

**Verification Review of the
City of Evans, Colorado -
OIG Audit Report OIG-16-78-D**





OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

February 20, 2020

MEMORANDUM FOR: Lee dePalo
Regional Administrator, Region VIII
Federal Emergency Management Agency

FROM: Sondra F. McCauley 
Assistant Inspector General for Audits

SUBJECT: *Verification Review of the City of Evans, Colorado
OIG Audit Report OIG-16-78-D*

For your information is our final report, *Verification Review of the City of Evans, Colorado - OIG Audit Report OIG-16-78-D*.

We conducted this verification to assess the Federal Emergency Management Agency's (FEMA) progress in addressing recommendation 2 from our May 3, 2016 report, *Colorado Should Provide the City of Evans More Assistance in Managing FEMA Grant Funds* (OIG-16-78-D). We periodically conduct verification reviews to evaluate progress on selected audit recommendations, including whether corrective actions achieved the intended results.

In September 2013, devastating rains caused portions of the South Platte River to crest more than 8 feet above the flood stage. The resulting floodwaters inundated the City of Evans' (City) park, displaced or destroyed 208 homes, and damaged many of the City's roads and public infrastructure. In addition, the scouring effect of the floodwaters uncovered an abandoned, upstream landfill that distributed glass shards and medical and household waste throughout the park. The City requested and received FEMA Public Assistance Program grant funds from the Colorado Department of Public Safety, Division of Homeland Security and Emergency Management (Colorado), a FEMA grantee, for the floodwater damages. The President signed a Major Disaster Declaration (DR-4145-CO) on September 14, 2013. The award provided 75 percent funding for debris removal, emergency protective measures, and permanent work for 11 large projects and 5 small projects.

In May 2015, we initiated an audit of the City's disaster-related grant funds. At the time of our audit, the grant totaled \$10.8 million. We reported¹ the City did not follow Federal procurement standards in awarding 22 contracts totaling \$3.6 million, which included \$3 million for 12 non-exigent contracts and

¹ *Colorado Should Provide the City of Evans More Assistance in Managing FEMA Grant Funds*, OIG-16-78-D, May 3, 2016



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\$599,881 for 10 exigent contracts.² As a result, FEMA had no assurance small and minority firms, women's business enterprises, and labor surplus area firms had sufficient opportunities to bid on federally funded work. In addition, because competition was inadequate, FEMA had no assurance costs were reasonable.

Our report contained two recommendations. Recommendation 1 remains open and resolved. Recommendation 2 was for the Regional Administrator, FEMA Region VIII, to direct Colorado to continue providing technical assistance to the City and increase its monitoring of the City to ensure it complied with Federal procurement regulations for awarding disaster contracts and to prevent potentially improper spending of approximately \$7,171,695 (\$5,378,771 Federal share) in procurements. Based on FEMA's response and initial actions, we closed that recommendation on February 3, 2017. We initiated this review to evaluate the progress of the recommendation.

FEMA's Actions Met the Intent of Recommendation 2

FEMA's corrective actions met the intent of our report recommendation 2. In response to our audit, FEMA provided Colorado with an action plan outlining steps for Colorado to take to proactively review the City's compliance with Federal procurement regulations. Colorado took the following actions, among others, in response to FEMA's plan:

- Assigned a State Recovery Liaison to focus on the City's success and compliance with grant processes. In addition, beginning in May 2016, a team of at least five Colorado grant professionals assisted the City.
- Reviewed all contracts, change orders, bid packages, solicitations, and other procurement mechanisms for compliance with Federal procurement regulations.
- Conducted multi-day monitoring visits in June 2016 and February 2018 to ensure compliance with all state and Federal funding sources.
- Conducted multiple telephone calls and site visits with City officials, including a July 2017 visit to review environmental concerns with FEMA officials at the City's park.

² We did not question any of the \$599,881 the City claimed for exigent contract work because we generally do not question costs for work during exigent circumstances when lives and property are at risk. Emergency/exigent circumstances are those that may include the existence of threats to public health or public safety, or other unique circumstances warranting immediate action.



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These actions constitute effective efforts by Colorado to provide technical assistance and monitor the City's procurement and project-related activities. We determined the City awarded contracts according to Federal regulations and FEMA guidelines. Specifically, the City awarded contracts using full and open competition as well as minority firms, women's business enterprises, and labor surplus area firms when possible.³ In addition, the City performed price analyses, conducted independent estimates before receiving bids and proposals, and ensured it included all applicable Federal provisions in its contracts.⁴

If Colorado's technical assistance and monitoring continue, FEMA should have reasonable assurance the City will spend the remaining \$7.17 million in grant funds for eligible disaster work according to Federal regulations.

Objective, Scope, and Methodology

We limited the scope of our review to include only those findings identified in Recommendation 2 in the May 2016 report (OIG-16-78-D). Specifically, the City failed to compete contracts, take required affirmative steps to ensure the use of small and minority firms and women's business enterprises whenever possible, include all required provisions in its contracts, and perform a cost or price analysis for every procurement action.

To determine whether FEMA's implementation of recommendation 2 achieved the intended results, we interviewed FEMA, Colorado, and City officials; gained an understanding of their monitoring; and reviewed the City's policies, procedures, and business practices used after our May 2016 report to procure disaster work. Additionally, we reviewed contracting documents, reviewed applicable Federal regulations and FEMA guidelines, and performed other procedures considered necessary to accomplish our objective.

We conducted this verification review between August 2017 and November 2018, pursuant to the *Inspector General Act of 1978*, as amended. We did not conduct this review according to generally accepted government auditing standards. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based upon our verification review objective. When conducting this verification review, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and

³ 44 CFR 13.36(e) and 44 CFR 13.36(c)

⁴ 44 CFR 13.36(f)(1) and 44 CFR 13.36(i)



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appropriation responsibility over the Department of Homeland Security. We will post the final report on our website for public dissemination.

Office of Audits Major Contributors to this report are Paige Hamrick, Director (Ret); Brooke Bebow, Director; David B. Fox, Audit Manager; Douglas Denson, Auditor-in-Charge (Ret); Evette Fontana, Auditor-in-Charge; Josh Welborn, Auditor-in-Charge; Newton Hagos, Auditor; Areti Bruno, Independent Reference Reviewer; and Thomas Hamlin, Communications Analyst.

Please call me with any questions, or your staff may contact Katherine Trimble, Deputy Assistant Inspector General for Audits at (202) 981-6000.



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