

**Escambia County, Florida,  
Has Adequate Policies,  
Procedures, and Business  
Practices to Effectively  
Manage FEMA Grant  
Funds Awarded to  
Replace Its Central  
Booking and Detention  
Center**





# DHS OIG HIGHLIGHTS

## *Escambia County, Florida, Has Adequate Policies, Procedures, and Business Practices to Effectively Manage FEMA Grant Funds Awarded to Replace Its Central Booking and Detention Center*

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**February 6, 2017**

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

Escambia County, Florida (County) received an \$86.0 million net grant award from the Florida Division of Emergency Management (Florida), a FEMA grantee, which included \$55.4 million to replace its Central Booking and Detention Center damaged as a result of severe storms and flooding in April and May 2014. 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](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov).

### **What We Found**

The County has established policies, procedures, and business practices to properly account for and expend FEMA Public Assistance grant funds awarded to replace the County's Central Booking and Detention Center (Project 1006). Therefore, if the County adheres to those policies, procedures, and business practices, FEMA has reasonable assurance that the County will properly manage the estimated \$55.4 million in FEMA project funding awarded for replacement of the facility.

### **FEMA Response**

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



## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

February 6, 2017

MEMORANDUM FOR: Gracia Szczech  
Regional Administrator, Region IV  
Federal Emergency Management Agency  
*Thomas M. Salmon*

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

SUBJECT: *Escambia County, Florida, Has Adequate Policies, Procedures, and Business Practices to Effectively Manage FEMA Grant Funds Awarded to Replace Its Central Booking and Detention Center*  
Audit Report Number OIG-17-35-D

We audited Federal Emergency Management Agency (FEMA) Public Assistance grant funds awarded to Escambia County, Florida (County) to replace its Central Booking and Detention Center (Project 1006). We conducted this audit early in the Public Assistance 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 September 7, 2016 (our audit cutoff date), the Florida Division of Emergency Management (Florida), a FEMA grantee, had awarded the County \$86.0 million for disaster-related damages, which included \$55.4 million to replace the County's Central Booking and Detention Facility (Project 1006).<sup>1</sup> The award provided 75 percent FEMA funding. At the time of our fieldwork, the County had expended \$1.85 million in disaster costs under Project 1006 but had not filed reimbursement claims to Florida for any expenditures. We assessed the policies, procedures, and business practices the County used to account for and expend the \$1.85 million in disaster costs.

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<sup>1</sup> FEMA's allocation of insurance recoveries to all damaged facilities was ongoing at the time of our audit.





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### Background

Escambia County experienced intense and prolonged rainfall from April 28, through May 6, 2014, that caused substantial flooding in the county. Floodwaters inundated the County's Central Booking and Detention Center and gas-powered dryers located in the bottom floor laundry room of the facility began to float and damage gas lines attached to the dryers. An unknown ignition source ultimately caused the room to explode, substantially damaging the laundry room and other rooms surrounding it (see figure 1). FEMA determined that the estimated cost to repair the facility exceeded 50 percent of the estimated replacement cost; therefore, the County was eligible for full replacement of the facility.<sup>2</sup> At the time of our audit, the new facility was in the design phase.

**Figure 1: Laundry Room Explosion Site**



Source: Office of Inspector General

<sup>2</sup> According to 44 Code of Federal Regulations (CFR) 206.226(f)(1) and FEMA's *Public Assistance Guide* (FEMA 322, June 2007, p. 37), a facility is eligible for replacement when the cost of repairing the facility exceeds 50 percent of the replacement cost.



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The President signed a Major Disaster Declaration (DR-4177-FL) on May 6, 2014, authorizing FEMA to support State and local response and begin recovery efforts.

### Results of Audit

The County has established policies, procedures, and business practices to properly account for and expend FEMA Public Assistance grant funds awarded to replace the County's Central Booking and Detention Center (Project 1006). Therefore, if the County adheres to those policies, procedures, and business practices, FEMA has reasonable assurance that the County will properly manage the estimated \$55.4 million in FEMA project funding awarded for replacement of the facility.

### Accounting Policies and Procedures

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

- Grantees must account for large project expenditures on a project-by-project basis (44 Code of Federal Regulations (CFR) 206.205(b)). FEMA instructs subgrantees to keep records for all projects on a project-by-project basis (*Public Assistance Guide*, FEMA 322, June 2007, p. 137).
- Grantees and 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's accounting system tracks disaster-related expenditures and revenues by a specific disaster fund code that enables it to assign a unique accounting code to each FEMA-funded project. As of September 7, 2016, our audit cutoff date, the County had expended \$1.85 million of disaster costs for Project 1006. We judgmentally selected \$1.81 million of project costs and reviewed applicable invoices, payments, and payroll records that supported the costs. We determined that the costs were eligible, properly charged to the project, and adequately supported.



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### **Procurement Practices**

The County has sufficient and adequate procurement policies and procedures to comply with the Federal procurement standards. These Federal procurement standards required the County to, among other activities —

- conduct procurement transactions in a manner providing full and open competition (44 CFR 13.36(c)(1)). Full and open competition increases the probability of reasonable pricing from the most qualified contractors, and helps discourage and prevent favoritism, collusion, fraud, waste, and mismanagement of Federal resources;
- include specific contract provisions in federally funded contracts (44 CFR 13.36(i)). These Federal contract provisions document the rights and responsibilities of the parties and minimize the risk of contract misinterpretations and disputes;
- ensure the use of small or disadvantaged business enterprises, such as minority firms and women's business enterprises, when possible (44 CFR 13.36(e)(2)(i) through (v)). As a result, FEMA has assurance that these types of firms had sufficient opportunities to bid on Federal work as Congress intended.

As of September 7, 2016, our audit cutoff date, the County had awarded three contracts totaling \$6.1 million for disaster-related work under Project 1006. We reviewed the County's procurement policies and procedures and discussed these practices with the County's contracting officials. We also reviewed procurement records such as those for contract selection, basis for contract price, requests for proposals, bid tabulations, agreements, and contracts for the three contracts the County had awarded for project work. We determined that the County complied with applicable Federal procurement requirements when awarding the disaster work.

### **Insurance Policies and Procedures**

The County's insurance procedures and business practices are adequate to ensure that the County deducts anticipated insurance proceeds from eligible projects in accordance with Federal regulations (44 CFR 206.250(c)).

As of September 7, 2016, the County had submitted a claim with its insurance carrier and had received \$30.4 million (net of legal fees) from insurance settlements and mediation to cover all damaged County facilities, including the Central Booking and Detention Center. At the time of our audit, FEMA was



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reviewing all insurance considerations to determine how best to allocate the insurance proceeds.

In our discussions, we also confirmed that County officials are aware that obtaining and maintaining insurance on damaged insurable facilities is a condition of current and future FEMA funding (44 CFR 206.252(d)).

### **Discussion with Management and Audit Follow-up**

We discussed the results of our audit with the County, Florida, and FEMA officials during our audit. We also provided a draft report in advance to these officials and discussed it at the exit conference held on December 12, 2016. Because the audit did not identify any issues requiring further action, we consider this audit closed.

The Office of Emergency Management Oversight major contributors to this report are David Kimble, Director; Adrienne Bryant, Audit Manager; John R. Schmidt, Auditor-in-Charge; and Larry Jones, Auditor.

Please call me with any questions at (202) 254-4100, or your staff may contact David Kimble, Director, Eastern Regional Office – South at (404) 832-6702.



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## Appendix A

### Objective, Scope, and Methodology

We audited Public Assistance grant funds awarded to the County (FIPS Code 033-99033-00) to replace its Central Booking and Detention Center damaged under FEMA Disaster Number 4177-DR-FL. The award provided 75 percent FEMA funding for the facility. Our audit objective was to determine whether the County's policies, procedures, and business practices are adequate to account for and expend FEMA Public Assistance Program grant funds according to Federal regulations and FEMA guidelines. We conducted this audit early in the Public Assistance process to identify areas where the County may need additional technical assistance or monitoring to ensure compliance and prevent improper expenditure of Federal grant funds.

Our audit covered the period of April 28, 2014, the first day of the incident period for the disaster, through September 7, 2016, our audit cutoff date. At the time of our audit, Florida had awarded the County \$86.0 million for disaster-related damages, which included \$55.4 million to replace the County's Central Booking and Detention Facility (Project 1006). As of September 7, 2016, the County had incurred \$1.85 million in disaster costs under Project 1006 but had not submitted any reimbursement claims to Florida. Our audit assessed the policies, procedures, and business practices the County used to account for and expend the \$1.85 million of costs.

We interviewed County, Florida, and FEMA personnel; assessed the adequacy of the policies, procedures, and business practices the County uses and plans to use to account for and expend Federal grant funds, and to procure and monitor contracts for disaster work; 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 control over its grant activities because it was not necessary to accomplish our audit objective.

We conducted this performance audit between August and December 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. 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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