

**Colorado Springs Utilities,
Colorado, Has Adequate
Policies, Procedures, and
Business Practices to
Effectively Manage Its FEMA
Public Assistance Grant
Funding**





DHS OIG HIGHLIGHTS

Colorado Springs Utilities, Colorado, Has Adequate Policies, Procedures, and Business Practices to Effectively Manage Its FEMA Public Assistance Grant Funding

February 18, 2016

Why We Did This Audit

Colorado Springs Utilities, Colorado (Utilities), received a \$937,367 Public Assistance grant for damages from storms occurring May through June 2015. We conducted this audit early in the grant process to identify areas where the Utilities 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 Utilities has established policies, procedures, and business practices to account for and expend Federal Emergency Management Agency (FEMA) Public Assistance grant funds according to Federal regulations and FEMA guidelines. Therefore, if the Utilities follow those policies, procedures, and business practices, FEMA has reasonable assurance that the Utilities will properly manage its FEMA grant.

For example, the Utilities can account for disaster costs on a project-by-project basis and can adequately support the costs. Further, the Utilities' procurement procedures meet Federal procurement standards.

The disaster did not cause damage to insurable facilities. Therefore, the Utilities did not receive any insurance proceeds or need to obtain insurance to cover damages resulting from this disaster.

FEMA Response

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



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Department of Homeland Security

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

February 18, 2016

MEMORANDUM FOR: Robert A. Farmer
Acting Regional Administrator, Region VIII
Federal Emergency Management Agency

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

SUBJECT: *Colorado Springs Utilities, Colorado, Has Adequate Policies, Procedures, and Business Practices to Effectively Manage Its FEMA Public Assistance Grant Funding*
Audit Report Number OIG-16-40-D

We audited the capability of Colorado Springs Utilities in Colorado Springs, Colorado (Utilities), to manage Public Assistance grant funds. We conducted this audit early in the Public Assistance Program process to identify areas where the Utilities 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 grant funding. It also allows them the opportunity to supplement deficient documentation or locate missing records before too much time elapses.

As of December 22, 2015, the Colorado Department of Public Safety, Division of Homeland Security and Emergency Management (Colorado), a FEMA grantee, had awarded the Utilities \$937,367 for damages resulting from severe storms, tornadoes, flooding, landslides, and mudslides beginning on May 4, and continuing through June 16, 2015. The award provided 75 percent funding for debris removal, emergency protective measures, and permanent work. The disaster did not cause damage to insurable facilities. Therefore, the Utilities did not receive any insurance proceeds or need to obtain insurance to cover damages resulting from this disaster. At the time of our fieldwork, the Utilities had expended \$552,325 in eligible disaster costs, but had not yet completed disaster work or filed claims for reimbursement.



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Background

Colorado Springs Utilities is a public nonprofit utility owned by the City of Colorado Springs, Colorado, that provides electric, natural gas, water, and wastewater services to the customers in the Pikes Peak region. During the incident period of May 4, through June 16, 2015, severe storms and flooding exposed and damaged pipelines and washed out roads and culverts (see figure 1).

Figure 1: Culverts Washed Out in Colorado Springs, CO



Source: Colorado Springs Utilities, Colorado

Results of Audit

The Utilities has established adequate policies, procedures, and business practices to account for and expend FEMA grant funds according to Federal regulations and FEMA guidelines. Therefore, if the Utilities follow those policies, procedures, and business practices, FEMA has reasonable assurance that the Utilities will properly manage the FEMA Public Assistance grant funds it receives. For example, the Utilities can account for disaster costs on a project-by-project basis and can adequately support the costs. Further, the Utilities' procurement procedures meet Federal procurement standards.



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Project Cost Accounting

The Utilities has an effective system in place to ensure it accounts for disaster costs on a project-by-project basis and can support disaster-related costs as the following Federal regulations and FEMA guidelines require:

- Recipients must account for large project expenditures on a project-by-project basis (44 Code of Federal Regulations (CFR) 206.205(b)). FEMA requires subrecipients to keep records for all projects on a project-by-project basis (*Public Assistance Guide*, FEMA 322, June 2007, p. 137).
- 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)).

The Utilities established a cost code to designate all disaster-related expenses and included the location of the specific disaster-related activity that will enable it to account for all costs by project. We assessed the adequacy of the Utilities' policies and procedures for labor, equipment, contracts, and direct administrative costs. We determined that the Utilities could properly segregate costs by project and maintain sufficient detailed documentation to support the costs.

Procurement Practices

The Utilities has adequate procurement practices in place to ensure compliance with Federal procurement standards of 2 CFR 200.318-326. We discussed the Utilities' procurement practices with Utilities officials and reviewed the Utilities' contracting files. As of our audit cutoff date, the Utilities had not awarded any large contracts for disaster-related damage. However, the Utilities' policies and procedures require it to—

- award contracts properly;
- include required provisions in its contracts;
- conduct cost or price analyses;
- maintain adequate documentation of procurement history;
- monitor contractors to ensure they meet contract terms, conditions, and specifications; and
- take affirmative steps to ensure the use of minority firms, women's business enterprises, and labor surplus area firms when possible.



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Discussion with Management and Audit Follow-Up

We discussed the results of our audit with FEMA, Colorado, and Utilities officials during our audit. We also provided a draft report in advance to these officials and discussed it at exit conferences with Colorado officials on February 1, 2016, and Utilities officials on January 29, 2016. Because there were no findings, FEMA officials declined the final exit conference. Because the audit did not identify any issues requiring further action from FEMA, we consider this audit closed.

The Office of Emergency Management Oversight major contributors to this report are Paige Hamrick, Director; John Polledo, Audit Manager; Rebecca Hetzler, Senior Auditor; and Sharon Snedeker, Senior Auditor.

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



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Appendix A

Objective, Scope, and Methodology

We audited FEMA Public Assistance grant funds awarded to Colorado Springs Utilities, Colorado Springs, Colorado, Public Assistance Identification Number 041-U4YTA-00. Our audit objective was to determine whether the Utilities' 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 4229-DR-CO. As of December 22, 2015, the cutoff date of our audit, Colorado had awarded the Utilities \$937,367 in damages resulting from severe storms, tornadoes, flooding, landslides, and mudslides beginning on May 4, 2015, and continuing through June 16, 2015. The award provided 75 percent FEMA funding for debris removal, emergency protective measures, and permanent work for three large and four small projects.¹ At the time of our field work, the Utilities had expended \$552,325 in eligible disaster costs.

We interviewed FEMA, Colorado, and Utilities officials; assessed the adequacy of the policies, procedures, and business practices the Utilities uses and plans to use to account for and expend Federal grant funds, and to procure and monitor contracts for disaster work; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our objective. We did not perform a detailed assessment of the Utilities' internal controls over its grant activities because it was not necessary to accomplish our audit objective.

We conducted this performance audit from October 2015 to January 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. In conducting this audit, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

¹ 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 Federal Register (October 20, 2014)].



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Appendix B

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