

**Verification Review of  
Larimer County, Colorado,  
OIG Audit Report  
(OIG-15-34-D)**





# DHS OIG HIGHLIGHTS

## ***Verification Review of Larimer County, Colorado, OIG Audit Report (OIG-15-34-D)***

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**January 4, 2017**

### **Why We Did This Review**

We conducted this verification review to assess the progress on two recommendations from our February 2015 report, *Larimer County, Colorado, Needs Assistance to Ensure Compliance with FEMA Public Assistance Grant Requirements* (OIG-15-34-D), and to determine whether FEMA's corrective actions achieved the intended results.

### **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](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

### **What We Found**

Colorado's technical assistance and monitoring of Larimer County's (County) procurement and project-related activities are effective. We also verified that the County can document and account for its disaster-related costs on a project-by-project basis and that its policies and procedures are adequate to account for Federal Emergency Management Agency (FEMA) grant funds according to Federal regulations and FEMA guidelines.

As of August 26, 2016, the approved amount for the County's award had increased from \$22.5 million to \$45.2 million. Therefore, if Colorado's technical assistance and monitoring activities continue, the County should avoid mispending \$45.2 million of Public Assistance grant funds.

### **FEMA Response**

Because the verification review does not identify any issues requiring further action from FEMA Region VIII, we consider this verification review to be closed.



## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

January 4, 2017

MEMORANDUM FOR: Nancy J. Dragani  
Acting Regional Administrator, Region VIII  
Federal Emergency Management Agency

*Thomas M. Salmon*

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

SUBJECT: *Verification Review of Larimer County, Colorado,*  
*OIG Audit Report OIG-15-34-D*  
Audit Report Number OIG-17-16-D

We conducted a verification review to assess the Federal Emergency Management Agency's (FEMA) progress on two recommendations from our February 2015 report, *Larimer County, Colorado, Needs Assistance to Ensure Compliance with FEMA Public Assistance Grant Requirements* (OIG-15-34-D). We periodically conduct verification reviews to evaluate progress on selected audit recommendations, including whether corrective actions achieved the intended result.

### Background

A storm system, with record-breaking precipitation and without advanced warning, caused flooding, landslides, and mudslides in 18 Colorado counties, most significantly on September 11, and 12, 2013. The disaster caused damage and destruction to a significant number of homes, and resulted in the evacuation of 18,147 residents, 218 injuries, and 10 deaths. The President issued an Emergency Declaration on September 12, 2013, and then signed a Major Disaster Declaration (DR-4145-CO) on September 14, 2013, authorizing FEMA to support State and local response and begin recovery efforts. Larimer County, Colorado, (County) requested and received FEMA Public Assistance grant funds from the Colorado State Division of Homeland Security and Emergency Services (Colorado), a FEMA grantee, for the storm damages. The award provided 75 percent funding for debris removal, emergency protective measures, and permanent work, for 51 large and 29 small projects.<sup>1</sup>

In January and February 2014, we advised FEMA, Colorado, and County officials that we would begin an audit of the County's disaster-related grant

<sup>1</sup> Federal regulations in effect at the time of the disaster set the large project threshold at greater than \$67,500 [*Notice of Adjustment of Disaster Grant Amounts*, Vol. 77, No. 195, Fed. Reg. 61,423 (Oct. 9, 2012)].





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funds. At the time of our audit, the grant totaled \$22.5 million. During our audit, we determined that, before February 2014, the County's policies, procedures, and business practices were not adequate to account for and expend FEMA grant funds according to all Federal requirements, and identified several weaknesses in the County's policies and procedures related to procurement, adequate support for costs, and accounting for costs. Specifically, for two large projects totaling \$2.6 million we reported that the County did not—

- comply with Federal procurement standards in awarding \$1,506,548 in contracts for disaster work;
- support contract (\$747,592) and force account equipment (\$3,832) costs adequately; and
- maintain adequate accounting records that would allow us to trace \$762,856 in cost reimbursement requests to the County's accounting ledgers.

Consequently, we recommended that the Regional Administrator, FEMA Region VIII:

- direct Colorado to provide additional technical assistance and monitoring to the County to ensure compliance with all Public Assistance grant requirements. Colorado's assistance will reduce the risk of the County losing \$22.5 million in Federal funding as a result of noncompliance with Federal requirements (Recommendation 1); and
- direct Colorado to review the \$1.5 million in costs the County incurred for emergency work on Projects 170 and 330 to ensure the costs are reasonable, supported, and eligible (Recommendation 2).

### Results of Review

Our review validated that Colorado's additional technical assistance and continuous monitoring of the County's procurement and project-related activities are effective. Our review also verified that the County can document disaster-related costs on a project-by-project basis and that its policies and procedures are adequate to account for FEMA grant funds according to Federal regulations and FEMA guidelines. As of August 26, 2016, the approved amount for the County's award increased from \$22.5 million to \$45.2 million. Therefore, if Colorado's technical assistance and monitoring activities continue, the County should avoid mispending \$45.2 million of Public Assistance grant funds.



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To determine whether FEMA's implementation of these recommendations achieved the intended results, we interviewed FEMA, Colorado, and County officials. We also reviewed the County's policies, procedures, and business practices subsequent to our 2015 audit report and assessed the adequacy of the County's policies and procedures to account for and expend the County's contract, force account labor, and equipment costs. Additionally, we reviewed eight contracts totaling \$24.8 million the County awarded for disaster-related permanent work.

### ***Implementation of Recommendations***

FEMA's corrective actions met the intent of our recommendations, which we closed as of July 28, 2015. For recommendation 1, FEMA directed Colorado to provide the County with additional technical assistance and monitoring. In March 2015, FEMA and Colorado officials met with County officials to discuss improving its accounting and procurement processes. In addition, Colorado conducted monthly conference calls with the County to discuss its disaster-related projects and procurement procedures that included various refresher workshops addressing Federal regulation requirements for soliciting small and minority firms and women's business enterprises.<sup>2</sup>

Consequently, the County revised its Comprehensive Emergency Management Plan to include a (1) Public Assistance Program and Financial Management Annex, (2) Disaster Declaration Annex, and (3) Disaster Policy (i.e., provides directions to all County departments on emergency actions and changes to existing day-to-day policies in the event of a locally declared disaster). Further, based on our review of the eight disaster-related contracts the County awarded, we determined the County complied with Federal procurement standards.

For recommendation 2, FEMA directed Colorado to review the County's \$1.5 million in emergency-related costs for Projects 170 and 330. On June 13, 2014, Colorado determined those costs were reasonable, supported, and eligible. In addition, the County is now able to document its disaster-related costs on a project-by-project basis. Therefore, if Colorado's technical assistance and monitoring activities continue, the County should avoid mispending \$45.2 million of Public Assistance funding requested for this disaster.

### **Discussion with Management**

We discussed the results of our review with FEMA, Colorado, and County officials during our audit. We considered their comments in developing our final report and incorporated their comments as appropriate. We also provided a draft report in advance to these officials and discussed it at exit conferences

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<sup>2</sup> 44 Code of Federal Regulations (CFR) 13.36(e)



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with FEMA and Colorado officials on October 18, 2016, and County officials on October 18, 2016. Because the verification review did not identify any issues requiring further action from FEMA, we consider this verification review closed.

The Office of Emergency Management Oversight major contributors to this report are Paige Hamrick, Director; David B. Fox, Audit Manager; Dwight McClendon, Auditor-In-Charge; and Rodney Johnson, 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**

The objective of this verification review was to assess the progress on the two recommendations from our February 2015 report, *Larimer County, Colorado, Needs Assistance to Ensure Compliance with FEMA Public Assistance Grant Requirements* (OIG -15-34-D). The objective also included determining whether corrective actions on the recommendations achieved the intended results.

We interviewed FEMA, Colorado, and County officials; gained an understanding of their monitoring; reviewed the County's policies, procedures, and business practices both before and after our 2015 audit report; assessed the adequacy of the County's revised policies and procedures to account for the County's contracts and force account labor and equipment; judgmentally selected and reviewed transactions (generally based on dollar value); and reviewed selected disaster related costs for Projects 170 and 330. In addition, we 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 the County's internal controls over its grant activities because it was not necessary to accomplish our verification review objective.

We conducted this verification review between July and October 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 verification review objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our verification review objective. In conducting this verification review, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.



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#### **Office of Management and Budget**

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