

**FEMA Should Disallow
\$1.5 Million in Grant
Funds Awarded to Hays
County, Texas**





DHS OIG HIGHLIGHTS

FEMA Should Disallow \$1.5 Million in Grant Funds Awarded to Hays County, Texas

June 22, 2017

Why We Did This Audit

Hays County, Texas (County), received a \$3.2 million Federal Emergency Management Agency (FEMA) grant award for damages resulting from severe storms and flooding in May and June 2015. We selected Hays County for audit because FEMA officials asked us whether the County's (and other grant subrecipients') use of a shared services agreement met Federal requirements.

What We Recommend

FEMA should disallow \$1.5 million as ineligible costs for contracts that overly restricted competition and direct Texas to advise its grant subrecipients about the use of shared services agreements when spending Federal funds.

For Further Information:

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

What We Found

The County did not fully comply with procurement standards for Federal grants in awarding contracts for disaster work. The County used the Houston-Galveston Area Council (HGAC) to procure two contracts totaling \$1.5 million for debris removal and monitoring. However, HGAC required its prospective debris removers to have performed three debris removal projects of at least 1 million cubic yards of debris. In this instance, the County needed to remove a much smaller volume of debris — about 150,000 cubic yards. Therefore, HGAC's requirements prevented smaller companies from competing for the federally funded work. In soliciting bids for the two contracts, HGAC also did not take all the affirmative steps that Federal regulations require to provide opportunities for disadvantaged businesses when possible.

Federal regulations encourage grant recipients to enter into state and local intergovernmental agreements to foster economy and efficiency. Nevertheless, the use of these shared services agreements does not relieve the grant recipient or subrecipient of its responsibility to comply with Federal procurement requirements.

The County also awarded two smaller contracts totaling \$367,191 without taking the federally required affirmative steps or including all required contract provisions. In response to our audit, however, the County revised its procurement policies to comply with Federal requirements, canceled one of the contracts, and plans to resolicit bids for more than \$200,000 of disaster work.

FEMA Response

FEMA Region VI officials concurred with our findings and recommendations. Appendix C includes FEMA's written response in its entirety.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

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

FROM: John E. McCoy II
Acting Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Should Recover \$1.5 Million in Grant Funds
Awarded to Hays County, Texas*
Audit Report Number OIG-17-77-D

We audited Public Assistance grant funds awarded to Hays County, Texas (County). The Texas Division of Emergency Management (Texas), a Federal Emergency Management Agency (FEMA) grant recipient, awarded the County \$3.2 million for damages resulting from severe storms, tornadoes, straight-line winds, and flooding that occurred May 4, through June 19, 2015. The award provided 75 percent Federal funding for eligible work. The County received \$52,868 of insurance proceeds covering eligible damage.

We audited six approved projects totaling \$2.4 million, or 75 percent of the total award (see table 1 in appendix A). We also audited four unobligated projects totaling \$412,785. As of February 11, 2016, the cutoff date of our audit, the County had completed work on most projects, but had not submitted any of its costs to Texas for reimbursement.

FEMA Region VI officials informed us that several grant subrecipients had used the services of the Houston-Galveston Area Council (HGAC) to procure contracts for work related to this Texas disaster. FEMA asked us whether using HGAC's services satisfied the requirements of procurement standards for Federal grants. Therefore, we selected the County for audit specifically because it procured contracts using HGAC's procurement services. However, the findings and opinions we express in this report are based only on our audit of Hays County. We did not audit HGAC or the procedures it used to procure contracts other than those the County used for this disaster.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Background

Hays County is located on the Edwards Plateau situated between Austin and San Antonio, Texas, and is part of the Austin-Round Rock metropolitan area. The County has a population of about 195,000 and covers 680 square miles. From May 4, to June 19, 2015, the County received significant rainfall causing the rivers and creeks to overflow. The Blanco River, with a flood stage of 13 feet,¹ crested at over 40 feet, washing away more than 400 homes and 2 main bridges (see figure 1). The President declared the major disaster on May 29, 2015.

Figure 1: Fisher Bridge Washed Out, Hays County, Texas



Source: Hays County, Texas

On September 9, 1966, the State of Texas created the Houston-Galveston Area Council (HGAC) as a regional planning commission. HGAC, a political subdivision of the State of Texas, is a voluntary membership organization of local governments in a 13-county region surrounding Houston. According to its website, HGAC strives to make the government procurement process more efficient by providing competitively priced contracts for goods and services to help its members achieve their purchasing goals. The County used HGAC's procurement services to procure two contracts, one to perform debris removal and the other to monitor the debris removal.

¹ Flood stage is when the surface of a body of water has risen sufficiently to cause inconvenience or a threat to life or property.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Results of Audit

The County did not always comply with Federal procurement standards. Specifically, the County used a shared services agreement with HGAC to procure two contracts totaling \$1.5 million that did not fully meet Federal requirements. When advertising for the debris removal contract, HGAC unreasonably restricted competition by not allowing smaller contractors to compete for the work. For both debris-related contracts, HGAC's procurement practices also did not take the specific steps that Federal regulations require to provide opportunities for small and minority businesses, women's business enterprises, and labor surplus area firms to bid on federally funded work when possible.

The County also awarded two smaller contracts totaling \$367,191² without taking the federally required affirmative steps or including all required contract provisions. In response to our audit, however, the County revised its procurement policies to comply with Federal requirements. The County also canceled one of the contracts and plans to resolicit bids for more than \$200,000 of disaster work.

Federal regulations encourage grant recipients to use shared services to foster economy and efficiency. Nevertheless, the use of these shared services does not relieve the grant recipient or subrecipient of its responsibility to comply with Federal procurement requirements. Therefore, FEMA should disallow as ineligible \$1,473,045 for the two contracts that Hays County awarded using HGAC's procurement services.

Because grant recipients are responsible for ensuring that their grant subrecipients comply with Federal regulations, FEMA should also direct Texas to —

- (1) continue monitoring the County's grant subaward activities to ensure it complies with all Federal grant requirements and
- (2) inform its grant subrecipients that using a shared services agreement does not relieve them of the responsibility to comply with Federal procurement requirements.

² The total estimated costs of \$367,191 are included under Project 992 for \$165,961 and unobligated Project 692 for \$201,230.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Finding A: Procurement Practices

The County awarded four disaster-related contracts totaling \$1.8 million that did not fully meet Federal procurement standards:

- two contracts, totaling \$1,473,045, using procurement services HGAC provided and
- two contracts, totaling \$367,191, without HGAC's assistance.

HGAC's Procurement of the County's Debris-related Contracts

The County awarded two contracts, totaling \$1,473,045, using procurement services provided by HGAC's Disaster Debris Clearance and Removal Services program. One contract was for debris removal (\$916,046) and the other for monitoring debris removal (\$556,999). HGAC made the following claims on its website:

- HGAC "has handled all the procurement issues";
- "The program provides End Users with a procurement process based on the latest FEMA policies to limit the entities exposure to potential non-reimbursement following a presidential disaster declaration"; and
- "The Program can save you time and money associated with the procurement process and can help maximize eligible FEMA reimbursement."

However, the problems we identified do affect eligibility for Federal grant funds. HGAC's requirements for debris removal contractors overly restricted competition; and, in soliciting bids for both contracts, HGAC did not take all the affirmative steps that Federal regulations require to provide opportunities for disadvantaged businesses when possible.

Restricting Competition — HGAC's restrictions prevented otherwise qualified contractors from participating in the County's debris removal contract. According to 2 Code of Federal Regulations (CFR) 200.319(a), all procurement transactions "must be conducted in a manner providing full and open competition.... Some of the situations considered to be restrictive of competition include but are not limited to: (1) Placing unreasonable requirements on firms in order for them to qualify to do business; [and] (2) Requiring unnecessary experience and excessive bonding."

HGAC required its prospective debris removers to have performed three debris removal projects requiring the removal of at least 1 million cubic yards of debris. For this disaster, though, the County needed to remove a much smaller volume of debris — about 150,000 cubic yards. Therefore, HGAC's requirements prevented smaller companies from competing for the federally



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

funded work. It is important to note that HGAC's requirements would not be overly restrictive if its procurement services for debris removal were available only to customers requiring the removal of large volumes of debris. However, HGAC's procurement service is available to any governmental entity nationwide needing debris removal, regardless of project size. To comply with Federal regulation, HGAC needs to restrict its contractors to only large debris removal projects or provide its customers with a lower-volume option.

HGAC officials said they based their contractor experience requirements on a 2011 assessment of regional storm debris during recent storms (Katrina, Rita, and Ike). But past requirements from these catastrophic storms have no bearing on whether current requirements are reasonable and do not unreasonably restrict competition. Regardless, smaller contractors had no opportunity to compete for these contracts. HGAC officials agreed to include language on its webpage stating that these debris removal contracts may not be appropriate for all situations and require customers to contact HGAC to discuss whether the contract is appropriate.

Affirmative Steps — According to 2 CFR 200.321(a), non-Federal entities must take all necessary affirmative steps to assure the use of small and minority businesses, women's business enterprises, and labor surplus area firms when possible. Further 2 CFR 200.321(b) states that the affirmative steps must include:

- (1) Placing qualified small and minority businesses and women's business enterprises on solicitation lists;
- (2) Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;
- (3) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses and women's business enterprises;
- (4) Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses and women's business enterprises;
- (5) Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and
- (6) Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in paragraphs (1) through (5).

HGAC did not take all of these required affirmative steps; and, as discussed above, HGAC's requirements were overly restrictive for small businesses.

HGAC officials said, for the debris monitoring procurement, they did advertise in minority publications and maintain a solicitation list that includes



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

contractors in the industry, disadvantaged businesses *identified by contractors*, and contacts made at trade conferences attended. HGAC's solicitation did require its general contractors to use their best faith efforts to help HGAC meet the State of Texas' goals to include historically underutilized businesses.³

Nevertheless, these requirements are not the same as those specifically listed at 2 CFR 200.319. Specifically, HGAC's procurement services did not include assurance that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources. Additionally, the procurement did not include the use of the services and assistance, as appropriate, of such organizations as the Small Business Administration, and the Minority Business Development Agency of the Department of Commerce and did not require its prime contractor to take these affirmative steps. Therefore, FEMA has no assurance that HGAC will take the required affirmative steps in its future disaster procurement services.

The Federal requirements are not optional, and HGAC's procurement procedures would need to fully comply with Federal regulation to be eligible for FEMA funding. HGAC officials said they would update their website to include a statement that it does not guarantee compliance with Federal procurement requirements. HGAC officials also said they would fully comply with Federal requirements when they re-solicit the contracts. Although HGAC did not follow all required steps, about a third of businesses HGAC solicited for these contracts were historically disadvantaged businesses. However, the experience requirements in HGAC's solicitation would likely have discouraged or excluded most small businesses.

Texas officials said the County concluded normal procurement rules did not apply because of the "emergency/exigent period at the time the contract was awarded" and "that HGAC was merely a vehicle to access repository of vendors quickly." We disagree. Although FEMA classifies debris removal as "emergency work," the need for debris removal does not constitute exigent circumstances unless the debris poses an immediate threat to life and property. For example, pushing debris from blocked roadways to allow emergency vehicles to pass is exigent work, but normal debris removal is not. The County took proactive measures by using its employees and equipment to push debris from roadways. The remaining debris work posed no immediate threat and, therefore, did not warrant the County's circumvention of Federal procurement standards.

Because HGAC's experience requirements were overly restrictive and it did not take the required affirmative steps, we recommend that FEMA disallow as

³ The State of Texas created the Historically Underutilized Business (HUB) Program to promote full and equal procurement opportunities for small, minority- and women-owned businesses.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

ineligible \$1,473,045 for the two contracts that the County awarded using HGAC's procurement services for debris removal and monitoring.

The County's Procurement of Two Contracts Totaling \$367,191

The County awarded two contracts totaling \$367,191, without fully complying with Federal requirements. Specifically, the County did not (1) take all of the required affirmative steps to assure the use of disadvantaged businesses when possible; or (2) include all required provisions in its contracts.

Affirmative Steps — The County did place qualified small and minority businesses and women's business enterprises on solicitation lists for the two contracts it awarded without HGAC's assistance. County officials said they have a master database with vendor information that includes specific information regarding historically underutilized businesses. They also said that they search the State Comptroller and Texas Unified Certification program sites for vendors that meet the criteria. These procedures satisfy some, but not all of the required affirmative steps.

Contract Provisions — The two contracts also did not include all required contract provisions. According to 2 CFR 326 and Appendix II to Part 200, contracts and subcontracts must include specific provisions. These provisions document the rights and responsibilities of the parties and help minimize the risk of contract misinterpretations and disputes. For example, the contracts did not include required provisions related to Equal Employment Opportunity, compliance with contract work and safety standards, or the right to examine contractor's records.

Because of our audit, the County (1) revised its procurement policies to comply with Federal requirements, (2) canceled one of the contracts, and (3) plans to resolicit bids for more than \$200,000 of disaster work. In addition, although the County did not take all of the required steps, its efforts to provide opportunities for disadvantaged businesses were substantial. Therefore, we are not questioning the \$367,191 for these two contracts the County procured.

Finding B: Grant Management

As we discuss in this report, the County did not fully comply with procurement standards for Federal grants. Federal regulations encourage grant recipients to enter into state and local intergovernmental agreements to foster greater economy and efficiency and promote cost-effective use of shared services across the Federal Government (2 CFR 200.318(e)). Nonetheless, contracts procured through shared services must comply with all Federal requirements to ensure the eligibility of disaster-related costs. Therefore, the use of these shared



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

services agreements does not relieve the grant recipient or grant subrecipient of its responsibility to follow Federal procurement requirements.

According to 2 CFR 200.331(d), the grant recipient (pass-through entity) must monitor the activities of the subrecipient as necessary to ensure that it uses the subaward for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward. Federal regulations also require the grant recipient to follow up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award (2 CFR 200.331(d)(2)). Therefore, Texas, as FEMA's grant recipient, should continue to monitor the County's grant subaward activities to help ensure compliance with Federal regulations. Texas should also inform grant subrecipients that using a shared services agreement does not relieve them of the responsibility to comply with Federal procurement requirements.

Recommendations

We recommend that the Regional Administrator, FEMA Region VI:

Recommendation 1: Disallow as ineligible \$1,473,045 (\$1,104,784 Federal share) for contracts that did not fully comply with Federal procurement standards and overly restricted competition, unless FEMA decides to grant an exception to Federal requirements as 2 CFR 200.102(a) allows and determines that the costs are reasonable (finding A).

Recommendation 2: Direct Texas to continue monitoring the County's grant subaward activities to ensure it complies with all Federal grant requirements (finding B).

Recommendation 3: Direct Texas to inform its grant subrecipients that using a shared services agreement does not relieve them of the responsibility to comply with Federal procurement requirements (finding B).

Discussion with Management and Audit Follow-up

We discussed the results of our audit with FEMA, Texas, 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 with FEMA officials on February 21, 2017; with County officials on February 23, 2017; and with Texas officials on February 27, 2017. FEMA officials agreed with our findings and recommendations, while Texas and County officials generally disagreed.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

FEMA officials provided a written response on March 14, 2017, agreeing with our findings and recommendations (see appendix C). FEMA's response and related actions were sufficient to resolve and close recommendations 2 and 3, but were not sufficient to resolve or close recommendation 1. Regarding recommendation 1, FEMA stated the following:

Should Hays County (Applicant) submit claims to FEMA for reimbursement for disaster-related work completed via improperly procured contracts, FEMA will review all documentation submitted with the Applicant's claim(s) to determine what costs, if any, are eligible for FEMA reimbursement, and whether they are reasonable.

While we agree with FEMA's planned actions, we cannot consider recommendation 1 as resolved because FEMA did not provide a target completion date for its planned actions. Further, we cannot close the recommendation until we verify that FEMA has completed the actions.

Within 90 days of the date of this memorandum, please provide our office with a written response that includes your target completion date for recommendation 1. Also, please include contact information for responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Please email a signed PDF copy of all responses and closeout requests to emo.auditliaison@oig.dhs.gov. Until your response is received and evaluated, the recommendation will be considered open and unresolved.

The Office of Emergency Management Oversight major contributors to this report were Tonda L. Hadley, Director; Christopher Dodd, Director (retired); Kathleen Hughes, Audit Manager; Rebecca Hetzler, Senior Auditor; William Lough, Senior Auditor; and James Mitchell, Independent Reference Reviewer.

Please call me with any questions at (202) 254-4100, or your staff may contact Paul Wood, Acting Deputy Assistant Inspector General, at (202) 254-4100 or Tonda L. Hadley, Director, Central Regional Office - South, at (214) 436-5200.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Appendix A Objective, Scope, and Methodology

We audited Public Assistance grant funds awarded to Hays County, Texas, Public Assistance Identification Number 209-99209-00. Our audit objective was to determine whether the County accounted for and expended FEMA Public Assistance grant funds according to Federal regulations and FEMA guidelines for FEMA Disaster Number 4223-DR-TX. Texas awarded the County \$3.2 million for damages resulting from severe storms, tornadoes, straight-line winds, and flooding that occurred May 4 through June 19, 2015. The audit covered the period May 4, 2015, through February 11, 2016, the cutoff date of our audit. The award provided 75 percent funding for four large and four small projects.⁴ We audited six projects obligated for \$2.4 million that included \$1.8 million for four contracts, each with a value greater than the simplified acquisition threshold.⁵ We also reviewed the County's force account labor and force account material costs.⁶ In addition, we reviewed four projects not obligated by FEMA at the cutoff date of our audit totaling \$412,785. Table 1 describes the projects we audited and costs we questioned.

Table 1: Projects Audited

Project Number	Category of Work*	Award Amount	Cost Overrun/ (Underrun)	Total Expended	Questioned Costs
427	A	\$ 1,330,658	\$ 142,387	\$ 1,473,045	\$ 1,473,045
992	A	655,155	58,717	713,872	0
736	B	312,007	(35,673)	276,334	0
402	C	78,317	9,974	88,291	0
83	C	21,848	3,074	24,922	0
277	B	11,306	(5,983)	5,323	0
Subtotal		\$2,409,291	\$172,496	\$2,581,787	\$1,473,045
Unobligated		412,785	0	412,785	0
Totals		\$2,822,076	\$172,496	\$2,994,572	\$1,473,045

Source: Project worksheets and Office of Inspector General (OIG) analysis

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

⁴ Federal regulations in effect at the time of the disaster set the large project threshold at \$121,600 [Notice of Adjustment of Disaster Grant Amounts, 79 Federal Register (October 20, 2014)].

⁵ The simplified acquisition threshold was \$150,000 and is the limit where an entity may make purchases using simple purchasing methods (2 CFR 200.88).

⁶ "Force Account" means labor or equipment provided by the grantee or subgrantee, rather than by a contractor (*Public Assistance Guide*, FEMA 322, June 2007, p. 42).



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Appendix A (continued)

To accomplish our objectives, we interviewed FEMA, Texas, HGAC, and Hays County officials, and assessed the adequacy of the procedures the County used to account for and expend Federal grant funds and to procure and monitor contracts for disaster work. We also assessed HGAC's procurement practices the County used to solicit and award the two contracts for debris-related work. We judgmentally selected and reviewed project costs (generally based on dollar values) and procurement transactions; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our objective.⁷ 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 between February 2016 and February 2017, 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.

⁷ We reviewed documentation showing the cancellation of a contract that occurred after our audit cutoff date.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix B
Potential Monetary Benefits

Table 2: Summary of Potential Monetary Benefits

Type of Potential Monetary Benefit	Amounts	Federal Share
Questioned Costs – Ineligible	\$ 1,473,045	\$ 1,104,784
Questioned Costs – Unsupported	0	0
Funds Put to Better Use	0	0
Totals	<u>\$1,473,045</u>	<u>\$1,104,784</u>

Source: OIG analysis of findings in this report



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix C
FEMA Region VI Response to Draft Report


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



FEMA

March 14, 2017

MEMORANDUM FOR: Tonda Hadley, Director
Central Regional Office - South
Office of Inspector General

FROM: 
George A. Robinson
Regional Administrator

SUBJECT: Management's Response to OIG Draft Report,
*Hays County, Texas, Needs Additional Assistance and Monitoring to
Ensure Proper Management of Its FEMA Grant*
FEMA Disaster Number: 4223-DR-TX
Audit Job Code: OIG-G-16-019

Thank you for the opportunity to review and comment on this draft report. The Federal Emergency Management Agency (FEMA) appreciates the Office of Inspector General's (OIG) work in planning and conducting its review and issuing this report.

FEMA is pleased to note the OIG's positive recognition of Hays County's (Applicant) substantial efforts to provide opportunities for disadvantaged businesses as well as the Applicant's revision of its procurement policies. This includes the Applicant's cancellation of one of its improperly procured contracts, and its re-solicitation of bids for more than \$200,000 in disaster work.

The draft report contained three recommendations, with which FEMA concurs. Please see attached the detailed response to the recommendations.

Again, FEMA thanks you for the opportunity to review and comment on this draft report. FEMA has previously submitted technical comments on this draft report. If you have any questions, or need further assistance, please contact Kent Baxter, Audit Coordinator at 940-898-5399.

cc: W. Nim Kidd, Chief, TDEM
Moises Dugan, R6-ORA
Traci L. Brasher, R6-REC
David Lebsack, R6-REC
Bill Boone, R6-REC-PA
Michael Crow, R6-REC-PA
Melinda Dunn, R6-REC-PA
Kathy Hill, HQ-OCFO
Gary McKeon, HQ-OPPA-ALO
Kent Baxter, R6-ORA



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Appendix C (continued)

**Attachment: FEMA Management Response to Recommendations
Contained in OIG G-16-019**

Recommendation 1: *Disallow as ineligible \$1,473,045 (\$1,104,784 Federal share) for contracts that did not fully comply with Federal procurement standards and overly restricted competition, unless FEMA decides to grant an exception to Federal requirements as 2 CFR 200.102(a) allows and determines that the costs are reasonable (finding A).*

Response: Concur. FEMA agrees with the intent of this recommendation. Should Hays County (Applicant) submit claims to FEMA for reimbursement for disaster-related work completed via improperly procured contracts, FEMA will review all documentation submitted with the Applicant's claim(s) to determine what costs, if any, are eligible for FEMA reimbursement, and whether they are reasonable. Based on this information, FEMA asks for this recommendation to be closed on final report issuance.

Estimated Completion Date: N/A

Recommendation 2: *Direct Texas to monitor the County's subgrant activities to ensure it complies with all Federal grant requirements (finding B).*

Response: Concur. FEMA agrees with the intent of this recommendation. The Regional Administrator instructed Texas by letter dated March 10, 2017, to continue providing technical assistance and monitoring to the Applicant to ensure compliance with Federal accounting and grants management standards in order to prevent improper spending of Federal funds. Based on this information, we ask for this recommendation to be closed on final report issuance.

Estimated Completion Date: N/A.

Recommendation 3: *Direct Texas to inform its subrecipients that using a shared services agreement does not relieve them of the responsibility to comply with Federal procurement requirements (finding B).*

Response: Concur. FEMA agrees with the intent of this recommendation. The Regional Administrator instructed Texas by letter dated March 10, 2017, to inform its subrecipients on proper compliance of Federal procurement standards. This letter further stipulates that if a subrecipient relies on a shared services agreement, the subrecipient is responsible for ensuring that any vendor lists, or other procurement tasks, have been developed in *full accordance* with *all* Federal requirements. Based on this information, FEMA asks for this recommendation to be closed on final report issuance.

Estimated Completion Date: N/A.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Appendix D **Report Distribution**

Department of Homeland Security

Secretary
Chief of Staff
Chief Financial Officer
Under Secretary for Management
Chief Privacy Officer
Audit Liaison, DHS

Federal Emergency Management Agency

Administrator
Chief of Staff
Chief Financial Officer
Chief Counsel
Chief Procurement Officer
Director, Risk Management and Compliance
Audit Liaison, FEMA Region VI
Audit Liaison, FEMA (Job Code G-16-019)

Office of Management and Budget

Chief, Homeland Security Branch
DHS OIG Budget Examiner

Congress

Congressional Oversight and Appropriations Committees

External

Division Chief, Texas Division of Emergency Management
Deputy Assistant Director Response, Texas Division of Emergency Management
Texas State Auditor's Office
Hays County Judge

ADDITIONAL INFORMATION AND COPIES

To view this and any of our other reports, please visit our website at: www.oig.dhs.gov.

For further information or questions, please contact Office of Inspector General Public Affairs at: DHS-OIG.OfficePublicAffairs@oig.dhs.gov. Follow us on Twitter at: @dhsoig.



OIG HOTLINE

To report fraud, waste, or abuse, visit our website at www.oig.dhs.gov and click on the red "Hotline" tab. If you cannot access our website, call our hotline at (800) 323-8603, fax our hotline at (202) 254-4297, or write to us at:

Department of Homeland Security
Office of Inspector General, Mail Stop 0305
Attention: Hotline
245 Murray Drive, SW
Washington, DC 20528-0305