

**The City of Austin, Texas,
Has Adequate Policies and
Procedures to Comply with
FEMA Public Assistance
Grant Requirements**





DHS OIG HIGHLIGHTS

The City of Austin, Texas, Has Adequate Policies and Procedures to Comply with FEMA Public Assistance Grant Requirements

January 21, 2016

Why We Did This Audit

The City of Austin, Texas, (City) received a \$7.2 million grant award for damages resulting from severe storms and flooding that occurred in October 2013. We conducted this audit early in the grant process to identify areas where the City may need additional technical assistance or monitoring to ensure compliance with Federal requirements.

What We Recommend

The Federal Emergency Management Agency (FEMA) should disallow \$138,959 of ineligible equipment costs and \$62,177 of unsupported equipment costs.

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 minor problems with equipment costs, the City has adequate policies, procedures, and business practices in place to account for and expend FEMA Public Assistance Program grant funds according to Federal regulations and FEMA guidelines. During the audit, we identified \$138,959 of ineligible equipment costs and \$62,177 of unsupported equipment costs.

Texas, in its role as the grantee, did a good job monitoring the City and identified these problems as part of its review procedures. Texas officials withheld payment and provided City officials with additional technical assistance and guidance to correct and address these minor deficiencies.

FEMA Response

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



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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

January 21, 2016

MEMORANDUM FOR: George A. Robinson
Regional Administrator, Region VI
Federal Emergency Management Agency

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

SUBJECT: *City of Austin, Texas, Has Adequate Policies and
Procedures to Comply with FEMA Public Assistance
Grant Requirements*
Audit Report Number OIG-16-22-D

We audited Federal Emergency Management Agency (FEMA) funds awarded to the City of Austin, Texas (City). We conducted this audit early in the Public Assistance process to identify areas where the City 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 noncompliance before they spend the majority of their funding. It also allows them the opportunity to supplement deficient documentation or locate missing records before too much time elapses.

As of December 22, 2014, the Texas Division of Emergency Management (Texas), a FEMA grantee, had awarded \$7.2 million in assistance to the City for damages resulting from severe storms and flooding that occurred in October 2013. The award provided 75 percent Federal cost share funding for 14 large and 21 small projects, and 85 percent Federal cost share funding for 1 large project under FEMA's Public Assistance Alternative Procedures Pilot Program for Debris Removal.

At the time of the audit, the City had spent \$2.8 million for disaster-related costs, and had submitted \$1.6 million in claimed costs for two large projects (Project 58 – Bridge Repair at River Plantation Road and Onion Creek; and Project 63 – Public Assistance Alternative Procedures for Debris Removal). We audited these two large projects and performed other audit procedures to assess the policies, procedures, and business practices the City used for this disaster (see appendix A).



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Background

On October 30, 2013, an upper level disturbance, a cold front, and deep tropical moisture converged over south central Texas. The resulting severe thunderstorms and floods caused widespread damage to homes, businesses, and public infrastructure across the state. On December 20, 2013, the President issued a Major Disaster Declaration (DR-TX-4159) authorizing FEMA to provide Public Assistance in Caldwell, Hays, and Travis counties. The City of Austin, the state capital of Texas, is located in Hays and Travis counties. The severe thunderstorms flooded southern parts of the City, most significantly along the lower portions of Onion Creek in southeast Austin.

Figure 1: Flooding in Austin, Texas



Source: City of Austin Office of Homeland Security Emergency Management

The City used FEMA's Public Assistance Alternative Procedures Pilot Program to remove debris. The pilot program provides 85 percent Federal cost share funding for work completed within 30 days from the start of the disaster incident period; 80 percent Federal cost share for work completed between 31 and 90 days; and 75 percent Federal cost share for work completed thereafter.

Results of Audit

Except for minor problems with equipment costs, the City has adequate policies, procedures, and business practices in place to account for and expend FEMA grant funds according to Federal regulations and FEMA guidelines. For example, the City accounted for costs on a project by project basis, as 44 Code of Federal Regulations (CFR) 206.205 requires; the City's procurement and contracting policies, procedures, and business practices comply with Federal



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

standards in 44 CFR 13.36; and the City provided insurance information to FEMA in accordance with 44 CFR 206.252 and 206.253. During the audit, we identified \$138,959 of ineligible equipment costs and \$62,177 of unsupported equipment costs. Texas, in its role as the grantee, did a good job monitoring the City and identified these problems as part of its review procedures. Texas officials withheld payment and provided City officials with additional technical assistance and guidance to correct and address these minor deficiencies.

Finding A: Ineligible Equipment Costs

One City department overstated equipment costs by \$138,959. Texas, as part of its review procedures, also identified this problem. The department used its own work crews and equipment to perform debris cleanup. However, in some instances, the City claimed equipment costs for every crew member even though the entire crew operated only one piece of equipment.

We discussed this finding with department officials, who said this occurred because City employees who prepared the claims were unfamiliar with the built-in formulas in FEMA's spreadsheets. As a result, they unknowingly inflated equipment costs.

According to 44 CFR 206.205(b)(1), only costs for approved work are eligible. In this case, the overstated costs are clearly ineligible because the City did not incur these costs. Therefore, FEMA should disallow the overstated costs by reducing the project's award amount by \$138,959.

A Texas official met with City officials to discuss the error. City officials told Texas that they would resubmit a reimbursement request after making the necessary corrections.

Finding B: Unsupported Equipment Costs

The City did not always have adequate documentation to support its equipment costs. One City department did not provide equipment records to support \$62,177 of equipment claimed costs. Instead, the department relied on equipment operator timesheets to determine equipment time. Employee hours are not a reliable indicator of equipment time as employees do not always use equipment.

According to 2 CFR Part 225, *Cost Principles for State, Local, and Indian Tribal Governments*, Appendix A, Section C.1.j, grant recipients must adequately document costs for the costs to be allowable under a Federal award. In addition, 44 CFR 13.20(b)(6) requires that grant recipients provide source documentation to support accounting records. FEMA's *Public Assistance Guide*



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

(FEMA 322, June 2007, p.137) also requires an applicant to establish and maintain accurate records for each item of disaster recovery work.

Texas, as part of its review procedures, also identified this problem. City officials told us and Texas officials that the department did not provide equipment logs because the department's log format did not capture the amount of equipment time used. Department officials said they had followed the department's normal procedures and standards for recording equipment use because they were not aware of FEMA's documentation requirements.

Texas officials said they will work with the City to identify alternate methods of documenting equipment time. In addition, Texas officials said they would work with the City to communicate Federal and FEMA documentation requirements to all City departments. A City official added that the City is also actively working with Texas to correct deficiencies where regular City processes did not meet requirements.

Recommendations

We recommend that the Regional Administrator, FEMA Region VI:

Recommendation 1: Disallow \$138,959 (\$118,115 Federal share) of ineligible equipment costs in Project 63 (finding A).

Recommendation 2: Disallow \$62,177 (\$52,850 Federal share) of unsupported equipment costs in Project 63, unless the City can provide adequate documentation to support these costs (finding B).

Discussion with Management and Audit Follow-up

We discussed the results of our audit with City and Texas officials on April 14, 2015, and with FEMA officials on April 30, 2015, and included their comments in this report, as appropriate. We also provided a draft report in advance to these officials and discussed it at the FEMA exit conference on October 26, 2015, and the joint Grantee-Subgrantee exit conference on November 9, 2015. Texas and City officials said they would withhold comment until after we issue our final report.

FEMA officials provided a written response to this report on November 17, 2015 (see appendix B). Although FEMA officials agreed with our findings and recommendations and said they would deobligate the costs we recommended for disallowance, they did not provide a target completion date for their proposed corrective actions. Therefore, we consider our two recommendations as open and unresolved.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

To resolve recommendations 1 and 2, please provide our office with a target completion date for each recommendation within 30 days from the date of this memorandum. Also, please include the contact information for responsible parties and any other supporting documentation necessary to inform us about the status of the recommendations. Please email a signed pdf copy of all responses and closeout request to Christopher Dodd, Director, Central Regional Office - South, Office of Emergency Management Oversight, at Christopher.Dodd@oig.dhs.gov. Until we receive and evaluate your response, we will consider the recommendations open and unresolved.

The Office of Emergency Management Oversight major contributors to this report are Christopher Dodd, Director; John Polledo, Audit Manager; Tai Cheung, Auditor-in-charge; and Jamie Hooper, Auditor.

Please call me with any questions at (202) 254-4100, or your staff may contact Christopher Dodd, Director, Central Regional Office - South, at (214) 436-5200.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix A

Objective, Scope, and Methodology

We audited FEMA Public Assistance grant funds awarded to the City of Austin, Public Assistance Identification Number 453-05000-00. Our audit objective was to determine whether the City’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 4159-DR-TX. As of December 22, 2014, Texas had awarded the City \$7.2 million for damages resulting from severe storms and flooding that occurred on October 30, and 31, 2013. The award provided 75 percent FEMA funding for 14 large and 21 small projects, and 85 percent Federal funding for 1 large project under FEMA’s Public Assistance Alternative Procedures Pilot Program for Debris Removal.¹

The audit covered the period from October 30, 2013, the start of the incident period, until December 22, 2014, the audit’s cutoff date. During this time, the City submitted \$1,574,499 in claimed costs to Texas for two large projects (Projects 58 and 63). We audited these two projects to assess the City’s policies and procedures it used for this disaster (see table 1).

Table 1: Projects Reviewed

Project Number	Category of Work	Award Amount
63	A-Debris Removal	\$ 1,076,777
58	C-Roads and Bridges	<u>769,590</u>
Total		<u>\$1,846,367</u>

Source: FEMA project worksheets

We interviewed FEMA, Texas, and City officials; assessed the adequacy of the policies, procedures, and business practices the City used or plans to use to account for and expend Federal grant funds and to procure and monitor contracts for disaster work; gained an understanding of the City’s method of accounting for disaster-related costs and its procurement policies and procedures; judgmentally selected and reviewed (generally based on dollar amounts) project costs and procurement transactions for the projects included in our audit scope; reviewed applicable Federal regulations and FEMA

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



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix A (continued)

guidelines; and performed other procedures considered necessary under the circumstances to accomplish our audit objective. We did not perform a detailed assessment of the City's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective.

We conducted this performance audit between December 2014 and November 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 basis for our findings and conclusions based upon our audit objective. To conduct this audit, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix B

FEMA Region VI Audit Response

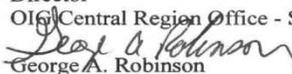
U.S. Department of Homeland Security
FEMA Region VI
FRC 800 North Loop 288
Denton, TX 76209-3698



FEMA

November 17, 2015

MEMORANDUM FOR: Christopher Dodd
Director
OIG Central Region Office - South

FROM: 
George A. Robinson
Regional Administrator

SUBJECT: Management Response to Draft Report
*City of Austin, Texas, Has Adequate Policies and Procedures
to Comply with FEMA Public Assistance Grant Requirements*
FEMA Disaster: DR-TX-4159
Job Code: G-15-001

Thank you for the opportunity to review and comment on the referenced Draft Report. The Federal Emergency Management Agency (FEMA) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report. As the Public Assistance Grant Program is the largest expenditure of the Disaster Relief Fund, we consider your audit an important part of the grants management oversight process.

FEMA concurs with both recommendations of the Draft Report. Specifically, the OIG recommended that FEMA Region 6 take the following actions:

Recommendation 1: *Disallow \$138,959 (\$118,115 federal share) of ineligible equipment costs in Project 63 (finding A).*

Response: Concur. FEMA Region 6 agrees with the intent of this recommendation and will de-obligate \$138,959 from Project 63.

Estimated Completion Date: To be Determined

Recommendation 2: *Disallow \$62,177 (\$52,850 federal share) of unsupported equipment costs in Project 63, unless the city can provide adequate documentation to support these costs (finding B).*

Response: Concur. FEMA Region 6 agrees with the intent of this recommendation and will de-obligate \$62,177 from Project 63.

Estimated Completion Date: To be Determined

www.fema.gov • fax: (940) 898-5325



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix B (continued)

Christopher Dodd
November 17, 2015
Page 2

Again, thank you for the opportunity to comment. Please contact Kent Baxter, Audit Coordinator, at (940) 898-5399 should you have any questions. We look forward to working with you in the future to resolve the recommendations and close this audit.

cc: Nim Kidd, Texas DEM
Moises Dugan, FEMA R6-ORA
Greg Eaton, FEMA R6-REC
Mark Price, FEMA R6-REC
Bill Boone, FEMA R6-REC
Michael Crow, FEMA R6-REC
Leland Baker, FEMA R6-REC
Kathy Hill, FEMA HQ-OCFO-RM
Gary McKeon, FEMA HQ-OPPA-ALO
Kent Baxter, FEMA R6-ORA



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix C

Potential Monetary Benefits

Table 2: Schedule of Questioned Costs

Project Number	Project Award Amount	Finding A	Finding B
63	\$1,076,777	\$138,959	\$62,177
Total	<u>\$1,076,777</u>	<u>\$138,959</u>	<u>\$62,177</u>

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

Table 3: Summary of Potential Monetary Benefits

Type of Potential Monetary Benefits	Amounts	Federal Share
Questioned Costs – Ineligible	\$ 138,959	\$ 118,115
Questioned Costs – Unsupported	62,177	52,850
Totals	<u>\$201,136</u>	<u>\$170,965</u>

Source: OIG analyses of findings in this report



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix D

Report Distribution

Department of Homeland Security

Secretary
Chief of Staff
Chief Financial Officer
Under Secretary for Management
Chief Privacy Officer
Audit Liaison, DHS

Federal Emergency Management Agency

Administrator
Chief of Staff
Chief Financial Official
Chief Counsel
Director, Risk Management and Compliance
Audit Liaison, FEMA (Job Code G-15-001)
Audit Liaison, FEMA Region VI

Office of Management and Budget

Chief, Homeland Security Branch
DHS OIG Budget Examiner

Congress

Congressional Oversight and Appropriations Committees

External

Chief, Texas Division of Emergency Management
Texas State Auditor's Office
Director, City of Austin Office of Homeland Security and Emergency
Management
Controller, City of Austin

ADDITIONAL INFORMATION AND COPIES

To view this and any of our other reports, please visit our website at: www.oig.dhs.gov.

For further information or questions, please contact Office of Inspector General Public Affairs at: DHS-OIG.OfficePublicAffairs@oig.dhs.gov. Follow us on Twitter at: [@dhsoig](https://twitter.com/dhsoig).



OIG HOTLINE

To report fraud, waste, or abuse, visit our website at www.oig.dhs.gov and click on the red "Hotline" tab. If you cannot access our website, call our hotline at (800) 323-8603, fax our hotline at (202) 254-4297, or write to us at:

Department of Homeland Security
Office of Inspector General, Mail Stop 0305
Attention: Hotline
245 Murray Drive, SW
Washington, DC 20528-0305