

**Solano County, California,  
Has Policies, Procedures,  
and Business Practices to  
Manage Its FEMA Grant  
Funding**





# **DHS OIG HIGHLIGHTS**

## ***Solano County, California, Has Policies, Procedures, and Business Practices to Manage Its FEMA Grant Funding***

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**December 5, 2017**

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

Severe winter storms, flooding, and mudslides during January and February 2017 caused significant damage to Solano County, California (County). County officials estimate damages at \$1.6 million. We conducted this audit early in the Public Assistance process to identify areas in which the County may need additional technical assistance or monitoring to ensure compliance with Federal regulations and Federal Emergency Management Agency (FEMA) guidelines.

### **What We Recommend**

The report contains no recommendations.

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### **What We Found**

Based on our limited testing, the County appears to have in place policies, procedures, and business practices to generally account for and expend FEMA Public Assistance grant funds according to Federal regulations and FEMA guidelines. The County should be able to account for disaster-related costs on a project-by-project basis and adequately support these costs. In addition, the County's procurement policies, procedures, and practices are consistent with Federal procurement standards.

### **FEMA Response**

Because the audit does not identify any issues, we do not require further action from FEMA Region IX.



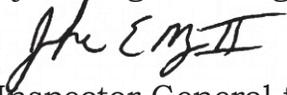
## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

December 5, 2017

MEMORANDUM FOR: Robert J. Fenton, Jr.  
Regional Administrator, Region IX  
Federal Emergency Management Agency

FROM: John E. McCoy II   
Acting Assistant Inspector General for Audits

SUBJECT: *Solano County, California, Has Policies,  
Procedures, and Business Practices to Manage Its  
FEMA Grant Funding*

We audited the capability of Solano County, California (County) to manage two Federal Emergency Management Agency (FEMA) Public Assistance grants. We conducted this audit early in the Public Assistance process to identify areas in which 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, providing FEMA with reasonable, but not absolute, assurance that the County will properly manage the Federal aid subgrant funding.

As of August 17, 2017 (our audit cutoff date), the California Governor's Office of Emergency Services (California) — a FEMA grant recipient — had not yet awarded any of the \$1.6 million in estimated damages the County sustained from two severe flooding and mudslide events occurring January and February 2017. The President declared major disaster 4301-DR-CA for the January storms, and 4308-DR-CA for the February storms. Both awards will provide 75 percent Federal funding for debris removal, emergency protective measures, and permanent work. At the time of our fieldwork, FEMA had not finalized project worksheets to define the scope of disaster work, and the County had not completed most of its disaster-related work or filed claims for reimbursement.

Therefore, our audit assessed the policies, procedures, and business practices the County used to account for and expend \$185,816 in disaster-related costs the County incurred at of the time of our audit.



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Because the two disasters were federally declared, 46 days apart, we audited both disasters. The disasters only damaged the County's roads and bridges, which are uninsurable. Therefore, the County did not receive insurance proceeds for damages resulting from this disasters and does not need to obtain insurance to cover similar damages in future disasters.

### **Background**

Solano County, located in the northeast section of the San Francisco Bay Area, experienced severe winter storms, flooding, and mudslides in 2017. The disasters caused significant damage to County roads and culverts. As a result, the President signed two major disaster declarations to provide Public Assistance and Hazard Mitigation in the designated areas and Hazard Mitigation throughout the State. The first Presidential declaration (4301-DR-CA) on February 1, 2017, provided Federal assistance for damage caused by heavy rains from January 3 to 12, 2017.<sup>1</sup> The second Presidential declaration (4308-DR-CA) on April 1, 2017, provided Federal assistance for damage caused by heavy rains from February 1 to 23, 2017. As the grantee, it is California's responsibility to manage and oversee the subgrant to the County, and it is FEMA's responsibility to hold California accountable.

### **Results of Audit**

The County has policies, procedures, and business practices in place to generally account for and expend FEMA Public Assistance grant funds according to Federal regulations and FEMA guidelines.

The County has an accounting system that can account for disaster-related costs on a project-by-project basis. This system can sufficiently support the costs by maintaining accounting records that adequately identify the source and application of Federal funds. In addition, the County's procurement policies, procedures, and practices are consistent with Federal procurement standards.

Therefore, if the County follows those policies, procedures, and business practices, FEMA has reasonable, but not absolute, assurance that the County will properly manage the FEMA Public Assistance grant funds according to Federal regulations.

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<sup>1</sup> FEMA's Public Assistance program awards grants to state, local, and federally recognized tribal governments and certain private non-profit entities to assist them with the response to and recovery from federally declared disasters. Hazard mitigation is any action taken to reduce or eliminate long-term risk to people and property from natural hazards.



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### **Accounting Policies and Procedures**

The County has an accounting system in place to ensure it accounts for disaster-related costs on a project-by-project basis. This system can sufficiently support the costs by maintaining accounting records that adequately identify the source and application of Federal funds. Specifically, Federal regulations and FEMA guidelines require:

- Recipients to account for large project expenditures on a project-by-project basis (44 Code of Federal Regulations (CFR) 206.205(b)). FEMA requires subrecipients to keep records for all projects on a project-by-project basis (*Public Assistance Program and Policy Guide*, FP 104-009-2/January 2016, p. 134).
- Subrecipients to maintain accounting records that adequately identify the source and application of Federal funds and maintain source documentation to support those accounting records (2 CFR 200.302(b)(3)).

We reviewed \$185,816 in disaster-related costs the County had incurred at the time of our audit, and determined that the County was adequately tracking the costs in its accounting system and accounted for these costs on a project-by-project basis. In addition, the County had maintained appropriate documentation to support expenditures.

### **Procurement Practices**

The County has adequate procurement policies, procedures, and practices in place to provide reasonable assurance of its compliance with Federal procurement requirements at 2 CFR 200.317 through 326. We discussed the County's procurement policies, procedures, and practices with its project managers and contracting officials and reviewed the County's contracting files.

During our audit, the County was in the process of awarding a contract with an estimated value of \$670,376. We reviewed the related procurement documentation for the award of this contract and determined that the County had properly procured the contract by advertising the work; using full and open competition; conducting a cost analysis; awarding to the lowest bidder; and maintaining adequate records to document the procurement history. The County's procurement practices also included taking affirmative steps to ensure the use of small and minority businesses, women's business enterprises, and labor surplus area firms when possible.



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

We discussed the results of our audit with FEMA, California, and County officials during our audit. We also provided a draft report in advance to these officials and discussed it at exit conferences with FEMA on September 28, 2017. California and the County did not request an exit conference because the audit did not identify any issues requiring further action from FEMA.

The Office of Audits major contributors to this report are Humberto Melara, Director; Louis Ochoa, Audit Manager; Renee Gradin, Auditor-in-charge; Victor Du, Auditor; Larry Jones, Independent Reference Reviewer; and Kevin Dolloson, Communications Analyst.

Please call me with any questions at (202) 254-4100, or your staff may contact Paul Wood, Acting Deputy Assistant Inspector General, or Humberto Melara, Director, at (510) 637-1463.

### **Objective, Scope, and Methodology**

We audited the capability of the County (Public Assistance Identification Number 095-99095-00) to manage FEMA Public Assistance grant funds. 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 for FEMA Disaster Numbers 4301-DR-CA and 4308-DR-CA.

Our audit covered the period January 3, 2017 — the first day of the incident period — through August 17, 2017 — our audit cutoff date. During our audit, California had not yet awarded any of the \$1.6 million in estimated damages the County sustained from the two federally declared disasters (4301-DR-CA for the January storms, and 4308-DR-CA for the February storms). Both awards will provide 75 percent Federal funding for debris removal, emergency protective measures, and permanent work for large and small projects.<sup>2</sup> FEMA had not finalized project worksheets to define the scope of disaster work, and the County had not completed most of its disaster-related work or filed claims for reimbursement. Therefore, our audit assessed the policies, procedures, and business practices the County used to account for and expend \$185,816 in disaster-related costs the County incurred as of the time of our audit.

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<sup>2</sup> Federal regulations in effect at the time of the disasters set the large project threshold at greater than \$123,100 [Federal Register, *Notice of Adjustment of Disaster Grant Amounts*, 81FR 70434; October 12, 2016].



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To accomplish our objectives, we interviewed FEMA, California, and County officials; 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 procure contracts for disaster work; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our objective. We limited our review of the County's internal controls to what was necessary to accomplish our audit objectives.

We conducted this performance audit between May 10 – the start of our audit fieldwork – and September 28, 2017 – end of our audit fieldwork, 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 disasters.



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