

**St. Johns County, Florida,  
Could Benefit From  
Additional Technical  
Assistance and  
Monitoring to Ensure  
Compliance with FEMA  
Grant Requirements**





# DHS OIG HIGHLIGHTS

## *St. Johns County, Florida, Could Benefit from Additional Technical Assistance and Monitoring to Ensure Compliance with FEMA Grant Requirements*

September 19, 2017

### Why We Did This Audit

St. Johns County, Florida (County), sustained an estimated \$43.3 million in damages from Hurricane Matthew in October 2016. We conducted the audit early in the grant process to identify areas where the County may need additional technical assistance or monitoring to ensure compliance with Federal regulations and FEMA guidelines. As of our audit cutoff date, FEMA had not obligated any funding and the County was still developing its disaster claim.

### What We Recommend

FEMA should direct Florida to provide additional technical assistance and monitoring of the County's future projects.

#### **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 County's accounting policies, procedures, and business practices appear adequate to account for Federal Emergency Management Agency (FEMA) grant funds according to Federal regulations and FEMA guidelines. However, as of April 2017 FEMA had not obligated funds or completed any project worksheets for the overall \$43.3 million in estimated damages, which includes approximately \$10 million in damages to the County's beaches. Such projects could be complex in nature. Further, during our fieldwork, County officials posed numerous technical questions to us regarding FEMA's project formulation process and the Public Assistance program. They also said that FEMA and Florida Division of Emergency Management (Florida) were not readily available to provide assistance as the County moved forward with project formulation. Florida officials acknowledged that the agency's guidance had not been optimal and said that the agency has reorganized to improve its service. Florida is responsible for ensuring that the County is aware of and follows Federal regulations, and it is FEMA's responsibility to hold Florida accountable. Therefore, Florida, as FEMA's grant recipient, should provide additional technical assistance and monitoring to ensure the County complies with Federal grant requirements.

### FEMA Response

FEMA Region IV officials concurred with our finding and recommendation. Appendix B includes FEMA's written response in its entirety.



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Department of Homeland Security

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

September 19, 2017

MEMORANDUM FOR: Gracia Szczech  
Regional Administrator, Region IV  
Federal Emergency Management Agency

FROM: John E. McCoy II  
Acting Assistant Inspector General  
Office of Emergency Management Oversight

SUBJECT: *St. Johns County, Florida, Could Benefit from Additional  
Technical Assistance and Monitoring to Ensure  
Compliance with FEMA Grant Requirements*  
Audit Report Number OIG-17-105-D

We audited the capability of St. Johns County, Florida (County), to manage Federal Emergency Management Agency (FEMA) Public Assistance grant funds. 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 recipients have the opportunity to correct noncompliance earlier in the grant management process.

As of April 24, 2017, our audit cutoff date, the Florida Division of Emergency Management (Florida), a FEMA grant recipient, had not awarded any funding for an estimated \$43.3 million in damages the County sustained from Hurricane Matthew in October 2016.<sup>1</sup> The grant award will provide 75 percent Federal funding for emergency and permanent work. At the time of our fieldwork, the County had incurred costs of \$11.7 million for work related to debris removal and emergency protective measures. However, FEMA had not completed formulating project worksheets and the County had not filed any reimbursement claims to Florida for disaster-related expenditures. We assessed the policies, procedures, and business practices the County used to account for and expend the \$11.7 million in disaster-related costs.

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<sup>1</sup> Damage estimates as of April 24, 2017, provided by FEMA officials.

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## Background

St. Johns County was established in 1821. St. Augustine, which is the County seat, was founded over 400 years ago by Spanish explorers and is the nation's oldest city. The County encompasses approximately 608 square miles and is located in the northeast region of the State of Florida directly south of the City of Jacksonville, and is bordered on the west by the St. Johns River, on the south by Flagler County, and on the east by the Atlantic Ocean.

According to St. Johns County officials, Hurricane Matthew approached the east coast of Florida late Thursday, October 6, 2016, and weakened into a Category 3 hurricane by 1:00 a.m. on October 7. At that time it was located approximately 140 miles southeast of St. Augustine. Impacts were felt throughout St. Johns County all that day. Storm surge flooding affected the St. Augustine area, including major flooding on Anastasia Island where water was reported to be 3 to 4 feet above ground level. The storm surge caused major to extreme beach erosion along the coast such that the dunes were eroded as much as 30 to 40 feet by the wave action and produced 12 to 16 foot cliffs. The extreme erosion undermined numerous structures and caused major sand washouts along the beachfront and coastal lines.

The President signed a Major Disaster Declaration (DR-4283-FL) on October 8, 2016, authorizing FEMA to support State and local response and begin recovery efforts.

**Figure 1: Damages at North Beach**



Source: St. Johns County, Florida

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## Results of Audit

The County's accounting policies, procedures, and business practices appear adequate to account for FEMA grant funds according to Federal regulations and FEMA guidelines. However, as of April 2017, FEMA had not obligated funds or completed any project worksheets for the overall \$43.3 million in estimated damages, which includes approximately \$10 million in damages to the County's beaches. Such projects could be complex in nature. Further, during our fieldwork, County officials posed numerous technical questions to us regarding FEMA's project formulation process and the Public Assistance program. Therefore, the County could benefit from additional technical assistance and monitoring from Florida. Such additional oversight activities should provide FEMA with reasonable assurance that the County will adhere to Federal grant requirements when spending the estimated \$43.3 million of FEMA grant funding it expects to receive for disaster-related damages. Florida is responsible for ensuring that the County is aware of and follows Federal regulations, and it is FEMA's responsibility to hold Florida accountable.

### **Project Cost Accounting**

The County appears to have an effective system in place to ensure it accounts for disaster-related costs on a project-by-project basis and that such costs are adequately supported as the following Federal regulations and FEMA guidelines require:

- 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 Code of Federal Regulations (CFR) 200.302(b)(3)).
- Applicants must maintain all source documentation supporting project costs. In addition, applicants should file all supporting documentation by project to facilitate closeout and audits (*Public Assistance Program and Policy Guide*, FP 104-009-2, January 2016, p. 134).

We reviewed the County's policies and procedures for accounting for disaster-related expenditures and revenues and discussed the policies and procedures with County officials. The County's accounting system allows the County to assign a unique accounting code to each FEMA-funded project to account for disaster-related procurement costs and the County's own labor, equipment, and materials. We judgmentally selected \$6.1 million of \$11.7 million of disaster-related costs the County had incurred at the time of our fieldwork and reviewed the applicable invoices, payments, and payroll records that supported

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the costs. We determined that the costs were properly segregated by project and adequately supported.

## **Procurement Practices**

The County appears to have adequate procurement policies and procedures to comply with the Federal procurement standards. These Federal procurement standards required the County to, among other actions—

- conduct procurement transactions in a manner providing full and open competition (2 CFR 200.319(a)). Full and open competition increases the probability of reasonable pricing from the most qualified contractors, and helps discourage and prevent favoritism, collusion, fraud, waste, and mismanagement of Federal resources;
- include specific contract provisions in federally funded contracts (2 CFR 200.326). These Federal contract provisions document the rights and responsibilities of the parties and minimize the risk of contract misinterpretations and disputes; and
- ensure the use of small or disadvantaged business enterprises, such as minority firms and women’s business enterprises, when possible (2 CFR 200.321(a)). Therefore, FEMA has assurance that these types of firms had sufficient opportunities to bid on Federal work as Congress intended.

We reviewed the County’s procurement policies and procedures and discussed these practices with the County’s contracting officials. We also reviewed procurement records such as those for contract selection, basis for contract price, requests for proposals, bid tabulations, agreements, and contracts for seven contracts totaling \$16 million the County had awarded for debris removal work. We determined that the County complied with applicable Federal procurement requirements when awarding the contracts.

## **Insurance Policies and Procedures**

At the time of our fieldwork, the County was still developing its insurance claim. We confirmed that the County is aware that obtaining and maintaining insurance on insurable facilities is a condition for receiving current and future FEMA funding. The County must obtain and maintain insurance that is reasonable and necessary to protect facilities repaired or replaced using Federal funds against future loss from the types of hazards that caused the major disaster (44 CFR 206.252(d) and 206.253(b)(1) and (f)).

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We also determined that the County will be able to properly identify anticipated insurance recoveries related to eligible project costs as Federal regulations at 44 CFR 206.250(c) require.

## **Finding A: Grant Management**

The County could benefit from additional technical assistance and monitoring to ensure it complies with Federal grant requirements. Florida is responsible for ensuring that the County is aware of and follows Federal regulations, and it is FEMA's responsibility to hold Florida accountable. In its FEMA-State Agreement, Florida agreed to comply and require all sub-recipients to comply with the requirements of all applicable laws and regulation including the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, and FEMA Policies and guidance. In addition, 2 CFR 200.331(d) requires recipients to monitor the sub-recipient's activities to ensure "compliance with Federal statutes, regulations, and the terms and conditions of the subaward."

During our fieldwork, County officials posed numerous technical questions to us regarding FEMA's project formulation process and the Public Assistance program. The officials also said that FEMA and Florida were not readily available to provide guidance as the County moved forward with project formulation. Florida officials acknowledged that its technical assistance and guidance to FEMA applicants affected by the disaster had not been optimal and said that the agency is undergoing a reorganization that should improve assistance provided to the applicants. FEMA has estimated the County's disaster damages at \$43.3 million, which includes approximately \$10 million in damages to the County's beaches. Such projects could be complex in nature. Therefore, Florida, as FEMA's grant recipient, should provide additional technical assistance and monitoring to ensure the County complies with Federal grant requirements.

## **Recommendation**

We recommend that the Regional Administrator, FEMA Region IV:

**Recommendation 1:** Direct Florida to provide additional technical assistance and monitoring of the County's projects to provide FEMA with reasonable assurance that the County will comply with Federal requirements when spending the estimated \$43.3 million of FEMA grant funding (finding A).

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## **Discussion with Management and Audit Follow-up**

We discussed the results of our audit with the County, Florida, and FEMA officials during our audit. We also provided a draft report in advance to these officials and discussed it at the exit conference held on May 31, 2017. County and Florida officials agreed with our finding and recommendation. FEMA Region IV provided a written response on June 29, 2017, agreeing with our one report recommendation (see appendix B). The response indicated that FEMA expects to implement its proposed corrective action to address the recommendation by August 31, 2017. Therefore, we consider the report recommendation to be resolved but open. We will evaluate for closure upon documentation that FEMA has implemented its proposed corrective action. Please email closeout documentation and request to [emo.auditliaison@oig.dhs.gov](mailto:emo.auditliaison@oig.dhs.gov).

The Office of Emergency Management Oversight major contributors to this report are David Kimble, Director; Adrienne Bryant, Audit Manager; John R. Schmidt, Auditor-in-Charge; Larry Jones, Auditor; Christine Alvarez, Senior Program Analyst; and Emma Peyton, Independent Referencer.

Please call me with any questions at (202) 254-4100, your staff may contact Paul Wood, Acting Deputy Assistant Inspector General at (202) 254-4100 or David Kimble, Director, Eastern Regional Office – South, at (404) 832-6702.



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## Appendix A Objective, Scope, and Methodology

We audited the capability of St. Johns County, Florida (FIPS Code 109-99109-00), to manage FEMA Public Assistance grant funds. 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 4283-DR-FL, which the President declared on October 8, 2016.

Our audit covered the period of October 3, 2016, the first day of the incident period for the disaster, through April 24, 2017, our audit cut-off date. At the time of our audit, FEMA had not written any projects and had not yet obligated any funding for damages resulting from the disaster, which occurred in October 2016. The award will provide 75 percent FEMA funding for debris removal, emergency work, and permanent work for large and small projects.<sup>2</sup>

To accomplish our audit objective, we interviewed County, Florida, and FEMA personnel; reviewed and gained an understanding of the policies and procedures the County 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 \$6.1 million of \$11.7 million of disaster-related costs the County had incurred at the time of our fieldwork; reviewed the County's procurement process for awarding \$16 million of contracts for debris removal 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 County's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective. However, we did assess the adequacy of the policies, procedures, and business practices the County uses and plans to use to account for and expend Federal grant funds and to procure for and monitor disaster work.

We conducted this performance audit between January 2017 through May 2017 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

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<sup>2</sup> Federal regulations in effect at the time of the disaster set the large project threshold at greater than \$123,100 [*Notice of Adjustment of Disaster Grant Amounts*, Vol. 81, No. 197, Fed. Reg. 70434 (October 12, 2016)]

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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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**Appendix B**  
**FEMA Region IV Response**

U. S. Department of Homeland Security  
Region IV  
3003 Chamblee Tucker Road  
Atlanta, GA 30341



**FEMA**

MEMORANDUM FOR: C. David Kimble  
Director  
Eastern Regional Office  
Office of Disaster Assistance Oversight

FROM: Gracia B. Szczech   
Regional Administrator  
FEMA Region IV

SUBJECT: Management Response to Draft Report  
*St. Johns County, Florida, Could Benefit from Additional  
Technical Assistance and Monitoring to Ensure  
Compliance with FEMA Grant Requirements*  
Audit Report Number OIG-17-XX-D

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

The draft report contains one recommendation with which FEMA concurs. Specifically:

**Recommendation 1:** Direct Florida to provide additional technical assistance and monitoring of the County's projects to provide FEMA with reasonable assurance that the County will comply with Federal requirements when spending the estimated \$43.3 million of FEMA grant funding (Finding A).

**Response:** Concur. FEMA will instruct Florida to provide St Johns County with all necessary guidance, additional technical assistance, and monitoring to ensure it complies with Federal requirements. This is in accordance with FEMA-State Agreement (FEMA-4283-DR-FL, page 2), in which Florida agreed to comply, and require all subrecipients to comply with, the requirements of all applicable laws and regulations, including the Stafford Act, Title 44 of the Code of Federal Regulations (CFR), 2 CFR 3002, and applicable FEMA Policies and guidance. The Estimated Completion Date (ECD) of this action is August 31, 2017. Therefore, FEMA considers this recommendation resolved and closed.

Again, thank you for the opportunity to review and comment on this draft report. We look forward to working with you in the future.

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Audit Liaison, FEMA (Job Code G-17-012)

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