

**South Carolina Department of
Transportation Has Adequate
Policies, Procedures, and
Business Practices to
Effectively Manage Its FEMA
Public Assistance Grant
Funding**





HIGHLIGHTS

South Carolina Department of Transportation Has Adequate Policies, Procedures, and Business Practices to Effectively Manage Its FEMA Public Assistance Grant Funding

April 14, 2015

Why We Did This

The South Carolina Department of Transportation (Department) expects to claim about \$165.2 million in Public Assistance grant funds for debris removal activities associated with a February 2014 severe winter storm. We conducted this audit early in the Public Assistance process to identify areas where the Department may need additional technical assistance or monitoring to ensure compliance with Federal requirements.

What We Recommend

The report contains no recommendations.

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

The Department generally has established policies, procedures, and business practices to adequately account for and expend Federal Emergency Management Agency (FEMA) grant funds according to Federal regulations and FEMA guidelines. The Department has accounting systems in place to account for disaster costs on a project-by-project basis and has adequate support for costs it plans to claim under the grant award. Further, the contracts the Department awarded to accomplish work under the grant met Federal and FEMA procurement requirements.

FEMA Response

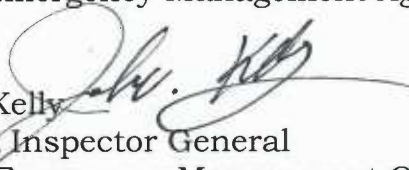
Because the audit did not identify any issues requiring further action from FEMA, we consider this audit closed.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security
Washington, DC 20528

APR 14 2015

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

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

SUBJECT: *South Carolina Department of Transportation Has Adequate Policies, Procedures, and Business Practices to Effectively Manage Its FEMA Public Assistance Grant Funding*
FEMA Disaster Number 4166-DR-SC
Audit Report Number OIG-15-66-D

At the Federal Emergency Management Agency's (FEMA) request, we audited Public Assistance grant funds awarded to the South Carolina Department of Transportation (Department). We conducted this audit early in the Public Assistance process to identify areas where the Department 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 non-compliance 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.

The South Carolina Emergency Management Division, a FEMA grantee, expects to award the Department over \$165.2 million in FEMA Public Assistance grant funds for debris removal activities resulting from a severe winter storm in February 2014. The incident period for the disaster was February 10–15, 2014; however, FEMA declared the disaster about 30 days later on March 12, 2014. At the onset of our audit, FEMA had awarded only \$220,811 for disaster-related damages under one project, but the Department had completed almost all disaster-related work and had incurred significant disaster-related costs. To assess the Department's policies, procedures, and business practices, we reviewed \$1.2 million in debris removal costs the Department planned to claim under the award (see appendix A).



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Background

The Department is a state agency within South Carolina with its main office located in Columbia, South Carolina. During a severe winter storm in February 2014, 18 counties within South Carolina experienced extreme weather conditions resulting in damages to critical infrastructure (roads and bridges) for which the Department is legally responsible for upkeep and maintenance. The resulting vegetative debris removal work in and around the infrastructure constitutes most of the FEMA eligible damages (see figure 1).

Figure 1: Impacted Section of Interstate 26 near Chapin, South Carolina.



Source: *Aiken Standard*, February 13, 2014

Results of Audit

The Department generally has established policies, procedures, and business practices to adequately account for and expend Federal Emergency Management Agency (FEMA) grant funds according to Federal regulations and FEMA guidelines. The Department has accounting systems in place to account for disaster costs on a project-by-project basis and has adequate support for costs it plans to claim under the grant award. Further, the contracts the Department awarded to accomplish work under the award met Federal procurement requirements of 44 Code of Federal Regulations (CFR) 13.36(a) and FEMA contracting guidelines for debris removal activities.



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Project Cost Accounting

The Department has an effective system to separately account for disaster-related costs by project, which included costs for debris removal and direct administrative tasks. According to 44 CFR 206.205(b), a Grantee must make an accounting to the Regional Administrator of eligible costs for each approved large project. Further, 44 CFR 13.20(a)(2) states that fiscal control and accounting procedures of a state and its subgrantees must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. Additionally, FEMA 322/June 2007, Public Assistance Guide, states that all of the documentation pertaining to a project should be filed with the corresponding project worksheet and maintained by the applicant as the permanent record of the project. These records become the basis for verification of the accuracy of project cost estimates during validation of small projects, reconciliation of costs for large projects, and audits.

At the time of our audit, the Department had claimed only \$220,811 in project costs to the FEMA award. However, the Department estimated that it would incur, in total, about \$165.2 million in costs for authorized activities. We reviewed \$1.2 million of costs the Department planned to claim and determined that it was adequately tracking the costs in its accounting system on a project-by-project basis. The Department was also maintaining appropriate documentation to support the costs.

Procurement Practices

The Department has adequate procurement policies and procedures in place to ensure compliance with Federal procurement requirements. Federal regulation 44 CFR 13.36(a) required the Department, as a State agency, to: (1) follow the same policies and procedures it uses for procurements from its non-Federal funds, and (2) ensure that every purchase order or other contract includes any clauses that Federal statutes and executive orders, and their implementing regulations require.

At the time of our audit, the Department expected to claim about \$162.2 million in contract costs for disaster-related work. We reviewed the contracting process the Department used to award the contract work and determined the Department hired multiple debris removal contractors using standby contracts it had issued to the contractors following a pre-disaster bid solicitation process. The Department followed its standard procurement



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policies and procedures to award the contracts and the contracts contained the required Federal contract provisions. Further, we noted that the contracting pricing conformed to FEMA contracting guidelines for debris removal work.¹ For instance, the contracts included time-and-material rates for the first 70 hours of work the contractors performed after the event and unit-price rates for work they performed after the first 70 hours.

Insurance

The Department does not insure against losses incurred for debris removal from road shoulders. According to Section 312 of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, no entity will receive assistance for any loss for which it has already received financial assistance from any other program, from insurance, or from any other source. Because the Department did not receive insurance proceeds to cover disaster-related damages, actual insurance settlements and credits to applicable project costs are not applicable for this award.

Discussion with Management and Audit Follow-Up

We discussed the results of our audit with FEMA, South Carolina, and Department officials during our audit and included their comments in this report, as appropriate. We also provided a draft report in advance to these officials and discussed it at an exit conference held with South Carolina and the Department officials on February 16, 2015. Because the audit did not identify any issues requiring further action from FEMA, we consider this audit closed.

Major contributors to this report are David Kimble, Director; William Johnson, Audit Manager; and Carlos Aviles, Senior Auditor.

Please call me with any questions at (202) 254-4100, or your staff may contact David Kimble, Director, Eastern Regional Office, at (404) 347-6702.

¹ FEMA 325, *Debris Management Guide*, July 2007.



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Appendix A

Objective, Scope and Methodology

We audited FEMA Public Assistance grant funds awarded to the South Carolina Department of Transportation (Department), Public Assistance Identification Number 000-URFSC-00. Our audit objective was to determine whether the Department's policies, procedures, and business practices are adequate to account for and expend FEMA grant funds according to Federal regulations and FEMA guidelines for FEMA Disaster Number 4166-DR-SC. At the time of our audit, South Carolina had awarded the Department \$220,811 for damages resulting from a severe winter storm, which occurred on February 10, 2014. However, South Carolina estimated that the Department's total eligible disaster damages would be about \$165.2 million. We reviewed \$1.2 million in costs the Department incurred for disaster-related damages to assess the Department's compliance with Federal grant requirements.²

We interviewed FEMA, South Carolina, and Department officials; gained an understanding of the Department's method of accounting for disaster-related costs and its procurement policies and procedures; reviewed applicable Federal regulations and FEMA guidelines; and performed other activities considered necessary to accomplish our audit objective. As part of our standard auditing procedures, we also notified the Recovery Accountability and Transparency Board of all contracts the County awarded under the grant to determine whether the contractors were debarred or whether there were any indications of other issues related to those contracts that would indicate fraud, waste, or abuse. The Recovery Accountability and Transparency Board determined that none of the contractors was debarred and no other issues came to its attention related to those contractors that would indicate fraud, waste, or abuse. We did not perform a detailed assessment of the Department's internal controls over its grant activities because it was not necessary to accomplish our audit objective.

We conducted this performance audit from April 2014 to February 2015, 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

² In total, FEMA is evaluating 91 projects for eligibility under its Public Assistance Program.



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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

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Appendix (Continued)

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