsive to the solicitation and is most advantageous to the recipient, price, quality, and other factors considered (2 CFR 215.43); and
2. make positive efforts by taking specific steps to ensure the use of small businesses, minority-owned firms, and women's business entities, whenever possible (2 CFR 215.44(b)).

**Table 1: Violations of Procurement Standards for Seven Contracts**

Contracts and Scopes of Work	Contract Award Amount	Exigent Work Not Questioned	Non-Exigent Work Questioned	Violations of Procurement Standards Listed Above	
				1	2
Replacement Contract #1	\$38,638,000	\$ 0	\$38,638,000	X	X
Replacement Contract #2	9,317,000	0	9,317,000	X	
A&E Contract	2,266,120	0	2,266,120	X	X
Repair Contract #1	693,789	304,538	389,251	X	X
Tree Trimming	590,874	31,774	559,100	X	X
Repair Contract #2	422,868	422,868	0	X	X
Repair Contract #3	244,917	240,091	4,826	X	X
<b>Total Cost</b>	<b>\$52,173,568</b>	<b>\$999,271</b>	<b>\$51,174,297</b>		

Source: Cimarron procurement records and Office of Inspector General (OIG) analysis

**Inadequate Competition.** Cimarron awarded seven contracts for the repair and reconstruction of its storm damaged electrical system using inadequate competition. We did not question the \$999,271 Cimarron spent to restore power because loss of electricity places lives and property at risk; therefore, we consider power loss to be an exigent circumstance. Cimarron restored power to its essential customers by April 2013. Therefore, we question contract costs totaling \$51,174,297 for disaster contract work performed and planned after the exigent period as listed in table 1.

Cimarron officials restricted competition by soliciting contract work from only vendors on a pre-approved list its A&E firm developed. Cimarron also used its existing contractors, which Cimarron also hired without free and open competition before the disaster, to perform utility line repair, tree trimming, and A&E work. While FEMA allows grant recipients to use pre-approved lists



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for exigent work, FEMA and Federal regulations for grants require subgrantees to advertise contract solicitations publicly. Cimarron used an unadvertised list of qualified contractors to solicit bids. Further, adequate competition requires proper consideration of small businesses, minority-owned firms, and women's business entities. Cimarron received six bids from the pre-approved list and selected the contractors with the two lowest bids.

***Small and Minority Firms, Women's Business Enterprises, and Labor Surplus Area Firms*** – Cimarron did not take required affirmative steps to ensure the use of small businesses, minority firms, and women's business enterprises in awarding contracts totaling \$41,857,297. Federal regulations require subgrantees to take specific steps to assure the use of these types of firms whenever possible. The steps include using the services and assistance of the Small Business Administration and the Minority Business Development Agency of the Department of Commerce to solicit and use these firms.

Cimarron officials said they were unaware of this requirement and both FEMA and Oklahoma only told them to solicit bids from competent and qualified contractors. Although Cimarron did not take affirmative steps to ensure the use of small and minority firms and women's business enterprises, Cimarron did contract with a small business for \$9.3 million of \$52.2 million awarded.

***Comments from Cimarron Officials and OIG Response*** – Cimarron officials said this occurred because Rural Utilities Services required them to follow procurement standards under 7 CFR 1726.201(b). These standards only required that the cooperative send out a sufficient number of invitations to assure adequate competition (at least three bids received). However, Federal regulations for grant recipients requires compliance with 2 CFR 215, not 7 CFR 1726. In this case, 2 CFR 215 requires nonprofit organizations to provide "open and free" competition when contract awards exceed the \$150,000 simplified acquisition threshold.

Cimarron officials argued that in two prior OIG audits of electric cooperatives we recognized the use of 7 CFR 1726 by not questioning costs because of noncompliance with Federal procurement regulations. We disagree and have never specifically commented on the use of 7 CFR 1726 for FEMA Public Assistance grants. In deciding whether to question costs for noncompliance, we consider the circumstances unique to each disaster; however, we generally question all costs for non-exigent contracts that do not comply with procurement standards applicable to Federal grants. In fact, almost 10 years ago, we issued a report summarizing procurement issues we had identified in



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nine audits of electric cooperatives, five of which were in Oklahoma.<sup>3</sup> In response to our recommendations, FEMA Headquarters developed training slides on Federal procurement standards for rural electric cooperatives (RECs) and issued a memorandum to Regional Administrators for all 10 FEMA regions directing them to use the slides in training their respective states. The memorandum also directed the following:

You should also request that your states provide you with their respective schedules for developing and implementing procedures to ensure that RECs are knowledgeable of and are follow [sic] federal procurement standards. Finally, we request that you reiterate in writing to your states the requirement to disallow costs associated with contracts that do not comply with federal standards.

Cimarron officials also said both FEMA and Oklahoma were aware of their procurement process and did not find fault with their methodology. Although we could not corroborate Cimarron's assertion, we did find where Oklahoma and FEMA met with and provided Cimarron officials guidance on the Federal procurement standards applicable for disaster grants.

Because Cimarron did not provide free and open competition in its contract solicitations for non-emergency work and did not ensure that disadvantaged firms received opportunities to bid on all its federally funded work, we question \$51,174,297 as ineligible contract costs. Because of our audit, Cimarron officials said they have incorporated disaster procurement methodology and required contracting language for its recent disaster-related contracts. In addition, Cimarron plans to follow Federal procurement standards applicable for disaster grants for all future disaster contracts.

### **Finding B: Duplicate Costs**

Cimarron's claim included \$42,983 of duplicate contract costs. Section 312(a) of the *Stafford Act*,<sup>4</sup> *Duplication of Benefits*, states that no entity will receive assistance for any loss for which it has received financial assistance from any other program, from insurance, or from any other source. Cimarron claimed \$507,393 of material costs under Project 142 to repair and replace damaged

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<sup>3</sup>*Recap of Procurement Problems Identified in Audits of Electric Cooperatives* (DD-11-06, September 6, 2006).

<sup>4</sup> *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, 42 U.S.C. 5121, *et seq.*





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electrical lines. Because of a calculation error, Cimarron claimed the cost of utility poles as both a line item under Section 406 hazard mitigation and as a line item under material costs, resulting in a duplication of costs. If Cimarron had reported costs correctly, the cost of utility poles would have been \$464,410, leaving \$42,983 (\$507,393 minus \$464,410) of ineligible duplicate costs questioned. All parties involved (FEMA, Oklahoma and Cimarron) concurred with this issue.

After the exit conference, FEMA officials quickly deobligated the \$42,983 in duplicated costs. As a result, we consider this finding and the related recommendation to be resolved and closed and require no further action from FEMA.

### **Finding C: Unsupported Costs**

Cimarron's claim included \$10,210 of unsupported contract costs. Therefore, FEMA has no assurance that these costs are valid or eligible. Federal cost principles at 2 CFR 215.21, require costs to be adequately documented to be allowable under a Federal award. Cimarron incurred \$415,152 of contract costs for Project 202 to repair damaged electrical lines. Invoice and payment records provided did not support \$10,210 of incurred material costs. The invoices showed the contractor installed 29 electrical poles, but the supporting documentation for the invoices showed only 13 electrical poles delivered to the project site. Cimarron officials said all electric poles in their inventory were accounted for but the contractor may have over billed them. Based on our analysis of its records, Cimarron cannot support costs for installation and removal of 16 electrical poles totaling \$10,210 in contract costs. As a result, we question \$10,210 in unsupported costs. All parties involved (FEMA, Oklahoma and Cimarron) concurred with this issue.

After the exit conference, FEMA officials quickly deobligated the \$10,210 of unsupported contract costs. As a result, we consider this finding and the related recommendation to be resolved and closed and require no further action from FEMA.



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### Finding D: Grant Management

Oklahoma, as grantee, did not effectively execute its grant management responsibilities by ensuring Cimarron was aware of and followed Federal procurement standards. Federal regulations at 44 CFR 13.37(a)(2) and 13.40(a) require grantees to (1) ensure that subgrantees are aware of Federal regulations imposed on them, (2) manage the operations of subgrant activity, and (3) monitor subgrant activity to ensure compliance. In this case, Oklahoma officials did not know about these procurement problems until we identified them. Oklahoma officials said this occurred because, in the past, they did not always have a complete understanding of the Federal regulations. Oklahoma officials also said this occurred because of significant attrition, employee health problems, and a lack of resources.

Oklahoma also did not adequately monitor Cimarron's subgrant activities, such as conducting site visits and assessing compliance with Federal regulations. In another audit, we identified similar grant management problems in Oklahoma.<sup>5</sup> Since then, FEMA Region VI officials have increased outreach and training opportunities to Oklahoma and its subgrantees to help improve compliance with Federal regulations and FEMA policies. Because of FEMA's continued efforts, we are not making any recommendations for improving grant management.

### Recommendations

We recommend that the Regional Administrator, FEMA Region VI:

**Recommendation 1:** Disallow as ineligible \$51,174,297 (\$38,380,723 Federal share) for contracts that did not comply with Federal procurement standards unless FEMA decides to grant an exception for all or part of the costs as 2 CFR 215.4 allows and determines that the costs are reasonable (finding A).

**Recommendation 2:** Disallow as ineligible \$42,983 (\$32,237 Federal share) of duplicate costs. FEMA deobligated the ineligible costs; therefore, we consider this recommendation to be resolved and closed and require no further action from FEMA (finding B).

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<sup>5</sup> OIG-15-111-D, *FEMA Should Recover \$4.85 Million of Ineligible Grant Funds Awarded to Oklahoma City, Oklahoma*, July 1, 2015.



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**Recommendation 3:** Disallow \$10,210 (\$7,658 Federal share) of unsupported costs. FEMA deobligated the unsupported costs; therefore, we consider this recommendation to be resolved and closed and require no further action from FEMA (finding C).

### Discussion with Management and Audit Follow-up

We discussed the results of our audit with FEMA, Oklahoma, and Cimarron officials during and after our audit and included their comments in this report, as appropriate. We also provided a draft report in advance to these officials and discussed it at exit conferences with FEMA on March 7, 2016, and with Oklahoma and Cimarron officials on March 31, 2016. Oklahoma officials elected to withhold comment for findings A and D until after we issue our final report and agreed with findings B and C and the associated recommendations. Cimarron officials maintained disagreement with finding A and its recommendation and agreed with findings B and C and the associated recommendations.

During our fieldwork, Cimarron officials contended they complied with open and free competition in that their engineer procured contractors as they had in prior declared disasters and they were not aware of 2 CFR 215. They also contended they complied with the disadvantaged business requirement in that they considered disadvantaged businesses in their contractor selection process and believed their engineer would take affirmative action steps in the process of compiling a qualified contractor list.

FEMA officials provided a written response to this report on April 6, 2016 (see appendix B). FEMA officials generally agreed with our findings and recommendations. For recommendations 2 and 3, FEMA deobligated the questioned costs; therefore, we consider the two recommendations resolved and closed with no further action required from FEMA. For recommendation 1, FEMA officials agreed with the finding and stated they would work with Oklahoma and Cimarron officials to determine the eligibility and reasonableness of the contract costs we questioned. However, FEMA did not provide a target completion date for its proposed corrective actions.

To resolve recommendation 1, please provide our office with a target completion date for planned actions within 90 days from the date of this memorandum. Also, please include the contact information for responsible parties and any other supporting documentation necessary to inform us about the status of the recommendations. Please email a signed PDF copy of all responses and



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closeout request to [Christopher.Dodd@oig.dhs.gov](mailto:Christopher.Dodd@oig.dhs.gov). We will post the final report on our website, including your formal comments as an appendix to the report. Until we receive and evaluate your response, we will consider the recommendation open and unresolved.

The Office of Emergency Management Oversight major contributors to this report are Christopher Dodd, Director; Chiquita Washington, Audit Manager; William Lough, Auditor-in-Charge; and Lori Smith, Senior Auditor.

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





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### Appendix A

#### Objective, Scope, and Methodology

We audited FEMA Public Assistance grant funds awarded to Cimarron Electric Cooperative (Public Assistance Identification Number 000-U05EE-00). Our audit objective was to determine whether Cimarron accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines for FEMA Disaster Number 4109-DR-OK. Oklahoma awarded Cimarron \$69.2 million for damages resulting from severe winter storms that occurred February 24–26, 2013. The award provided 75 percent funding for 12 large and 2 small projects.<sup>6</sup>

We initially audited seven large projects totaling \$33 million, or 48 percent of the total award. The audit covered the period February 24, 2013, through November 6, 2015, the cutoff date of our audit. Because our initial review of Cimarron's contracting methodology identified contracting issues, for contract and procurement purposes, we expanded the scope of our audit to include an additional seven projects totaling \$36.2 million. For those seven projects, we limited our review to the procurement methodology Cimarron used in awarding contracts for work related to those projects and a sample of contracting costs to determine if they were eligible. We reviewed only those contracts greater than the simplified acquisition threshold currently set at \$150,000. Table 2 describes the initial and expanded scope of projects we audited. The 14 projects we reviewed total \$69.2 million, or 100 percent of the total award.

We interviewed FEMA, Oklahoma, and Cimarron officials; gained an understanding of Cimarron's method of accounting for disaster-related costs and its procurement policies and procedures; reviewed Cimarron's disaster-related contracts awarded and supporting documents; judgmentally selected and reviewed (generally based on dollar amounts) project costs and procurement transactions; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our objective. We did not perform a detailed assessment of Cimarron's internal controls over its grant activities because it was not necessary to accomplish our audit objective.

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<sup>6</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$67,500 [Notice of Adjustment of Disaster Grant Amounts 77 Fed. Reg. 61,423 (Oct. 9, 2012)].



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## Appendix A (continued)

**Table 2: Schedule of Projects Audited and Questioned Costs**

Project/ Category of Work <sup>7</sup>	Award Amount	Costs Questioned by Finding			
		A	B	C	Total
142-F	\$2,233,063	\$ 0	\$ 42,983	\$ 0	\$ 42,983
170-F	3,064,269	1,971,300	0	0	1,971,300
193-F	11,955,538	7,579,385	0	0	7,579,385
194-F	4,006,767	2,184,977	0	0	2,184,977
196-F	646,898	646,898	0	0	646,898
200-F	10,630,678	4,901,975	0	0	4,901,975
202-F	445,422	415,151	0	10,210	425,361
Subtotal	\$32,982,635	\$17,699,686	\$ 42,983	\$ 10,210	\$17,752,879
<b>Expanded Scope</b>					
102-A	\$ 59,985	\$ 0	\$ 0	\$ 0	\$ 0
140-B	15,150	0	0	0	0
192-F	3,238,837	40,411	0	0	40,411
195-F	3,817,167	2,269,310	0	0	2,269,310
197-F	12,085,882	1,886,862	0	0	1,886,862
198-F	3,047,886	0	0	0	0
199-F	13,906,162	174,520	0	0	174,520
Subtotal	\$36,171,069	\$4,371,103	\$ 0	\$ 0	\$4,371,103
<b>Future Contracting Costs</b>					
Projects Above	\$ 0	\$ 29,103,508	\$ 0	\$ 0	\$ 29,103,508
<b>Total</b>	<b>\$69,153,704</b>	<b>\$51,174,297</b>	<b>\$ 42,983</b>	<b>\$ 10,210</b>	<b>\$51,227,490</b>

Source: FEMA project worksheets, Cimarron's records, and OIG analysis

We conducted this performance audit between June 2015 and March 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. We conducted this audit by applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

<sup>7</sup> FEMA identifies types of work by category: A for debris removal, B for emergency protective measures, and C-G for permanent work.



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**Appendix B**  
**FEMA Region VI Audit Response**

U.S. Department of Homeland Security  
FEMA Region 6  
Federal Regional Center  
800 North Loop 288  
Denton, TX 76209-3698



**FEMA**

April 6, 2016

**MEMORANDUM FOR:** Christopher Dodd, Director  
OIG Central Regional Office - South

**FROM:** George A. Robinson *George A. Robinson*  
Regional Administrator

**SUBJECT:** Management Response to Draft Report  
*FEMA Should Recover \$51.2 Million in Grant Funds Awarded to  
Cimarron Electric Cooperative, Kingfisher, Oklahoma*  
FEMA Disaster: DR-4109-OK  
Audit Job Code: G-15-025

Thank you for the opportunity to review and comment on the referenced Draft Report. The Federal Emergency Management Agency (FEMA) Region 6 (R6) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this Report.

FEMA R6 concurs with the 3 recommendations of the revised Draft Report. Specifically, the  
OIG recommended that FEMA R6 take the following actions:

**Recommendation #1:** *Disallow as ineligible \$51,174,297 (\$38,308,723 Federal share) for contracts that did not comply with Federal procurement standards unless FEMA decides to grant an exception for all or part of the costs as 2 CFR 215.4 allows and determines that the costs are reasonable (finding A).*

**Response:** Concur. FEMA R6 agrees with this recommendation; however, FEMA R6 will work with the State of Oklahoma and Cimarron Electric Cooperative (applicant) to determine reasonable and eligible costs for the contract costs questioned by the OIG.

**Estimated Completion Date:** To be determined.

**Recommendation #2:** *Disallow as ineligible \$42,983 (\$32,237 Federal share) of duplicate costs (finding B).*

**Response:** Concur. FEMA R6 agrees with the recommendation and deobligated \$42,983 from Project 142 on March 28, 2016.

**Estimated Completion Date:** Complete.

**Recommendation #3:** *Disallow \$10,210 (\$7,658 Federal share) of unsupported costs (finding C).*

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**Appendix B (continued)**  
**FEMA Region VI Audit Response**

Mr. Dodd  
April 6, 2016  
Page 2

**Response:** Concur. FEMA R6 agrees with the recommendation and deobligated \$10,210 from Project 202 on March 28, 2016.

**Estimated Completion Date:** Complete.

Again, thank you for the opportunity to comment on this Draft Report. If you have any questions, please contact Kent Baxter, Audit Coordinator, at 940-898-5399. We look forward to working with you in the future to resolve the recommendations and close this audit.

cc: Albert Ashwood, OEM  
Moises Dugan, R6-ORA  
Greg Eaton, R6-REC  
Mark Price, R6-REC  
Bill Boone, R6-REC  
Michael Crow, R6-REC  
Kathy Hill, HQ-OCFO-RM  
Gary McKeon, HQ-OPPA-ALO  
R. Kent Baxter, R6-ORA





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**Appendix C**  
**Potential Monetary Benefits**

**Table 3: Summary of Potential Monetary Benefits**

<b>Type of Potential Monetary Benefit</b>	<b>Total</b>	<b>Federal Share</b>
Questioned Costs – Ineligible	\$ 51,217,280	\$ 38,412,960
Questioned Costs – Unsupported	10,210	7,658
Funds Put to Better Use	0	0
<b>Totals</b>	<b>\$51,227,490</b>	<b>\$38,420,618</b>

*Source:* OIG analysis of report findings



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**Appendix D**  
**Report Distribution**

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Oklahoma Legislative Auditor  
Senior Vice President of Operations and Engineering, Cimarron Electric  
Cooperative

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