

**The Covington County
Commission Needs
Additional Assistance in
Managing a \$5.4 Million
FEMA Grant from Winter
2015 Storms and to Save
Millions in the Future**





DHS OIG HIGHLIGHTS

The Covington County Commission Needs Additional Assistance in Managing a \$5.4 Million FEMA Grant from Winter 2015 Storms and to Save Millions in the Future

September 29, 2017

Why We Did This Audit

As of September 8, 2016, the Covington County Commission (Commission) received \$5.4 million in Public Assistance grant funds from the Alabama Emergency Management Agency (Alabama), a Federal Emergency Management Agency (FEMA) grantee, for damages from severe storms, tornadoes, straight-line winds, and flooding in December 2015. We conducted this audit early in the grant process to identify areas where the Commission may need additional technical assistance or monitoring to ensure compliance with Federal requirements.

What We Recommend

FEMA and Alabama should provide the Commission with additional guidance to properly manage its \$5.4 million FEMA grant.

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

Alabama did not fulfill its grantee responsibility to ensure the Commission followed applicable Federal grant requirements. While the Commission appears to have a system in place to account for funds on a project-by-project basis and generally expended Public Assistance grant funds according to Federal regulations and FEMA guidelines, the Commission needs additional assistance in developing long-term solutions for repetitive damages to county roads and with managing its \$5.4 million FEMA grant. We found that the Commission did not receive adequate guidance from FEMA and Alabama concerning Hazard Mitigation funding for long-term solutions to repetitive damages to roads, potentially costing FEMA an estimated \$54.1 million dollars in the future. Inadequate guidance also hindered effective project formulation, allowing the writing of small projects that require less oversight. Alabama is responsible for monitoring subgrant activities. It is FEMA's responsibility to hold Alabama accountable for proper grant administration.

Additionally, the Commission did not have proper procurement procedures to ensure that small businesses, minority-owned firms, and women's business enterprises have an opportunity to bid on Federal contracts; neither did the Commission have adequate procedures to ensure proper documentation is collected to support \$24,000 in costs.

FEMA Response

FEMA agreed with all recommendations. We consider recommendations 1, 2, 4, and 5 resolved and open; and recommendation 3 resolved and closed. 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

September 29, 2017

MEMORANDUM FOR: Gracia Szczech
Regional Administrator, Region IV
Federal Emergency Management Agency

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

SUBJECT: *The Covington County Commission Needs Additional Assistance in Managing a \$5.4 Million FEMA Grant from Winter 2015 Storms and to Save Millions in the Future*
Audit Report Number OIG-17-113-D

We audited Federal Emergency Management Agency (FEMA) Public Assistance grant funds awarded to the Covington County Commission (Commission) in Andalusia, Alabama. We conducted this audit early in the Public Assistance Program process to identify areas where the Commission 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 8, 2016, the Commission had received a Public Assistance award of \$5.4 million from the Alabama Emergency Management Agency (Alabama), a FEMA grantee, for damages resulting from severe storms, tornadoes, straight-line winds, and flooding in December 2015. The award provides for 75 percent FEMA funding for debris removal, emergency protective measures, and permanent work. We reviewed large Project 446 and 45 small projects totaling \$5.4 million, Federal share \$4.1 million (see appendix B, table 4).¹ The Commission did not receive any insurance proceeds for disaster-related damages. As of September 8, 2016, the Commission had not started work on its large project, or completed work on all small projects, and had not submitted a final claim to Alabama for all project expenditures. The Commission has received \$3.8 million in FEMA funding for its small projects, which represents 100 percent of its small project Federal share obligation.

¹ Federal regulations in effect at the time of Alabama Floods set the large project threshold at \$121,800 [Notice of Adjustment of Disaster Grant Amounts, 80 Fed. Reg. 61,836-01 (Oct. 14, 2015)].



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Background

Disaster Declaration

Covington County is in South Central Alabama and the county seat is Andalusia. The Commission’s Road Department maintains and repairs the County’s roads.

During the incident period of December 23, 2015, through December 31, 2015, heavy rains caused flash flooding throughout the County. As a result, many roads and bridges throughout the County were damaged and deemed too dangerous for travel (see figures 1 and 2).

On January 21, 2016, the President issued a disaster declaration in the State of Alabama, which authorized Federal Public Assistance for 39 designated areas and hazard mitigation assistance throughout the State.

Figure 1: Moore’s Mill Creek Road Flood Damage



Source: Covington County Commission



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Figure 2: Bridge on Antioch Road Flood Damage



Source: Covington County Commission

Hazard Mitigation

There are two types of funding for hazard mitigation provided by the *Stafford Act* — Sections 404 and Section 406 (see table 1).² Section 404 hazard mitigation funding is available, when authorized under a Presidential major disaster declaration, for areas of the state as requested by the Governor. FEMA bases the amount available to the state on the estimated total Federal assistance, subject to a sliding scale formula. A facility in the affected area does not need damages to use these funds.³

Section 406 hazard mitigation funding, which falls under the Public Assistance program, is to restore the parts of a facility damaged during a disaster, and restoration must provide protection from subsequent events. FEMA may recommend that Section 406 hazard mitigation measures be included in a project. The overall cost of eligible hazard mitigation actions will be included in the overall project funding.⁴

² *The Robert T. Stafford Disaster Relief and Emergency Assistance Act* (codified as 42 USC 5121 et seq.) (*Stafford Act*).

³ FEMA, *Hazard Mitigation Assistance Guidance* 4, 22 (Feb. 2015).

⁴ FEMA, *Public Assistance Program and Policy Guide* 93–96 (Jan. 2016).



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Table 1: Difference between Sections 404 and 406 Hazard Mitigation

404 Hazard Mitigation	406 Hazard Mitigation
Administered as a separate program by the state	Implemented through the Public Assistance Program
Applies to structural measures and non-structural measures	Applies only to structural measures and does not apply to buyouts
Applies throughout the state in most disasters	Must apply to the damaged element of the facility
Formula is used to calculate FEMA's allocation of funds to the state, project must be cost-effective	Project must be cost effective; FEMA evaluates proposed mitigation measures to ensure certain criteria are met

Source: Public Assistance Program and Policy Guide and FEMA Hazard Assistance Mitigation Guidance

Small Projects

Small project approved funding uses estimated costs, as actual costs are not yet available. Payment is on the initial approved amount, whether estimated or actual. The grantee is required to make payment of the Federal share to the applicant as soon as practicable after FEMA has approved the funds.

Once all small projects are completed, the grantee must certify completion of all work in accordance with the approved scope of work. This certification does not specify the amount spent on projects, only that projects were completed. Funds will be deobligated if a small project is not started or completed. If the applicant spends less than the amount approved, FEMA will not reduce the Federal share to match actual costs. However, if the applicant incurs costs significantly greater than the total amount approved for all small projects, the applicant may appeal for additional funding.⁵

Results of Audit

Alabama did not fulfill its grantee responsibility to ensure the Commission followed applicable Federal grant requirements. While the Commission has a system in place to account for funds on a project-by-project basis and generally expended Public Assistance grant funds according to Federal regulations and FEMA guidelines, the Commission needs additional assistance in developing long-term solutions for repetitive damages to county roads and with managing its \$5.4 million FEMA grant. We found that the Commission did not receive

⁵ FEMA, *Public Assistance Program and Policy Guide* 139 (Jan. 2016).



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adequate guidance from FEMA and Alabama concerning hazard mitigation funding for long-term solutions to repetitive damages to roads, potentially costing FEMA an estimated \$54.1 million dollars in the future. Furthermore, inadequate guidance hindered effective project formulation, which allowed the writing of small projects that require less oversight. Alabama is responsible for monitoring subgrant activities and is compensated with Federal funds to support subgrant management and oversight. It is FEMA's responsibility to hold Alabama accountable for proper grant administration.

Additionally, the Commission did not have proper procurement procedures to ensure that small businesses, minority-owned firms, and women's business enterprises have an opportunity to bid on Federal contracts; neither did the Commission have adequate procedures to ensure proper documentation is collected to support \$24,000 in costs.

Finding A: Project Cost Accounting

The Commission has a system in place to provide reasonable assurance that it accounts for disaster costs on a project-by-project basis. However, the Commission did not always adequately support disaster-related costs as Federal regulations and FEMA guidelines require (finding E).

Recipients must account for large project expenditures on a project-by-project basis.⁶ FEMA requires subgrantees to keep records for all projects on a project-by-project basis.⁷

The Commission uses spreadsheets to manage and record all disaster-related expenses and created specific activity codes that enable it to account for all costs by project. We assessed the adequacy of the Commission's policies and procedures for managing FEMA funding that it received and, although the Commission had not submitted final claimed costs, we reviewed cost records it had accumulated.

Finding B: Repetitive Damages – Hazard Mitigation Solutions

FEMA and Alabama did not provide adequate guidance to the Commission concerning hazard mitigation funding for long-term solutions to repetitive damages to roads, potentially costing FEMA millions of dollars in the future. Covington County has a history of flood damage to its road system, which

⁶ 44 CFR 206.205(b).

⁷ FEMA, *Public Assistance Program and Policy Guide* 134 (Jan. 2016).

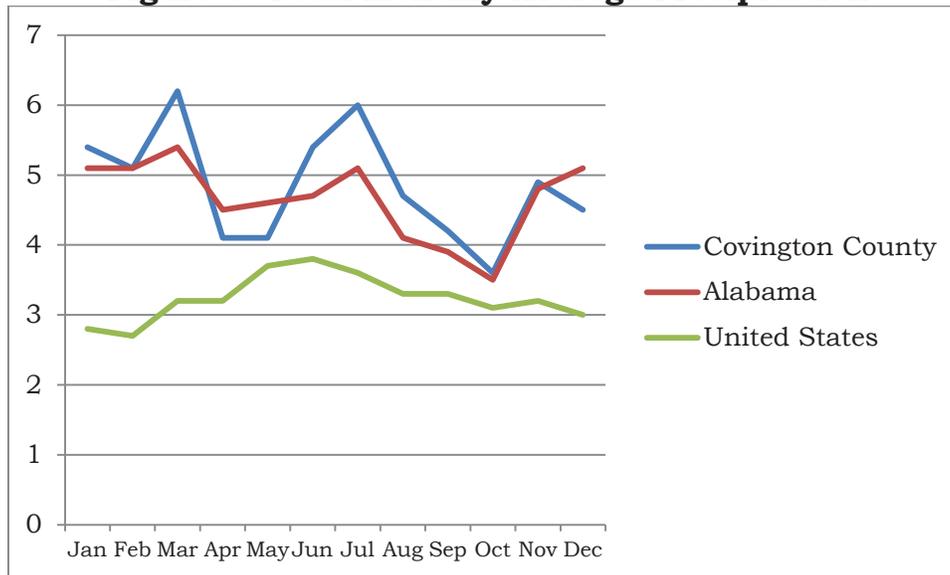


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could be alleviated to some degree by the application of FEMA Section 404 and 406 hazard mitigation funding.

Historically, Covington County has an average of 58.4 inches of precipitation annually, 4 percent higher than the average 56.0 inches in the State of Alabama, and more than 51 percent higher than the average 38.6 inches for the United States (see figure 3).

Figure 3: Total Monthly Average Precipitation



Source: Covington County Alabama Weather – USA.com

Covington County Road Damages

The Commission received public assistance funding for the same type of damages to dirt roads caused by flooding from five federally declared disasters from 2009 through 2015. During this period, FEMA obligated \$18.9 million for 670 projects, which included funding for repetitive repairs on many of the same dirt roads (see table 2). This equates to an average of approximately \$3.8 million per disaster and \$2.7 million per year over a 7-year period. Based on Covington County’s history of annual precipitation, flooding, and FEMA public assistance funding, FEMA will potentially award approximately \$54.1 million over the next 20 years for repetitive flood damage unless the Commission takes advantage of FEMA’s Sections 404 and 406 hazard mitigation funding programs (see figure 4).



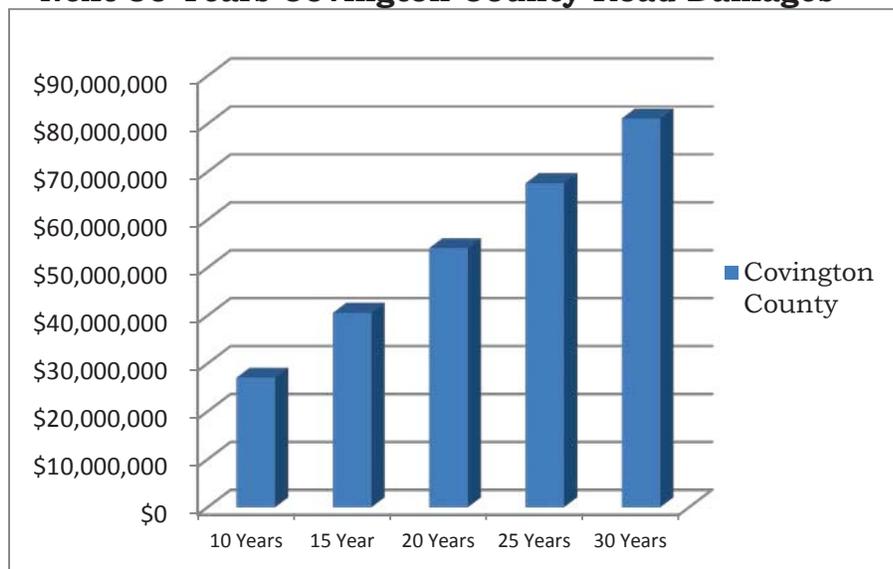
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**Table 2: Federal Declarations – Covington County
Road Damage 2009 – 2015**

Disaster Date	Disaster Number	Description	Commission Projects	Commission Amount Awarded
March 2009	1835	Southeast Alabama Flooding	248	\$ 6,742,215
Dec 2009	1870	Severe Storms	364	5,502,022
Sept 2012	4082	Hurricane Isaac	7	1,051,628
April 2014	4176	Severe Storms	6	620,344
Dec 2015	4251	Severe Storms	45	5,009,869
Totals			670	\$18,926,078

Source: Alabama Recovery Grant Manager System

**Figure 4: Estimated Public Assistance Funding
Next 30 Years Covington County Road Damages**



Source: Office of Inspector General (OIG)
Analysis of FEMA funding for Covington County

State of Alabama Federal Section 404 Hazard Mitigation Funding – 2009 – 2015

During the period from 2009 through 2014, FEMA granted Alabama a Section 404-hazard mitigation funding lock-in amount totaling \$89.5 million and an estimated \$6 million in 2015, for an overall total of \$95.5 million. However, the Commission did not receive any of this funding.⁸ Alabama officials stated that

⁸ Section 404 hazard mitigation funds are limited to the lock-in amount for a particular disaster declaration. The lock-in amount is the guaranteed level of hazard mitigation funding for a disaster. FEMA determines the lock-in amount based on a percentage of the estimated total Federal disaster assistance under the *Stafford Act* for each declared major disaster.



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Section 404 hazard mitigation funding could not be used for roads to prevent future damages. FEMA officials stated such funding is allowable for mitigation projects directly related to roads, such as drainage improvements.

An initial investment of Sections 404 and 406 hazard mitigation funding is required to prevent repetitive damages to roads in Covington County. Based on the county's past disasters and our forecast of future assistance needs, that investment could potentially save approximately \$54.1 million in FEMA awards over a 20-year period. Therefore, we recommend that FEMA and Alabama provide the Commission with guidance on how to effectively utilize Sections 404 and 406 hazard mitigation funding.

Finding C: Project Formulation

FEMA and Alabama did not provide adequate guidance to the Commission concerning projects formulation, which allowed the writing of small projects that require less oversight. The Commission has 45 small projects that FEMA should have written as large projects. FEMA guidance states that FEMA personnel should evaluate the identified damage and formulate projects by logically grouping damaged sites or facilities into a project.⁹ Additionally, multiple damage sites and eligible work may be combined into a single project for a variety of justifiable reasons.¹⁰

The Commission's normal business practice is to account for each of its dirt roads' cost according to the block area in which it is located (see figure 5). The Commission subdivided the County into eight blocked areas for such purposes. However, to ensure the Commission did not exceed the small project threshold of \$121,800, FEMA separated roads located in the same block into several projects in order to avoid writing large projects, because small projects have less stringent rules with less oversight. Therefore, FEMA altered the Commission's normal business practice when estimated project costs reached the small project threshold of \$121,800.

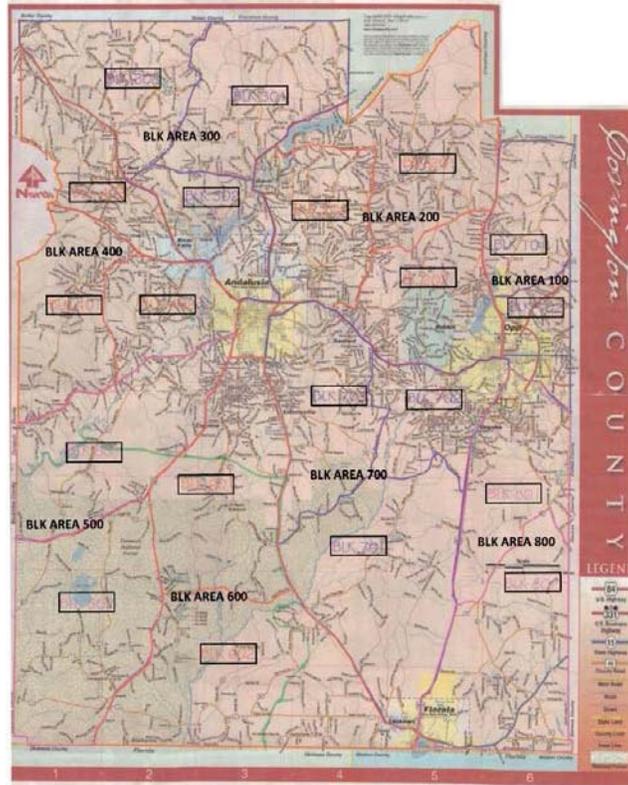
⁹ FEMA, *Public Assistance Program, Field Operations Pocket Guide* 3, 8 (Apr. 2014).

¹⁰ FEMA, *Public Assistance Program, Field Operations Pocket Guide* 12–15 (Apr. 2014).



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**Figure 5: Covington County Commission's
Blocked Area Map**



Source: Covington County Commission

Alabama paid the Commission \$3.8 million, 100 percent Federal share, for all small projects immediately following FEMA's obligation. There are 386 dirt roads included under 45 small projects. The Commission completed 23 (6 percent) dirt road projects and received \$251,864 for these projects. The Commission spent \$234,667 to complete the 23 projects and has a remaining balance of \$17,197. Federal regulation and FEMA guidance allow the Commission to keep the \$17,197.

The Commission relied on FEMA to write the projects' scopes and requested small projects. Because FEMA wrote small projects and not large ones, the Commission bypassed the more stringent rules related to large projects (see table 3).



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Table 3: Differences between Small and Large Projects

	Small Projects Rules (less stringent)	Large Projects Rules (more stringent)
Obligated funds	Once obligated, FEMA does not adjust approved amount of individual projects, except under specific conditions. Subgrantee may request additional funding if total actual cost of all small projects exceeds amount obligated for them.	With exception of capped projects, based on estimated costs but adjusted to match actual documented costs. For capped projects, the applicant must provide documentation to support that it used the funds in accordance with applicable eligibility criteria and other pertinent guidance.
Documentation	Grantee certifies that subgrantee completed scopes of work and complied with all environmental and historic preservation requirements.	The grantee must certify that all incurred costs are associated with the approved scope of work and that the subgrantee completed all work in accordance with FEMA regulations.
Payment	Made based on initial approved amount, estimate or actual as soon as practicable; if cost is less than amount approved, applicant keeps additional funding.	Made based on actual costs documented, generally based on work completed; if project cost is less than the amount approved, applicant must return additional funding.
Project Close-out	All small projects closed after certification.	Once FEMA completes the necessary review and funding adjustments, it closes the project (individually).

Source: Public Assistance Policy and Guide and 44 CFR 206.205

The 23 roads completed so far show that the Commission did not use 7 percent of the funds received.¹¹ FEMA could put these funds to better use if it had written these projects as large and reimbursed the Commission’s actual costs. If the 7 percent applied to the entire obligated amount of \$5 million, FEMA could deobligate \$350,691 and put those funds to better use.

We recommend that FEMA adhere to its project formulation guidance and deobligate and re-write the dirt road projects totaling \$5 million according to the jurisdictions in which the roads are located.

¹¹ \$17,197 divided by \$251,864



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Finding D: Disadvantaged Firms

The Commission did not have proper procurement procedures in place to ensure that minority firms, women’s business enterprises, and labor surplus area firms are used when possible to procure a contract valued at \$198,100.

We discussed the Commission’s procurement practices with its contracting official and reviewed the Commission’s contracting files. The Commission has a system in place to competitively award contracts; conduct cost or price analyses; award to the lowest bidders; maintain adequate records to document procurement history; and monitor contractors to ensure they meet contract terms, conditions, and specifications. However, the Commission’s procurement practices do not include affirmative steps to ensure the use of minority firms, women’s business enterprises, and labor-area firms when possible.¹²

The Commission currently has one large project that could potentially require contract procurement. When the Commission officials advertised the contract work for this project, they only received one bid, which was higher than the estimated project worksheet cost. Therefore, the Commission reconsidered its procurement method and presently plans to perform the work in-house, as opposed to issuing a contract. However, during our review of the Commission’s procurement procedures, we found that the Commission does not have procedures in place to comply with Federal requirements for disadvantaged firms. According to Commission officials, they were unaware of this requirement.

Because the Commission did not have proper procurement procedures in place, it risked losing Federal funds. FEMA had no assurance that disadvantaged firms had adequate opportunities to bid on federally funded work as Congress intended. We are not questioning any costs because the Commission, for other reasons, decided not to award the contract.

During the course of our audit, after we brought this issue to the Commission’s attention, it implemented procurement procedures to ensure that disadvantaged firms are used when making Federal procurements. Therefore, we consider this finding resolved and closed.

¹² 2 CFR 200.321(a).



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Finding E: Unsupported Costs

The Commission claimed \$23,690 without adequate documentation for the purchase of dirt that it obtained from privately owned dirt pits to repair roads. The Commission essentially relied on an honor system based on tally sheet records documented by the drivers. According to the Commission, private dirt pit owners do not employ workers at their sites because it is not cost efficient.

The dirt pit owners do not work, monitor, or have employees stationed at their dirt pits. Therefore, the Commission's truck drivers document the loads obtained daily from the pits on their monthly tally sheets. Data includes the name of the dirt pit, location, and number of loads, for the Commission's records. The Commission used these records to create invoices on behalf of the pit owner(s), based on the information obtained from the drivers' tally sheet(s), and submitted the invoices to its accounting department for payment to dirt pit owners. Federal cost principles require recipients of Federal awards to provide documentation adequate to support the costs they claim under the awards.¹³ Additionally, recipients are required to maintain records that adequately identify the source and application of Federal funds and maintain source documentation to support those records.¹⁴

The Commission's procedures are susceptible to fraud, waste, and abuse. Although we found no evidence of such abuse, truck drivers could inadvertently or purposely record the wrong number of loads collected. Therefore, we recommend that FEMA direct Alabama to provide guidance to the Commission to strengthen its procedures for documenting eligible costs.

Finding F: Grant Management

Alabama did not fulfill its grantee responsibility, and FEMA did not ensure the Commission followed applicable Federal regulations. The nature and extent of issues we identified concerning repetitive damages to roads, project formulation, proper procurement procedures, and cost-documentation support demonstrate that Alabama should be more thorough in overseeing the Commission. Federal regulations require grantees to (1) ensure that subgrantees are aware of Federal regulations, (2) manage the operations of subgrant activity, and (3) monitor subgrant activity to ensure compliance.¹⁵

¹³ 2 CFR 200.403(g).

¹⁴ 2 CFR 200.302(b)(3), .333.

¹⁵ 2 CFR 200.331.



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We recommend that FEMA instruct Alabama to provide technical assistance to ensure that the Commission is aware of and follows Federal regulations and FEMA guidelines.

Recommendations

We recommend that the Regional Administrator, FEMA Region IV:

Recommendation 1: Direct Alabama to provide the Commission with guidance on obtaining Sections 404 and 406 hazard mitigation funding for long-term solutions to repetitive damages to roads (finding B).

Recommendation 2: Adhere to its project formulation guidance and deobligate and re-write projects totaling \$5 million according to the jurisdictions in which the roads are located (finding C).

Recommendation 3: Direct Alabama to instruct the Commission to establish proper procurement procedures, specifically that it take necessary affirmative steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used when possible (finding D). During the course of our audit, after we brought this issue to the Commission's attention, they implemented procurement procedures to ensure that disadvantaged firms are used when making Federal procurements. Therefore, we consider this recommendation resolved and closed.

Recommendation 4: Direct Alabama to instruct the Commission to strengthen its procedures concerning proper cost documentation (finding E).

Recommendation 5: Direct Alabama to (1) monitor the Commission's grant activities and (2) provide technical assistance to assist the Commission in managing its \$5.4 million grant (finding F).

Discussion with Management and Audit Follow-Up

We discussed the results of our audit with the Commission, Alabama, and FEMA officials during our audit. We also provided a draft report in advance to these officials and discussed it at the exit conference on April 27, 2017. Commission officials agreed with findings A, B, D, and E and disagreed with findings C and F. They agreed with recommendations 1, 3, and 4 and disagreed with recommendations 2 and 5. We included the officials' comments, as applicable, in the body of the report.



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The Office of Emergency Management Oversight major contributors to this report are Larry Arnold, Director; John Skrmetti, Audit Manager; Emma Peyton, Auditor-in-charge; Sean Forney, Auditor; and Larry Jones, Independent Reference Reviewer.

Evaluation of Management Comments

On May 25, 2017, we received FEMA's written comments response to this report (see appendix C). FEMA agreed with all recommendations. Based on FEMA's proposed or actions taken, we consider recommendations 1, 2, 4, and 5 resolved and open pending receipt of documentation of completion from FEMA, and recommendation 3 resolved and closed.

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 Larry Arnold, Director, Gulf Coast Regional Office, at (228) 822-0387.



Appendix A

Objective, Scope, and Methodology

We audited FEMA Public Assistance Program grant funds awarded to the Commission (Public Assistance Identification Number 039-99039-00). Our audit objective was to determine whether the Commission accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines for FEMA Disaster Number 4251-DR-AL. The Commission received a Public Assistance grant award of \$5.4 from Alabama, a FEMA grantee, for damages resulting from severe storms, tornadoes, straight-line winds, and flooding beginning on December 23, 2015, and continuing through December 31, 2015. The award provided 75 percent FEMA funding for debris removal activities; emergency protective measures; and repairs to roads and bridges; and repairs to buildings and other facilities for 1 large project and 45 small projects.

We audited FEMA grant funds totaling \$5.4 million (Federal share \$4.1 million). Our audit covered the period December 23, 2015, to September 8, 2016. At the time of our audit, the Commission had not started work on its large project, and therefore not submitted a final claim to Alabama for project expenditures. For the one large project, we reviewed the contract procurement process used by the Commission. For the 45 small projects, although the Commission had not completed the work, we reviewed eligibility and cost records it had accumulated.

As of September 8, 2016, the cutoff date of our audit, Alabama paid the Commission \$3.8 million (93 percent of the \$4.1 million Federal share of our scope projects) in disaster cost reimbursements for its 45 small projects. This represents 100 percent of the Federal share of small project obligations.

We interviewed FEMA, Alabama, and Commission officials; assessed the adequacy of the policies, procedures, and business practices the Commission uses to account for and expend Federal grant funds and to procure and monitor contracts for disaster work. We judgmentally selected and reviewed (generally based on dollar amounts) project costs and procurement transactions for the projects included in our audit scope. We also reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary under the circumstances to accomplish our audit objective. We performed a review of the policies, procedures, and business practices the Commission uses to account for and expend Federal grant funds and to procure and monitor contracts for disaster work; however, we did not perform an assessment of all the Commission's internal controls over its grant activities.



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We conducted this performance audit between September 2016 and March 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. Unless stated otherwise in this report, to conduct this audit, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.



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Appendix B
Potential Monetary Benefits

Table 4: Schedule of Projects Audited and Claimed Costs¹⁶

Project Number	Category of Work - Project Scope¹⁷	Net Amount Awarded	Amount Claimed
	1 Large Project		
446	Category C – Bridges	\$ 400,279	\$ 0
	45 Small Projects¹⁸		
multiple	Category C – Roads and Bridges	5,009,869	3,757,402
Totals		\$5,410,148	\$3,757,402

Source: OIG analysis of projects and Commission records

Table 5: Summary of Potential Monetary Benefits

Type of Potential Monetary Benefit	Amounts	Federal Share¹⁹
Funds Put to Better Use (Cost Avoidance)	\$ 54,074,500	\$ 40,555,875
Questioned Costs – Ineligible	0	0
Questioned Costs – Unsupported	0	0
Totals	\$54,074,500	\$40,555,875

Source: OIG analysis of findings in this report

¹⁶ Although the Commission had not submitted final claimed costs, we reviewed eligibility and cost records it had accumulated. Alabama paid the Federal share of small projects to the Commission based on estimated costs.

¹⁷ FEMA classifies disaster-related work by type: debris removal (Category A), emergency protective measures (Category B), and permanent work (Categories C through G).

¹⁸ The 45 small projects ranged in obligated amounts from \$32,655 to \$121,333, with an average obligation of \$111,330.

¹⁹ The cost avoidance is an average over a 20-year period. The cost avoidance does not consider initial investments of Sections 404 and 406 hazard mitigation funds for long-term solutions to repetitive damages to roads. Finally, the Federal share is based on a 75 percent share; however, that amount can increase for each disaster.



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Appendix C
FEMA's Response to Report

U.S. Department of Homeland Security
Region IV
3003 Chamblee-Tucker Road
Atlanta, GA 30341



FEMA

May 25, 2017

MEMORANDUM FOR: C. David Kimble
Director
Eastern Regional Office
Office of Disaster Assistance Oversight

FROM: Gracia B. Szczech
Regional Administrator *Gracia B. Szczech*
FEMA Region IV

SUBJECT: Management Response to Draft Report
*The Covington County (AL) Commission Needs
Additional Assistance in Managing a \$5.4 Million
FEMA Grant from Winter 2015 Storms and to Save
Millions in the Future*
Disaster: 4251-DR-AL
Draft Audit Report Number: OIG-17-XX-D

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

The draft report contained 5 recommendations with which FEMA concurs as discussed below. Specifically, the OIG recommends that FEMA:

Recommendation 1: Direct Alabama to provide the Commission with guidance on obtaining hazard mitigation 404 and 406 funding for long-term solutions to repetitive damage to roads (finding B).

Response: Concur. FEMA concurs with this recommendation and will work with the State of Alabama to provide the Commission with additional guidance on cost-effective mitigation measures to prevent future damage. We consider this recommendation resolved and closed.

Recommendation 2: Adhere to its project formulation guidance and deobligate and re-write projects totaling \$5 million according to the jurisdictions in which the roads are located (finding C).

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Appendix C

FEMA's Response to Report (continued)

Response: Concur. In accordance with Section 422 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5189), as implemented at 44 C.F.R. §206.203, FEMA is authorized to use a simplified procedure to fund small projects based on a federal estimate. Current FEMA policy also provides additional guidance on documenting eligible disaster damage and working with applicants to formulate projects based on logical groupings of damage and work. After the initial declaration, FEMA would have worked closely with the applicant to logically group the damage during project formulation. FEMA will continue to work with Alabama to identify any incomplete projects for which additional logical grouping may be possible and allowable in accordance with federal law, regulations, and FEMA policy. We consider this recommendation resolved and open.

Estimated completion date: September 30, 2017

Recommendation 3: Direct Alabama to instruct the Commission to establish proper procurement procedures, specifically that it take necessary affirmative steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used when possible (finding D).

Response: Concur. FEMA understands that, although no contracts were executed to complete the work for the projects audited, the Commission has already taken some steps toward amending its procurement procedures to ensure compliance in the future. FEMA will also provide additional guidance to the State of Alabama on the procurement requirements for Public Assistance funding, as outlined in 2 C.F.R. § 200.321. We consider this recommendation resolved and closed.

Recommendation 4: Direct Alabama to instruct the Commission to strengthen its procedures concerning proper cost documentation (finding E).

Response: Concur. FEMA concurs with this recommendation and will direct the State to instruct the Applicant to strengthen its procedures concerning proper cost documentation. We consider this recommendation resolved and closed.

Recommendation 5: Direct Alabama to (1) monitor the Commission's grant activities and (2) provide technical assistance to assist the Commission in managing its \$5.4 million grant (finding F).

Response: Concur. FEMA concurs with this recommendation and will direct the State to (1) monitor the Applicants grant activities and (2) provide technical Assistance to assist the Applicant in managing its \$5.4 million grant. We consider this recommendation resolved and closed.

Again, thank you for the opportunity to review and comment on this draft report. We look forward to working with you in the future.



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Appendix D
Report Distribution List

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Audit Liaison, FEMA (Job Code G-16-054)

Office of Management and Budget

Chief, Homeland Security Branch
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Congressional Oversight and Appropriations Committees

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