

Department of Homeland Security **Office of Inspector General**

FEMA Public Assistance Grant
Funds Awarded to Dawson Public Power
District, Lexington, Nebraska

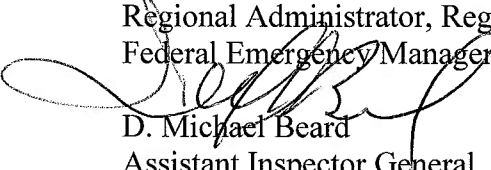




Homeland Security

APR 11 2012

MEMORANDUM FOR: Beth Freeman
Regional Administrator, Region VII
Federal Emergency Management Agency

FROM: 
D. Michael Beard
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to
Dawson Public Power District, Lexington, Nebraska*
FEMA Disaster Number 1674-DR-NE
Audit Report DD-12-08

We audited public assistance grant funds awarded to the Dawson Public Power District in Lexington, Nebraska (Dawson) (Public Assistance Identification Number 000-U65NA-00). Our audit objective was to determine whether Dawson accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to federal regulations and FEMA guidelines.

The Nebraska Emergency Management Agency (NEMA), a FEMA grantee, awarded Dawson \$10.45 million for damages caused by severe winter storms from December 19, 2006, through January 1, 2007. The award provided 75% FEMA funding for five large projects and two small projects totaling \$10.45 million.¹ The audit covered the period from December 19, 2006, to September 21, 2011, the cutoff date of our audit, and included a review of three large projects totaling \$10.17 million, or 97.3% of the total award (see Exhibit). All projects were closed as of our cutoff date.

We conducted this performance audit between September 2011 and March 2012 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 according to 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 \$59,700.

We interviewed FEMA, NEMA, and Dawson officials; reviewed judgmentally selected project costs (generally based on dollar value); and performed other procedures considered necessary to accomplish our objective. We did not assess the adequacy of Dawson's internal controls applicable to grant activities because it was not necessary to accomplish our audit objective. We did, however, gain an understanding of Dawson's method of accounting for disaster-related costs and its procurement policies and procedures.

RESULTS OF AUDIT

Generally, Dawson accounted for and expended FEMA grant funds according to federal regulations and FEMA guidelines. However, Dawson inadvertently claimed \$26,021 of costs that were not related to the disaster. Therefore, we question \$26,021 as ineligible.

Finding: Ineligible Contract Costs

Owing to a clerical error, Dawson claimed \$26,021 of costs not related to the disaster. Although Dawson found and corrected the error in its accounting system, it did not notify NEMA or FEMA of the correction. To be eligible for financial assistance, work must be required as a result of a major disaster event (44 CFR 206.223(a)(1)). Therefore, we question \$26,021 as ineligible.

RECOMMENDATION

We recommend that the Regional Administrator, FEMA Region VII:

Recommendation: Disallow \$26,021 (\$19,516 federal share) of ineligible costs not related to the disaster.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with Dawson officials during our audit and included their comments in this report, as appropriate. We also provided a draft report in advance to FEMA, NEMA, and Dawson officials and discussed it at exit conferences held with FEMA, NEMA, and Dawson officials on March 6, 2012. All officials agreed with our finding and recommendation.

Within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for the recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendation will be considered open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination. Significant contributors to this report were Tonda Hadley, Christopher Dodd, Patti Smith, and Doug Denson.

Should you have questions concerning this report, please contact me at (202) 254-4100 or Tonda Hadley at (214) 436-5200.

cc: Administrator, FEMA
Director, Risk Management and Compliance, FEMA Office of Chief Financial Officer
Audit Liaison, FEMA Region VII
Audit Liaison, FEMA (Job Code G-11-062)
Audit Liaison, DHS

**Schedule of Projects Awarded and Audited
Dawson Public Power District, Lexington, Nebraska
December 19, 2006, to September 21, 2011
FEMA Disaster Number 1674-DR-NE**

| Project Number | Award Amount | Audited Amount | Total Questioned |
|-----------------------|---------------------|-----------------------|-------------------------|
| 484 | \$9,413,762 | \$9,413,762 | \$26,021 |
| 491 | 406,247 | 406,247 | 0 |
| 487 | 349,951 | 349,951 | 0 |
| 492 | 197,897 | 0 | 0 |
| 283 | 65,003 | 0 | 0 |
| 284 | 18,004 | 0 | 0 |
| 285 | 3,077 | 0 | 0 |
| Totals | \$10,453,941 | \$10,169,960 | \$26,021 |

ADDITIONAL INFORMATION AND COPIES

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