

Calaveras County, California, Needs Additional State and FEMA Assistance in Managing Its \$10.8 Million FEMA Grant





DHS OIG HIGHLIGHTS

Calaveras County, California, Needs Additional State and FEMA Assistance in Managing Its \$10.8 Million FEMA Grant

September 22, 2016

Why We Did This Audit

Calaveras County, California (County), received a \$10.8 million grant for damages from the September 2015 Butte Fire. We conducted this audit early in the grant process to identify areas where the County may need additional technical assistance or monitoring to ensure compliance.

What We Recommend

The Federal Emergency Management Agency (FEMA) should direct the California Governor's Office of Emergency Services (California), as its grant recipient, to provide increased monitoring and technical assistance to the County, to ensure the County follows Federal regulations and FEMA guidelines and avoids mispending its \$10.8 million grant award.

For Further Information:

Contact our Office of Public Affairs at (202) 254-4100, or email us at DHSOIG.OfficePublicAffairs@oig.dhs.gov

What We Found

About 10 months after the disaster declaration, the County still had not started Project 78, a major \$8.3 million debris-removal project to clear hazardous trees. This has delayed recovery for the entire area because the County is not initiating other critical work until hazardous tree removal occurs. Therefore, delays to this project will create delays to other disaster-related work.

In addition, the County's procurement policies and procedures do not fully conform to Federal procurement standards. The County's accounting system is also deficient because it cannot account for all costs on a project-by-project basis, as Federal regulations require. Finally, the County does not have policies and procedures in place to ensure that it will not receive benefits from insurance or other sources that duplicate funding it receives from FEMA.

County officials told us they did not have experience with federally declared disasters and were not familiar with applicable Federal regulations and FEMA guidelines. Therefore, the County clearly needs additional, ongoing assistance from California and FEMA to ensure it properly manages its \$10.8 million FEMA grant. California, as FEMA's grant recipient, is responsible for ensuring that the County is aware of and complies with Federal requirements, as well as for providing technical assistance and monitoring grant activities.

FEMA Response

FEMA officials agreed with our findings and recommendations and provided us its written response on August 10, 2016.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

September 22, 2016

MEMORANDUM FOR: Robert Fenton
Regional Administrator, Region IX
Federal Emergency Management Agency
Thomas M. Salmon

FROM: Thomas M. Salmon
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *Calaveras County, California, Needs Additional State
and FEMA Assistance in Managing Its \$10.8 Million
FEMA Grant*
Audit Report Number OIG-16-136-D

We audited Federal Emergency Management Agency (FEMA) Public Assistance grant funds awarded to Calaveras County, California (County). 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 with Federal regulations and FEMA guidelines. In addition, by undergoing an audit early in the grant cycle, grant 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 elapses.

As of May 12, 2016 (our audit cutoff date), FEMA and the California Governor's Office of Emergency Services (California), the FEMA grant recipient, awarded the County \$10.8 million for damages resulting from the September 2015 wildfires.¹ The award provided 75 percent funding for debris removal, emergency protective measures, and permanent work. At the time of our audit, the County was in the process of accounting for disaster costs and procuring a major debris-removal contract. However, it had not yet submitted any claims to California for reimbursement. Therefore, our audit primarily assessed the County's policies and procedures to account for and expend FEMA funds, as well as several small contracts the County awarded for disaster-related work.

¹ County officials estimate that disaster-related costs may exceed \$12 million. In addition, California's Department of Resources Recycling and Recovery, another subrecipient of California, will perform the structural debris removal work within Calaveras County under a separate \$80 million Public Assistance grant award.



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Background

On September 9, 2015, the Butte Fire swept through several communities in Northern California and continued to burn for 22 days. It was the seventh-most destructive wildfire in California's history. At its peak, nearly 5,000 firefighters battled the blaze, and resources included 519 fire engines, 18 helicopters, 8 air tankers, 92 hand crews, 115 bulldozers, and 60 water tenders. In Calaveras County, the fire burned 70,868 acres and destroyed 863 structures, including 475 homes.

Figure 1: Debris Removal and Tree Falling, Calaveras County, CA



Source: FEMA

To provide Federal assistance, the President declared a major disaster (DR-4240-CA) on September 22, 2015.² An amendment on October 8, 2015, added Public Assistance to the declaration.^{3 4}

² Federal Register, *California; Major Disaster and Related Determinations*, 80 Fed. Reg. 60165 (October 5, 2015).

³ Federal Register, *California; Amendment No. 5 to Notice of a Major Disaster Declaration*, 80 Fed. Reg. 63242 (October 19, 2015).

⁴ FEMA's Public Assistance program awards grants to State, local, tribal governments, and certain private non-profits to assist them with the response to and recovery from federally declared disasters.



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In April 2016, the California Department of Forestry and Fire Protection (CAL Fire) concluded its investigation into the fire.⁵ CAL Fire determined that, because of improper maintenance by the utilities company, a tree made contact with a powerline and caused the fire. CAL Fire reported that it would pursue firefighting costs in excess of \$90 million from the utilities company. Calaveras County is also seeking financial compensation for its response and recovery efforts from the utilities company, which could duplicate FEMA funding.

Results of Audit

About 10 months after the disaster declaration, County officials have not started debris removal work critical for the County to recover from the disaster. In addition, the County has not adequately implemented procurement policies and procedures for contracting with Federal funds. The County's payroll system is also deficient because it is not capable of capturing disaster-related labor costs across multiple tasks. As a result, the County faces challenges with accounting for large project costs on a project-by-project basis, as Federal regulations require. Finally, the County does not have policies and procedures in place to ensure that it will not receive benefits from insurance or other sources that duplicate funding it receives from FEMA.

These findings occurred because County officials did not have experience with federally declared disasters and were not familiar with applicable Federal regulations and FEMA guidelines. In addition, California is responsible for ensuring that its subrecipient (the County) is aware of and complies with these requirements, as well as for providing technical assistance and monitoring grant activities.

In response to our audit, the County is revising its policies and procedures to comply with Federal requirements. However, the County needs additional, ongoing assistance from California and FEMA to ensure that it properly manages its \$10.8 million FEMA grant.

⁵ The California Department of Forestry and Fire Protection (CAL FIRE) is responsible for the fire protection and stewardship of over 31 million acres of California's privately owned wildlands. In addition, CAL FIRE provides varied emergency services in 36 of the State's 58 counties via contracts with local governments.



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Finding A: Project Delays

About 10 months after the disaster declaration, the County had not started Project 78, a major \$8.3 million debris-removal project to clear an estimated 8,200 hazardous trees—6,500 of which are on private property.⁶ This has delayed recovery for the entire area because the County is not initiating other critical work until the hazardous trees are removed. For example, the County is waiting to perform construction on its roads until after it removes the trees because the removal process will further damage the roads. Therefore, delays to this project will create delays to other disaster-related work.

County officials explained that these delays occurred for the following reasons:

1. They did not adequately understand Federal requirements for performing disaster-related work, and hired a consultant in January 2016 to assist them in developing a scope of work and drafting a contract for the work.
2. FEMA and California required them to provide extensive documentation (e.g., mapping, photographs, and detailed descriptions) for Environmental and Historic Preservation approval — a requirement for project approval and funding.⁷ When performing the review, FEMA needs to understand the project's scope of work and how it will impact environmental and historic preservation requirements. Because the damage is widespread and the project is not typical (e.g., involving other entities, such as the utilities company), the documentation requirements are greater.
3. They canceled an earlier request for proposals and issued a new, more detailed request (which closed on July 11, 2016) based on FEMA's and California's procurement requirements that the County did not originally consider.

⁶ FEMA initially obligated \$8.3 million for the County to remove an estimated 5,842 trees. The County has since determined a more accurate number of hazardous trees (8,200) and will provide that information to FEMA.

⁷ Environmental Planning and Historic Preservation (EHP) approval ensures that FEMA's activities and programs related to disaster response and recovery, hazard mitigation, and emergency preparedness comply with Federal environmental and historic preservation laws and executive orders. FEMA must complete its review for compliance with these laws before it approves funding and before work is started because the review may identify steps to be taken or conditions to be met before the project can be implemented (*Public Assistance Guide*, FEMA 322, June 2007, Chapter 4: *Special Considerations, Environmental/Historic Preservation Compliance*).



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4. The area's utilities company has been clearing trees in its right-of-way, which is blocking access to areas under the County's responsibility. Therefore, the County's efforts cannot begin until the utilities company completes its work.

Federal regulations stipulate that FEMA grant subrecipients must complete debris clearance and emergency work within 6 months of the disaster declaration (44 Code of Federal Regulations (CFR) 206.204(c)(1)). The President declared a major disaster on September 22, 2015. Therefore, the 6-month deadline expired in March 2016; and the County had not initiated work on the project as of the date of our exit conference with the County on July 8, 2016. However, the County's funding is in jeopardy if the County begins work on the project before achieving compliance with FEMA's Environmental and Historic Preservation review. Therefore, all stakeholders must increasingly collaborate to ensure timeliness in attaining approval and initiation of the project.

County officials agreed with our finding and noted they are making progress in satisfying FEMA and California requirements, and will likely approve the contract for work in the coming weeks.

California officials agreed with our finding and told us they have been discussing the project delays with County officials, and will work with them to obtain the necessary time extensions. They noted that — once FEMA completes its Environmental and Historic Preservation review and formally approves the project — California will formally provide/request the time extensions.⁸ They told us they have reiterated to the County that the project's funding is at risk unless the County formally files the extension and completes the work timely.

FEMA officials told us the County has not completely documented the scope of work for the project or provided that information to FEMA. Until that happens, FEMA cannot approve and fund the project or grant time extensions. They noted that this is a very large project and County officials, despite the delays, have made progress by completing initial surveys and communicating consistently with both FEMA and California.

Finding B: Procurement

The County's procurement policies and procedures do not fully conform to Federal procurement standards. At the time of our audit, the County had

⁸ Federal regulations allow California to issue a time extension based on extenuating circumstances or unusual project requirements (44 CFR 206.204(c)(2)(ii)). If the County requires an additional time extension, California must submit the request to FEMA for approval (44 CFR 206.204(d)).



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neither awarded any large contracts nor claimed any costs to FEMA. Therefore, we reviewed the County's written procurement policies and procedures and its award of four small professional services contracts under Project 66, totaling \$338,000, to identify areas where the County should improve.⁹

The County's written procurement policies align with some Federal standards, such as those related to full and open competition, suspension and debarment, and conflicts of interest. However, the County's procurement code does not align with 2 CFR 200 requirements to —

- maintain records detailing the significant history of the procurement (2 CFR 200.318(i));
- maintain a contract administration system (2 CFR 200.318(b));
- perform a cost or price analysis in connection with procurement actions (2 CFR 200.323(a));
- limit the use of time-and-material contracts (2 CFR 200.318(j));
- prohibit the use of the cost-plus-a-percentage-of-cost contracting (2 CFR 200.323(d));
- take affirmative steps to assure the use of small and minority firms, women's business enterprises, and labor surplus area firms when possible (2 CFR 200.321(a)); and
- include mandatory Federal provisions in subrecipients' contracts (2 CFR 200.326), such as those related to equal employment opportunity, safety standards, clean air laws, and anti-lobbying measures.

County officials told us they agree with our finding and are in the process of revising the County's policies and procedures to include applicable Federal procurement requirements. To demonstrate their corrective actions in this area, County officials provided us a recent request for proposal that included applicable contracting requirements.

California officials agreed with our finding and told us that they will provide additional technical assistance to the County for contracting with Federal funds. FEMA officials agreed with this finding.

Finding C: Accounting

County officials are not adequately accounting for disaster-related costs because they do not consistently follow County accounting procedures and

⁹ We performed this review between April and May 2016. The County awarded these contracts between November 2015 and March 2016, and each was below the \$150,000 Federal simplified acquisition threshold (2 CFR 200.88).



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because they do not have a payroll system capable of capturing costs across multiple tasks. As a result, the County is delayed in identifying the disaster-related costs it has incurred to date; does not account for costs on a project-by-project basis, as Federal regulations require; and is not yet in a position to file a claim for reimbursement with California.

Federal regulations stipulate that grant subrecipients must —

- maintain accounting records that adequately identify the source and application of Federal funds, and maintain source documentation to support those accounting records (2 CFR 200.302 (b)(3)); and
- keep records for all projects on a project-by-project basis (*Public Assistance Guide*, FEMA 322, June 2007, p. 137).

The County is not complying with these requirements consistently. It has policies and procedures for accounting for disaster costs that include the following:

- assigning specific accounting codes;
- identifying work by type;
- requiring documentation to be maintained adequately;
- submitting costs for review and approval by the County's Administrative Office; and
- facilitating the audit and payment of disaster-related costs via the County's Office of Auditor-Controller.

However, County officials do not always follow these procedures. For example, they do not consistently —

- segregate costs by task in the general ledger;
- maintain adequate documentation demonstrating that expenditures are disaster-related;
- maintain documentation supporting direct administrative costs;¹⁰ and
- review costs for eligibility and adequate support before submitting them for payment to the County's accounts payable division.

Further, the County's payroll system is not capable of capturing disaster-related labor costs across multiple tasks. As a result, the County faces challenges with accounting for large project expenditures on a project-by-project basis, as required.

¹⁰ Direct administrative costs include costs that can be tracked, charged, and accounted for directly to a specific project.



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As of April 7, 2016, the County had incurred \$1,187,108 in costs for emergency protective measures. As the County incurs additional costs, it could benefit from additional assistance from California to ensure costs charged to FEMA projects are eligible, valid, and properly allocated.

County officials agreed with our finding and told us that they were not sufficiently familiar with applicable Federal regulations and FEMA guidelines. They said that, to improve the way the County accounts for disaster-related costs, they hired an individual specifically to review, identify, and segregate disaster costs recorded in its general ledger and payroll systems. In addition, they told us they have plans to upgrade the functionality of their payroll and time/attendance systems to ensure they can account for disaster-related costs on a project-by-project basis. Lastly, they told us that they have since received additional guidance from California and have provided those instructions to County departments to account for disaster-related costs properly.

California officials told us that they previously provided information to the County on how to account for disaster-related costs and, because of our review, would increase their oversight of the County and offer additional training. FEMA officials agreed with this finding.

Finding D: Risks of Duplication of Benefits

The County does not have policies and procedures in place to ensure that it will not receive benefits from insurance or other sources that duplicate funding it receives from FEMA. The *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, Section 312, *Duplication of Benefits*, prohibits an entity from receiving assistance for any loss for which it has received financial assistance from any other program, insurance, or any other source. Further, 44 CFR 206.250(c) requires FEMA to deduct actual and anticipated insurance recoveries from otherwise eligible costs.

County officials may receive insurance proceeds and settlement funds (or judgment monies) for their damaged public facilities. This funding may be duplicative of FEMA funding. The County's duplicative funding may originate from three sources:

1. Public Insurance. The County is eligible to receive insurance proceeds for a facility damaged by the disaster. (However, the County told us that it does not intend to repair the facility and therefore will not claim FEMA funds or insurance.)
2. Private Insurance. The County expects that more than 600 private property owners may receive insurance proceeds for the removal of about



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6,500 hazardous trees from their properties that the County is removing from its right-of-ways.

3. Settlement/Judgment Funding. The County is seeking financial compensation for its response and recovery efforts (including for its public facilities) from the utilities company that Cal Fire deemed was responsible for the fire.

In each instance, the County must deduct these recoveries from its FEMA funding. We discussed these issues with County officials, who agreed with this finding and confirmed that, as a condition of receiving Public Assistance, they would deduct any applicable proceeds, anticipated or actual, from eligible FEMA project costs. They told us they are also working on revising their policies and procedures related to receiving funding from multiple sources.

California officials told us they informed County officials on multiple occasions about rules related to the duplication of benefits and will follow up with the County to ensure that they understand the requirements. FEMA officials agreed with this finding.

Finding E: Grant Management

County officials did not always have an adequate understanding of Federal grant requirements related to project deadlines, procurement standards, and accounting requirements. For example, the County has not initiated important emergency work, does not have policies and procedures that conform fully to Federal procurement requirements, and has not accounted for disaster-related costs adequately.

California, as FEMA's grant recipient, is responsible for monitoring the County's activities for compliance with Federal requirements and providing training and technical assistance on program-related matters (2 CFR 200.331(d) and (e)(1)).

County officials told us that they could benefit from additional guidance from California. They noted that, because of our audit, California has offered the County additional assistance with its procurement and accounting efforts. California officials agreed with this finding and noted that they have provided, and will continue to provide, technical assistance to the County.

FEMA officials agreed with this finding and told us FEMA works closely with California — through ongoing seminars, classes, and discussions — to ensure that grant recipients and subrecipients fully understand and properly apply applicable Federal regulations. FEMA officials said they continuously monitor



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the progress of each grant recipient and subrecipient and proactively offer assistance to both. They told us that California disseminates program-specific information, including the importance of compliance with Federal regulations, at the beginning of each new disaster, which FEMA reiterates.

Recommendations

We recommend that the Regional Administrator, FEMA Region IX:

Recommendation 1: Direct California to work with the County to provide the documentation necessary for FEMA to approve and fund Project 78 timely; obtain a time extension for the project; and assist County officials to initiate and complete the project efficiently (finding A).

Recommendation 2: Disallow contract costs claimed that do not comply with applicable Federal regulations and FEMA policies unless FEMA grants an exception as 2 CFR 200.102 allows and determines costs are reasonable (finding B).

Recommendation 3: Direct California to ensure the County only submits reimbursement for costs that are fully documented and eligible in accordance with Federal regulations and FEMA guidelines (finding C).

Recommendation 4: Direct California to work with the County to develop policies and procedures related to the duplication of monetary benefits and to ensure that the County deducts any duplicate proceeds, anticipated or actual, from FEMA project costs (finding D).

Recommendation 5: Direct California to increase monitoring of the County's policies, procedures, and subgrant activities and provide additional technical advice and assistance to ensure the County complies with all applicable Federal grant requirements — particularly those related to project deadlines, procurement standards, accounting requirements, and duplicate benefits — to avoid improperly spending the \$10,846,666 million (\$8,135,000 million Federal share) in FEMA Public Assistance funding (findings A, B, C, D, and E).

Discussion with Management and Audit Follow-Up

We discussed the results of our audit with County, California, and FEMA officials during our audit. We also provided a draft report in advance to these officials and discussed it at exit conferences with FEMA officials on May 24, 2016, and with California and County officials on July 8, 2016. We included these officials' comments, as applicable, in the body of this report.



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FEMA Region IX officials provided a final written response to this report on August 10, 2016 (see appendix C). They agreed with our findings and recommendations and detailed to us how they work closely with California and grant subrecipients to ensure that they fully understand, and properly apply, Federal regulations regarding the Public Assistance program. The actions FEMA Region IX officials have taken in response to our findings were sufficient to resolve and close the recommendations; therefore, we consider this audit closed and require no further actions from FEMA.

The Office of Emergency Management Oversight major contributors to this report are Humberto Melara, Director; Devin Polster, Audit Manager; Ravi Anand, Senior Auditor; and Bill Stark, Auditor.

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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Appendix A Objective, Scope, and Methodology

We audited FEMA Public Assistance grant funds awarded to the County, Public Assistance Identification Number 009-99009-00. Our audit objective was to determine whether the County's policies, procedures, and business practices are adequate to account for and expend FEMA Public Assistance Program grant funds according to Federal regulations and FEMA guidelines for FEMA Disaster Number 4240-DR-CA. The County received a Public Assistance grant award of \$10,846,666 from California, the FEMA grant recipient, for damages resulting from wildfires from September 9, 2015, to October 30, 2015. The award provided 75 percent FEMA funding for three large projects and two small projects (table 1).¹¹

Table 1: FEMA-Approved Projects and Award Amount

Project Number	Category of Work ¹²	Gross Award Amount	Insurance Reductions	Net Award Amount
39	B	\$ 472,281	\$0	\$ 472,281
40*	B	63,429	0	63,429
66*	B	103,819	0	103,819
78	A	8,278,740	0	8,278,740
88	C	1,928,397	0	1,928,397
Total		\$10,846,666	\$0	\$10,846,666

Source: Office of Inspector General (OIG) and FEMA project documentation

* Small Project

As of May 12, 2016, our audit cutoff date, the County was in the process of identifying its damages and estimating its repair costs, and had not submitted a claim with its insurance carrier. The County intends to seek compensation from the utilities company responsible for the fire. The County has not yet claimed costs for FEMA reimbursement.

Our audit covered the period of September 9, 2015, the first day of the incident period, through May 12, 2016, our audit cutoff date.

¹¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$121,600 [Notice of Adjustment of Disaster Grant Amounts, 79 Fed. Reg. 62,648 (Oct. 20, 2014)].

¹² FEMA identifies type of work by category: A for debris removal, B for emergency protective measures, and C-G for permanent work.



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Appendix A (continued)

We assessed the policies and procedures the County used to account for and expend FEMA funds, and we audited four small contracts, totaling \$338,000, the County awarded for disaster-related work.

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 before it spent the majority of its funding.

To accomplish our objectives, we interviewed FEMA, California, and County officials; assessed the adequacy of the policies, procedures, and business practices the County uses or plans to use to account for and expend Federal grant funds and to procure and monitor contracts for disaster work; judgmentally selected and reviewed procurement transactions; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our objective. As part of our standard audit procedures, we also notified our Office of Information Technology Audits of all contracts the subgrantee awarded under the grant that we reviewed to determine whether the contractors were debarred or whether there were any indications of other issues related to those contractors that would indicate fraud, waste, or abuse. As of the date of this report, the Office of Information Technology Audits' analysis of contracts was ongoing. When it is complete, we will review the results and determine whether additional action is necessary. We did not perform a detailed assessment of the County's internal controls over its grant activities because it was not necessary to accomplish our audit objective.

We conducted this performance audit between April and May 2016, 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.



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Appendix B
Potential Monetary Benefits

Table 2: Summary of Potential Monetary Benefits

Type of Potential Monetary Benefit	Total	Federal Share
Questioned Costs – Ineligible	\$ 0	\$ 0
Questioned Costs – Unsupported	0	0
Funds Put to Better Use (Other Savings)	\$ 10,846,666	\$ 8,135,000
Totals	\$10,846,666	\$8,135,000

Source: OIG analysis of findings in this report





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Appendix C

FEMA's Comments to the Draft Report

		U.S. Department of Homeland Security Region IX 1111 Broadway, Suite 1200 Oakland, CA 94607-4052	
			FEMA
AUG 10 2016			
MEMORANDUM FOR:	Humberto U. Melara Director, Western Regional Office Office of Inspector General		
FROM:	Robert J. Fenton Regional Administrator FEMA Region IX 		
SUBJECT:	FEMA-4240-DR-CA Subgrantee: Calaveras County; PA ID: 009-99009-00 Response to Draft Audit Report, OIG-16-#D, Job Code G-16-020 FEMA Log: 309526.4		
<p>On July 25, 2016, the Office of Inspector General (OIG) Western Regional Office transmitted the updated draft audit report <i>Calaveras County, California Needs State and FEMA Assistance in Managing its \$10.8 Million FEMA Grant</i>. The OIG audited the U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA) Public Assistance grant funds awarded to Calaveras County, California (County) under FEMA-4240-DR-CA. The audit report listed the following five (5) recommendations based on findings related to the role and responsibility of FEMA and the California Governor's Office of Emergency Services (Cal OES), as grantee, in ensuring that the County understands Federal requirements associated with Stafford Act disaster recovery grants:</p> <p>Recommendation 1: Direct California to work with the County to provide FEMA the documentation necessary for them to approve and fund Project 78 in a timely fashion; obtain a time extension for the project; and assist its officials in initiating and completing the project efficiently (finding A).</p> <p>Recommendation 2: Disallow contract costs claimed that do not comply with applicable Federal regulations and FEMA policies, unless an exception is granted for all or part of the costs as 2 CFR 215.4 allows (finding B).</p>			
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Appendix C (continued)

Mr. Humberto U. Melara
Draft Audit Report OIG-16-111-D Job Code G-16-020
FEMA-4240-DR-CA, FEMA Log: 309526.4
Page 2 of 2

Recommendation 3: Direct California to ensure the County only submits reimbursement for costs that are fully documented and eligible in accordance with Federal regulations and FEMA guidelines (finding C).

Recommendation 4: Direct California to work with the County to develop policies and procedures related to the duplication of monetary benefits, and to ensure that the County deducts any duplicate proceeds—anticipated or actual—from FEMA project costs (finding D).

Recommendation 5: Direct California to increase monitoring of the County's policies, procedures, and subgrant activities and provide additional technical advice and assistance to ensure the County complies with all applicable Federal grant requirements—particularly those related to project deadlines, procurement standards, accounting requirements, and duplicate benefits—to avoid improperly spending the \$10,846,666 million (\$8,135,000 million Federal share) in FEMA Public Assistance funding (findings A, B, C, D, and E).

FEMA's Response to Recommendations 1, 2, 3, 4, and 5: Concur. FEMA works closely with Cal OES and all California subgrantees to ensure that federal regulations regarding the FEMA Public Assistance program are fully understood and properly applied. This is an ongoing and interactive process with seminars, classes, and discussions. Cal OES disseminates program specific information, including the importance of compliance to federal regulations, during the Applicants' Briefing at the beginning of each new disaster. FEMA then reiterates the information during the Kick-off Meeting. FEMA points-of-contact continuously monitor the progress of each client and proactively offer assistance to both Grantee and Subgrantee.

In summary, FEMA concurs with Recommendations 1, 2, 3, 4, and 5. FEMA has taken the actions noted above. FEMA requests closure of all recommendations.

If you have any questions or require additional information, please contact William Roche, Recovery Division Director, at (510) 627-7250.



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Appendix D Report Distribution

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