

**City of Cedar Falls, Iowa,
Has Policies, Procedures,
and Business Practices to
Manage Its FEMA Grant**





DHS OIG HIGHLIGHTS

City of Cedar Falls, Iowa, Has Policies, Procedures, and Business Practices to Manage Its FEMA Grant

February 7, 2018

Why We Did This Audit

At the time of our audit, the Federal Emergency Management Agency (FEMA) estimated that the City of Cedar Falls, Iowa (City), had sustained approximately \$893,000 in damage caused by severe storms and flooding from September 21 through October 3, 2016. We audited early in the grant process to identify areas in which the City may need additional technical assistance or monitoring to ensure compliance with Federal procurement requirements.

What We Recommend

FEMA should direct Iowa to provide additional technical assistance to help ensure the City complies with applicable Federal procurement standards and updates its procurement policy and procedure.

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

Except for procurement, the City's policies, procedures, and business practices appear to be adequate to account for and expend FEMA grant funds according to Federal regulations and FEMA policies. Specifically, the City's procurement policies did not provide sufficient opportunities for disadvantaged firms to compete for contracts, or prevent awarding contracts to debarred or suspended contractors.

After we discussed these issues, City officials moved quickly to modify procurement policies to comply with Federal requirements. These corrections should help provide reasonable assurance that the City will comply with Federal procurement standards in administering future contract costs.

Iowa Homeland Security and Emergency Management Department (Iowa) officials said they worked with the City to educate them on FEMA requirements and completed a pre-award risk assessment to ensure the City receives an adequate level of grant monitoring.

FEMA Response

FEMA agreed with our findings and recommendations. Appendix B includes FEMA's response in its entirety.



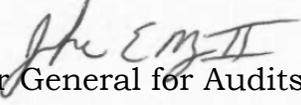
OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

FEB 7 2018

MEMORANDUM FOR: Paul Taylor
Regional Administrator, Region VII
Federal Emergency Management Agency

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

SUBJECT: *City of Cedar Falls, Iowa, Has Policies, Procedures, and Business Practices to Manage Its FEMA Grant*
OIG Project No. G-17-020-EMO-FEMA

Attached for your action is our final report, *City of Cedar Falls, Iowa, Has Policies, Procedures, and Business Practices to Manage Its FEMA Grant*. We incorporated the formal comments provided by your office.

The report contains two recommendations. Your office concurred with both recommendations. Based on information provided in your response to the draft report, we consider recommendations 1 and 2 resolved and closed.

We audited the capability of Cedar Falls, Iowa (City), a Federal Emergency Management Agency (FEMA) grant subrecipient, to manage FEMA Public Assistance grant funds. We began the audit early in the Public Assistance process to identify areas in which the City may need additional technical assistance or monitoring to ensure compliance with Federal regulations and FEMA guidelines. In addition, auditing early in the grant cycle, subrecipients 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 lapses.

At the time of our fieldwork, FEMA had awarded \$592,914 of the \$893,000 in estimated damages sustained between September 21 through October 3, 2016, from severe storms and flooding. The award will provide 75 percent Federal funding for eligible work. During our audit, we identified that the City had not submitted claims for disaster costs, but had spent \$630,474 for disaster work.

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

Please call me with any questions at (202) 254-4100, or your staff may contact Paul Wood, Acting Deputy Assistant Inspector General for Audits, at (202) 254-4100.

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Background

Cedar Falls is located in Blackhawk County in northeast Iowa and encompasses approximately 28.9 square miles of incorporated land. The Cedar River and its floodplain bisect the City from west to east. On September 21, 2016, the Cedar River flooded causing damage to the low lying areas within the City, including roads and public parks. The President declared the area a major disaster on October 31, 2016. Prior to the event, the City used emergency protective measures to reduce the immediate threat to lives, public health and safety, and to protect publicly owned property in anticipation of record flooding from the Cedar River. City crews and approximately 1,000 volunteers positioned 200,000 sandbags and 94 earth-filled barriers along the levee to add reinforcement by increasing the height and strengthening weak points in the system. City officials estimate the emergency protective measures and mitigation efforts saved the City in excess of \$40 million by preventing a levee breach that would have flooded the downtown area.

Figure 1: Cedar Falls 2016 Flooding



Source: City of Cedar Falls, Iowa

Results of Audit

Except for procurement, the City's policies, procedures, and business practices appear to be adequate to account for and expend FEMA grant funds according to Federal regulations and FEMA policies. Specifically, the City's procurement policies did not provide sufficient opportunities for disadvantaged firms to compete for contracts, or prevent awarding contracts to debarred or suspended contractors. After we discussed these issues, City officials moved quickly to



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Appendix A Objective, Scope, and Methodology (continued)

City uses and plans to use to administer activities provided for under the FEMA award.

We conducted this performance audit between May and November 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. In conducting 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
FEMA Region VII Audit Response

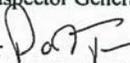
U.S. Department of Homeland Security
Region VII
9221 Ward Parkway, Suite 300
Kansas City, MO 64114-3372



FEMA

DEC 13 2017

MEMORANDUM FOR: Larry Arnold
Director, Office of Audits
Office of Inspector General

FROM: Paul Taylor 
Regional Administrator, Region VII
Federal Emergency Management Agency

SUBJECT: Management's Response to OIG Draft Report: *City of Cedar Falls, Iowa, Has Adequate Policies, Procedures, and Business Practices to Manage Its FEMA Grant* Audit Project Number: G-17-020-EMO-FEMA

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA) Region VII appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report. Region VII is pleased to note the OIG's positive assessments regarding the City's ability to properly manage their federal grant funding and the State of Iowa's efforts in monitoring and providing technical assistance to their sub recipients.

The draft report contained two recommendations with which FEMA Region VII concurs. Please see the attached for our detailed response to the recommendations.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you in the future.

Attachment



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Appendix B
FEMA Region VII Audit Response (continued)

Attachment A
FEMA Region VII Management Response to
Recommendations Contained in G-17-020-EMO-FEMA

Recommendation 1: Direct Iowa to work with the City to update its procurement policy and procedures to comply with Federal procurement regulations (finding A). Because of our audit, the City revised its procurement policy and procedures; therefore, we consider this recommendation resolved and closed with no further action required.

Response: Concur. Region VII agrees with the OIG's determination that this recommendation be considered resolved and closed.

Estimated Completion Date (ECD): Not applicable

Recommendation 2: Direct Iowa to provide additional technical assistance to the City to ensure it complies with all Federal procurement regulations for awarding disaster-related contracts (finding B).

Response: Concur. On November 28, 2017, Region VII's Recovery Division issued a letter directing the State of Iowa to provide additional technical assistance to the City of Cedar Falls to ensure compliance with Federal procurement requirements. A copy of this letter was sent separately to the OIG audit team.

ECD: Region VII requests that this recommendation be considered resolved and closed.



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