

# Department of Homeland Security **Office of Inspector General**

**Tuolumne County, California, Has Policies,  
Procedures, and Business Practices in Place Adequate  
To Manage FEMA Public Assistance Grant Funds**





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Department of Homeland Security

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

JUN 10 2014

**MEMORANDUM FOR:** Karen Armes  
Acting Regional Administrator, Region IX  
Federal Emergency Management Agency

**FROM:** John V. Kelly  
Assistant Inspector General  
Office of Emergency Management Oversight

**SUBJECT:** *Tuolumne County, California, Has Policies, Procedures, and Business Practices in Place Adequate To Manage FEMA Public Assistance Grant Funds*  
FEMA Disaster Number 4158-DR-CA  
Audit Report Number OIG-14-103-D

We audited the capability of Tuolumne County, California (County), to manage Federal grant funds (Public Assistance Identification Number 109-99109-00). Our audit objective was to determine whether the County's policies, procedures, and business practices are adequate to account for and expend Federal Emergency Management Agency (FEMA) grant funds according to Federal regulations and FEMA guidelines. We conducted this audit early in the Public Assistance process to identify areas where the County may need additional technical assistance or monitoring to ensure compliance. In addition, by undergoing an audit early in the grant cycle, grant recipients have the opportunity to correct non-compliance with Federal regulations before they spend the majority of their funding. It also allows them the opportunity to supplement deficient documentation or locate missing documentation before too much time elapses.

At the time of our audit fieldwork, the California Governor's Office of Emergency Services (State), a FEMA grantee, was in the process of drafting the County's Project Worksheets with an estimated total award of \$4.4 million for damages resulting from wildfires. The incident period for the declared disaster was from August 17, 2013, through October 24, 2013. The award will provide 75 percent funding for debris removal (Category A), emergency protective measures (Category B), and permanent work on roads and bridges and utilities (Categories C and F, respectively) for six large and two small projects.<sup>1</sup> We reviewed two of the six large projects totaling \$1.2 million, or 28 percent of the projected FEMA award. The audit covered the period from August 17, 2013, through March 13, 2014. At that time, the County had not yet claimed any disaster related costs.

<sup>1</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$68,500.



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We conducted this performance audit from March to May 2014 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. We conducted this audit by applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We interviewed FEMA, State, and County officials; reviewed available project documentation generally based on type of expenditure; and performed other procedures considered necessary to accomplish our objective. We also notified the Recovery Accountability and Transparency Board of the single contract the subgrantee awarded to determine whether the contractor was debarred or whether there were any indications of other issues related to this contractor that would indicate fraud, waste, or abuse. We did not assess the adequacy of the County's internal controls applicable to grant activities because it was not necessary to accomplish our audit objective. However, we did gain an understanding of the County's method of accounting for disaster-related costs and its procurement policies and procedures.

### BACKGROUND

Tuolumne County, incorporated in California in 1850, covers approximately 2,290 square miles stretching from the foothills of Central California to the crest of the Sierra Nevada Mountains. From August 17 to October 24, 2013, wildfires burned over 257,000 acres or more than 400 square miles within the County, and portions of the Stanislaus National Forest and Yosemite National Park. Known as the Rim Fire, it was the third largest in the State's history. The fire damaged County roads and bridges and destroyed vegetation, which impacted the watershed for the Tuolumne River and many of its tributaries, including the Ackerson Creek. The Rim Fire impacted the culverts underneath the Ackerson Creek crossing. The crossing provides access to the Stanislaus National Forest, Yosemite National Park, and the Hetch Hetchy Reservoir. The Hetch Hetchy Reservoir provides water and electrical power to over 2.6 million people in the San Francisco Bay Area on a daily basis.

Figure 1 shows repairs to the culverts underneath the Ackerson Creek Crossings in Tuolumne County, California.



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Figure 1: Culverts of the Ackerson Creek Crossings, Tuolumne County, California.  
Source: *Tuolumne County Officials*

### **RESULTS OF AUDIT**

The County has adequate policies, procedures, and business practices in place to account for and expend Public Assistance grant funds in accordance with Federal regulations and FEMA guidelines. The County also has adequate procurement practices in place to allow for open competition through public solicitation and sealed bids. Therefore, this report contains no recommendations, and we consider it closed.

#### **Finding A: Accounting for Project Costs**

The County has adequate policies and procedures in place to ensure that it track costs on a project-by-project basis as Federal regulations require. Although the County has not documented specific procedures for disaster costs, we reviewed its standard administrative procedures for tracking costs, and they appear adequate. County officials explained that once the County's Board of Supervisors declared Disaster 4158 an emergency, the County established a cost center within the Comptroller's Office, including a project tracking system that assigns a unique identification code for each disaster-related project. We reviewed documentation for costs the County intends to



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claim for emergency protective measures under large Project 11 (Category B) and for which FEMA had obligated \$811,366. Project 11 covers the costs of over 20 law enforcement agencies that provided emergency assistance under Mutual Aid Agreements.<sup>2</sup> Project records we reviewed for emergency personnel, such as time and attendance, vehicle rates, and lodging, clearly identified the incurred costs as disaster-related. Therefore, the County's administrative controls over project records provide reasonable assurance that the County is tracking eligible disaster-related costs on a project-by-project basis.<sup>3</sup> As of the end of our audit field work, the County had not finalized its claim for large Project 11; County officials said project costs might exceed current obligated amounts.

#### **Finding B: Procurement Practices**

The County has adequate procurement practices in place that allow for open competition through public solicitation and sealed bids. To obtain an understanding of the County's procurement practices, we interviewed County officials and reviewed one large project for Category C work (bridge and culvert repairs; see figure 1). At the time of our field work, the County had awarded a contract totaling \$388,150 to perform the repairs and had substantially completed most of the work; FEMA was in the process of finalizing a project worksheet.

Our review of the procurement records indicated that the County followed Federal procurement standards at 44 Code of Federal Regulations (CFR) 13.36. The County competitively awarded the contract, maintained auditable contract records, and included all applicable contract provisions. The County also took affirmative steps to ensure the use of minority firms, women's business enterprises, and labor-surplus area firms when possible (44 CFR 13.36(e)(2)(i) through (v)). The County plans to award future contracts for about \$1.7 million in FEMA-funded disaster work. County officials assured us that they would continue to follow Federal procurement standards in awarding and administering contracts for federally funded work.

#### **Conclusion**

Although the County had not yet claimed any disaster-related costs, its accounting and procurement policies, procedures, and business practices provide reasonable assurance that the County has the capability to adequately account for and expend Public Assistance grant funds in accordance with Federal regulations and FEMA guidelines. On

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<sup>2</sup> Under FEMA's Disaster Assistance Policy 9523.6, FEMA will reimburse the County for costs associated with mutual aid assistance if the emergency work was necessary to meet immediate threats to life, public safety, and improved property, including firefighting activities.

<sup>3</sup> 44 Code of Federal Regulations (CFR) 206.205(b) requires the County to account for large project expenditures on a project-by-project basis, and only claim costs incurred for eligible work.



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March 13, 2014, we briefed County officials about our observations and conclusions regarding their accounting and procurement practices. The County concurred with the audit results.

### **DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP**

We discussed the results of our audit with FEMA, State, and County officials during our audit and included their comments in this report, as appropriate. We also provided a draft report in advance to FEMA on May 1, 2014, and to State and County officials on May 2, 2014. We discussed the draft report at an exit conference with FEMA on May 7, 2014. FEMA agreed with our findings. State and County officials did not request an exit conference.

This report contains no recommendations; therefore, we consider it closed.

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

Major contributors to this report are Humberto Melara, Director; Louis Ochoa, Audit Manager; and Willard Stark, Auditor-in-Charge.

Please call me with any questions at (202) 254-4100 or your staff may contact Humberto Melara, Director, Western Regional Office, at (510) 637-1463.



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