

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





# DHS OIG HIGHLIGHTS

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

February 19, 2016

### Why We Did This Audit

At the time of our audit, the Federal Emergency Management Agency (FEMA) estimated that the City of Colorado Springs, Colorado, (City) had sustained approximately \$3.6 million in damages from storms in 2015. 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 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](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

### What We Found

The City has established policies, procedures, and business practices to account for and expend FEMA Public Assistance grant funds according to Federal regulations and FEMA guidelines. Therefore, if the City follows those policies, procedures, and business practices, FEMA has reasonable assurance that the City will properly manage its FEMA grant.

For example, the City can account for disaster costs on a project-by-project basis and can adequately support the costs. Further, the contracts the City awarded to repair flood-related damages meet Federal procurement standards. The disaster did not cause damage to insurable facilities. Therefore, the City did not receive any insurance proceeds or need to obtain insurance to cover damages resulting from this disaster.

### FEMA Response

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



## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

February 19, 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, Colorado, Has Adequate Policies, Procedures, and Business Practices to Effectively Manage Its FEMA Public Assistance Grant Funding*  
Audit Report Number OIG-16-42-D

We audited Federal Emergency Management Agency (FEMA) Public Assistance grant funds awarded to the City of Colorado Springs (City). We conducted this audit early in the Public Assistance Program 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 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.

As of November 2, 2015, the Colorado Department of Public Safety, Division of Homeland Security and Emergency Management (Colorado), a FEMA grantee, had awarded the City \$1,908,638 of the approximately \$3.6 million in estimated damages sustained by the City 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 City did not receive any insurance proceeds or need to obtain insurance to cover damages resulting from this disaster. At the time of our field work, the City had not yet completed disaster work or filed claims for reimbursement.



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### Background

The City is located at the foot of Pikes Peak, 70 miles south of Denver. It covers an area of approximately 195 square miles and has an estimated population of 457,715. Colorado Springs is the largest city in terms of area and the second most populous city in the State of Colorado. During May through June 2015, intense and prolonged rainfall caused flooding and very high water flows in creeks and channels. Streambanks eroded, threatening homes, roads, and utilities infrastructure (see figure 1). Additionally, hillslope sloughing and landslides in several locations threatened homes, and sinkholes developed where underground water pipes failed. The President declared the disaster 4229-DR-CO on July 16, 2015.

**Figure 1: East Fork Sand Creek Channel Failure**



*Source: City of Colorado Springs, Colorado*



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### Results of Audit

The City 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 City follows those policies, procedures, and business practices, FEMA has reasonable assurance that the City will properly manage the FEMA Public Assistance grant funds it receives. For example, the City can account for disaster costs on a project-by-project basis and can adequately support the costs. Further, the contracts the City awarded to repair flood-related damages meet Federal procurement standards.

#### **Project Cost Accounting**

The City has an effective system in place to ensure it accounts for disaster costs on a project-by-project basis and can adequately 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 Regulation (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)).

In its financial management system, the City designated a grant code for the disaster and a specific class code for each project. We assessed the adequacy of the City's policies and procedures for contract costs and force account labor, equipment, and materials. We did not test specific project costs because the City had not summarized its costs as of our audit cutoff date. However, we did test the accounts payable system and the payroll system for compliance with policies and procedures. We determined that the City could properly segregate costs by project and maintain sufficient detailed documentation to support the costs.

#### **Procurement Practices**

The City has adequate procurement practices in place to ensure compliance with Federal procurement requirements of 2 CFR 200.218 through 326. We discussed procurement practices with the City's contracting officials and reviewed the City's contracting files. As of the audit cutoff date, the City had awarded one large and three small contracts totaling \$272,426. The City properly awarded its large contract; conducted cost or price analysis; awarded



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its small contracts to the vendor with lowest price quote; maintained adequate records documenting procurement history; included required provisions; and monitored contractors to ensure they met the contract terms, conditions, and specifications. The City also has affirmative steps to ensure the use of minority firms, women's business enterprises, and labor surplus area firms when possible. The City awarded two small contracts to small disadvantaged business enterprises.

### **Discussions with Management and Audit Follow-Up**

We discussed the results of our audit with FEMA, Colorado, and City officials during our audit. We also provided a draft report in advance to these officials and discussed it at an exit conference with Colorado officials on February 1, 2016. Because there were no findings, FEMA and City officials declined the final exit conference. This audit did not identify any issues requiring further action from FEMA; therefore, 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, Auditor-in-Charge; 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 the City of Colorado Springs, Colorado, Public Assistance Identification Number 041-16000-00. 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 4229-DR-CO. As of November 2, 2015, the cutoff date of our audit, FEMA had obligated \$1,908,638 of the \$3,591,625 in projects worksheets for damages resulting from severe storms, tornadoes, flooding, landslides, and mudslides beginning on May 4, and continuing through June 16, 2015. The remaining unobligated project worksheets totaling \$1,682,987 (\$3,591,625 - \$1,908,638) were pending FEMA's approval. The award provided 75 percent FEMA funding for debris removal, emergency work, and permanent work for four large and eight small projects.<sup>1</sup> As of the audit cutoff date, Colorado had not paid the City for any of its projects and the City had not submitted any reimbursement requests for its disaster costs.

We interviewed FEMA, Colorado, and City officials; assessed the adequacy of the policies, procedures, and business practices the City uses and plans to use to account for and expend Federal grant funds and to procure and monitor contracts for disaster work; judgmentally selected and reviewed (generally based on dollar amounts) procurement transactions; 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 City's internal controls over its grant activities because it was not necessary to accomplish our audit objective.

We conducted this performance audit from November 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.

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<sup>1</sup> 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 62,648 (October 20, 2015)].



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### **Appendix B**

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Chief Financial Officer, City of Colorado Springs, Colorado

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