

**Lawrence County Engineer,
Ohio, Generally Accounted For
and Expended FEMA Grant
Funds Properly**





DHS OIG HIGHLIGHTS

Lawrence County Engineer, Ohio, Generally Accounted For and Expended FEMA Grant Funds Properly

June 25, 2015

Why We Did This

Lawrence County Engineer, Ohio (Lawrence), received a Federal Emergency Management Agency (FEMA) Public Assistance award of \$7.5 million for damages resulting from severe storms and flooding during April 4–May 15, 2011. Our audit objective was to determine whether Lawrence accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines.

What We Recommend

This report contained 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

Lawrence generally accounted for and expended FEMA Public Assistance grant funds according to Federal requirements. In the days following the flood, Lawrence employees worked diligently to clear and reopen roads. However, Lawrence did not follow all Federal procurement standards in awarding 17 contracts totaling \$4.5 million that we reviewed. Lawrence awarded the contracts competitively, but did not take all required affirmative steps to ensure the use of small and minority firms, women’s business enterprises, and labor surplus area firms when possible. Therefore, FEMA has little assurance that these types of firms had sufficient opportunities to bid on Federal work to the extent Congress intended. Lawrence also did not include all required provisions in its contracts, which document the rights and responsibilities of Lawrence and its contractors.

Although Lawrence did not take all required affirmative steps to ensure the use of small business, women-and minority firms, Lawrence did award \$1.0 million of the \$4.5 million in contracts to a woman-owned and operated business. Further, Lawrence’s contractors performed adequately and billed for their work appropriately. Therefore, we did not question costs associated with these procurement findings.

FEMA Response

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



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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

June 25, 2015

MEMORANDUM FOR: Andrew Velasquez III
Regional Administrator, Region V
Federal Emergency Management Agency

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

SUBJECT: *Lawrence County Engineer, Ohio,
Generally Accounted For and Expended
FEMA Grant Funds Properly
Audit Report Number OIG-15-110-D*

We audited Public Assistance grant funds awarded to Lawrence County Engineer, Ohio (Lawrence). The Ohio Emergency Management Agency (Ohio), a Federal Emergency Management Agency (FEMA) grantee, awarded Lawrence \$7.5 million for damages resulting from severe storms and flooding, which occurred April 4–May 15, 2011. The award provided 75 percent FEMA funding for debris removal, emergency protective measures, and permanent work on roads and bridges. We audited 32 projects totaling \$5.7 million, or about 76 percent of the total award (see appendix A, tables 1 and 2). As of the start of our audit, Lawrence had completed all projects and had submitted them to Ohio for closeout.

Background

Lawrence County Engineer, a department within Lawrence County, Ohio, is a local government entity responsible for Lawrence County's roads and bridges. Heavy rains and extreme ground saturation caused debris to accumulate at bridges and road culverts, and caused embankment slope failures on some of the County's roads.



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Results of Audit

Lawrence generally accounted for and expended FEMA Public Assistance grant funds according to Federal requirements. In the days following the flood, Lawrence employees worked diligently to clear and reopen roads. However, Lawrence did not follow all Federal procurement standards in awarding 17 contracts totaling \$4.5 million that we reviewed. Lawrence awarded the contracts competitively, but did not take all required affirmative steps to ensure the use of small business and minority firms, women's business enterprises, and labor surplus area firms when possible. Therefore, FEMA has little assurance that these types of firms had sufficient opportunities to bid on Federal work to the extent Congress intended. Lawrence also did not include all required provisions in its contracts, which document the rights and responsibilities of Lawrence and its contractors.

Although Lawrence did not take all required affirmative steps to ensure the use of small business, women- and minority firms, Lawrence did award \$1.0 million (about 22 percent) of the \$4.5 million in contracts to a woman-owned and operated business. Further, Lawrence's contractors performed adequately and billed for their work appropriately. Therefore, we did not question costs associated with these procurement findings.

Finding A: Procurement Issues

Lawrence did not follow all Federal procurement standards in awarding 17 contracts totaling \$4,519,938 that we reviewed. Although Lawrence competitively awarded the contracts, it did not comply with two Federal procurement standards at 44 Code of Federal Regulations (CFR) 13.36. Those standards, in part, require that subgrantees—

1. take all necessary affirmative steps to assure the use of small and minority firms, women's business enterprises, and labor surplus area firms when possible (44 CFR 13.36(e)); and
2. include required provisions in all their contracts, such as those for records retention, legal remedies, prohibition of "kickbacks," and termination for cause (44 CFR 13.36(i)).

Small and Minority Firms, Women's Business Enterprises, and Labor Surplus Area Firms. Lawrence did not take all required affirmative steps in awarding the 17 contracts to ensure the use of small businesses, minority firms, and women's business enterprises whenever possible. 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



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firms. Lawrence officials said FEMA and Ohio advised them to follow Lawrence's own procurement procedures, which did not include these affirmative steps.

Contract Provisions. Lawrence did not include all required provisions in the 17 contracts we reviewed. Federal regulations at 44 CFR 13.36(i) set forth the required provisions for a grantee's and subgrantee's contracts, such as compliance with Sections 102 and 107 of the Contract Work Hours and Safety Standards Act, and prohibition of "kickbacks", which were not included in the contracts. Generally speaking, the required provisions document the basic rights and responsibilities of the parties, minimize the risk of misinterpretations and disputes, document the legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as may be appropriate. Lawrence officials said FEMA and Ohio told them to use Lawrence County's contracting requirements, which do not require the Federal provisions.

Summary. Although Lawrence did not take affirmative steps to ensure the use of small and minority firms and women's business enterprises, Lawrence did contract with a woman-owned and operated business for \$1.0 million of the \$4.5 million in contracts we reviewed. Additionally, even though Lawrence did not include all required provisions in its contracts, Lawrence's contractors performed adequately and billed for their work appropriately. Therefore, we did not question any costs related to these findings because we did not identify any material negative effects from the non-compliance with the two standards. After we advised Lawrence officials of the requirements to take specific affirmative steps and include specific provisions in their contracts, they agreed that they would update their policies and procedures to include these Federal procurement requirements.

Discussion with Management and Audit Follow-Up

We discussed the results of our audit with Lawrence officials during our audit and included their comments in this report, as appropriate. We also provided a draft report in advance to FEMA, Ohio, and Lawrence officials and discussed it at exit conferences with FEMA officials on April 9, 2015, with Ohio officials on April 13, 2015, and with Lawrence officials on April 15, 2015. Because the audit did not identify any issues requiring further action from FEMA, we consider this audit closed.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.



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The Office of Emergency Management Oversight major contributors to this report are Christopher Dodd, Director; Paige Hamrick, Director; and Lori L. Smith, Auditor-in-Charge.

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.



Appendix A

Objective, Scope, and Methodology

We audited FEMA Public Assistance grant funds awarded to Lawrence, Public Assistance Identification Number 087-08C5B-00. Our audit objective was to determine whether Lawrence accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines for FEMA Disaster Number 4002-DR-OH. Ohio awarded Lawrence \$7.5 million for damages resulting from severe storms and flooding that occurred April 4–May 15, 2011. The award provided 75 percent FEMA funding for 18 large projects and 115 small projects.¹

We initially audited 26 projects (11 Large and 15 small) totaling \$4.4 million or 58 percent of the total award. The audit covered the period April 4, 2011, to January 13, 2015. Because our initial review of Lawrence’s contracting methodology identified potential problems, for contract and procurement purposes only, we expanded the scope of our audit to include an additional six large projects totaling \$1.3 million.² For those six projects, we limited our review to the procurement methodology Lawrence used in awarding contracts for work related to those projects. We reviewed only those contracts greater than the simplified acquisition threshold currently set at \$100,000. Tables 1 and 2, respectively, describe the initial 26 and additional 6 projects we audited. The 32 projects we reviewed total \$5.7 million, or about 76 percent of the total \$7.5 million award.

We interviewed FEMA, Ohio, and Lawrence officials; reviewed judgmentally selected project costs (generally based on dollar value); and performed other procedures considered necessary to accomplish our objective. As part of our standard audit procedures, we also notified the Recovery Accountability and Transparency Board of all contracts Lawrence awarded under the grant to determine whether the contractors were debarred or whether there were any indications of other issues related to those contractors that would indicate fraud, waste, or abuse. As of the end of our fieldwork, the Recovery Accountability and Transparency Board’s analysis of contracts was ongoing. When it is complete, we will review the results and determine whether additional action is necessary.

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$63,900.

² Because there were no findings regarding Lawrence’s inability to substantiate its costs, we did not perform a detailed testing of contract costs associated with the expanded audit scope.



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Appendix A (continued)

We did not assess the adequacy of Lawrence's internal controls applicable to grant activities because it was not necessary to accomplish our audit objective. However, we did gain an understanding of Lawrence's method of accounting for disaster-related costs and its procurement policies and procedures.

Table 1. Projects Audited (Initial Scope)

Project Number	Category of Work*	Project Award Amount
19	C	\$ 57,582
132	C	37,447
133	C	63,023
309	C	4,024
340	C	20,324
343	C	2,883
433	A	1,043
451	C	6,595
540	C	293,185
545	C	287,966
776	C	581,437
787	C	291,424
791	C	354,368
942	C	278,266
954	C	289,068
959	C	327,862
962	C	469,931
965	C	49,731
967	C	63,001
987	B	5,358
990	B	10,982
997	C	511,126
1020	A	6,377
1055	C	328,205
1085	B	1,948
1104	B	43,613
Total		\$4,386,769

Source: FEMA Project Worksheets.

*FEMA identifies type of work by category: A for debris removal, B for emergency protective measures, and C-G for permanent work.



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Appendix A (continued)

Table 2. Projects Audited (Expanded Scope)

Project Number	Category of Work	Project Award Amount
538	C	\$ 230,721
788	C	244,630
925	C	226,695
943	C	186,756
958	C	207,789
1025	C	224,968
Total		\$1,321,559

Source: FEMA Project Worksheets.

We conducted this performance audit between October 2014 and April 2015 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.



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Appendix B

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