

Spotlight

Department of Homeland Security



Office of Inspector General

September 2013 DD-13-14

Why This Matters

Craighead Electric Cooperative Corporation received a \$43.2 million award from the Arkansas Department of Emergency Management (ADEM), a Federal Emergency Management Agency (FEMA) grantee, for damages resulting from a severe winter storm that occurred January 26 through 30, 2009. FEMA provides such assistance to State, Tribal, and local governments, and certain private nonprofit organizations so that communities can quickly respond to and recover from major disasters or emergencies declared by the President.

DHS Response

FEMA officials agreed with Finding B and Recommendation 3, withheld comment on Finding A and Recommendation 2, and disagreed with Recommendation 1. FEMA's written response is due within 90 days.

FEMA Should Recover \$7.5 Million of the \$43.2 Million Public Assistance Grant Awarded to Craighead Electric Cooperative Corporation, Arkansas

What We Determined

Craighead Electric Cooperative Corporation (Cooperative) generally accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to Federal regulations and FEMA guidelines. The Cooperative did not take required steps to ensure the use of small businesses, minority-owned firms, and women's business enterprises when possible, in contracts totaling \$5.6 million and did not include federally required provisions in its contracts. In addition, the Cooperative's claim included \$1.9 million in ineligible mutual aid costs incurred to complete permanent work.

What We Recommend

We recommend that the Regional Administrator, FEMA Region VI: (1) Disallow \$5.6 million of ineligible contract costs that did not comply with Federal regulations that requires subgrantees to take affirmative steps to use the small businesses, minority-owned firms, and women's business enterprises when possible; and requires subgrantees to include specific provisions in its contracts, unless FEMA grants an exception for all or part of the costs; (2) Require ADEM to develop, document, and implement procedures to ensure that subgrantees are aware of and follow Federal procurement standards; and (3) Disallow \$1.9 million of ineligible mutual aid costs, unless FEMA obtains a waiver to the policy in effect at the time of the disaster.

For Further Information:

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