

**Fort Bend County, Texas,
Needs Additional
Assistance and
Monitoring to Ensure
Proper Management of Its
FEMA Grant**





DHS OIG HIGHLIGHTS

Fort Bend County, Texas, Needs Additional Assistance and Monitoring to Ensure Proper Management of Its FEMA Grant

June 28, 2017

Why We Did This Audit

The County estimated it had sustained \$6.4 million in damages from flooding in April and May 2016, for two disasters. We conducted this audit early in the grant process to identify areas where the County may need additional technical assistance or monitoring to ensure compliance with Federal requirements.

What We Recommend

FEMA should not fund \$50,000 of unsupported force account labor costs and direct Texas to provide additional technical assistance and monitoring to the County to ensure it complies with Federal regulations and FEMA guidelines.

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

Fort Bend County, Texas (County), needs additional technical assistance to account for FEMA Public Assistance grant funds according to Federal regulations and FEMA guidelines. Specifically, the County needs to revise its accounting policies and procedures to ensure it can fully support the disaster work it intends to complete with its own labor force. In addition, although the County's procurement policies and procedures generally comply with Federal procurement standards, they did not include all required contract provisions in either of their disaster contracts. Because of our audit, the County revised its policies and procedures to include implementing a plan that specifically addressed Federal requirements for documenting and accounting for disaster-related costs and compliance with Federal procurement standards.

At the time of our fieldwork, FEMA had not completed project worksheets to define the scope of disaster work. Because of this uncertainty, Texas should provide the County with additional technical assistance and monitoring. Doing so should provide FEMA reasonable assurance that the County will follow Federal accounting and procurement standards in spending the remaining estimated \$5.0 million in eligible disaster-related costs.

FEMA Response

FEMA officials generally agreed with our findings and recommendations and have taken action sufficient to resolve and close our recommendations. Therefore, we consider this report closed and require no further action from FEMA.




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Department of Homeland Security

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

June 28, 2017

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



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

SUBJECT: *Fort Bend County, Texas, Needs Additional Assistance
and Monitoring to Ensure Proper Management of Its
FEMA Grant*
Audit Report Number OIG-17-83-D

We audited the capability of Fort Bend County, Texas (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 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.

We initially planned a review of DR-4269-TX with estimated disaster damages from severe storms and flooding of \$4.1 million. However, because we identified potential problems with the County's policies, procedures, and business practices for documenting force account labor costs and its methodology for procuring contractors, we expanded the scope of our audit to include the more recent disaster DR-4272-TX with estimated disaster damages of approximately \$2.3 million.

At the time of our fieldwork, the Texas Department of Public Safety, Texas Division of Emergency Management (Texas), a FEMA grant recipient, had not yet awarded any of the \$6.4 million in disaster damages the County estimated it sustained from severe storms and flooding in April 2016 (DR-4269-TX) or May 2016 (DR-4272-TX). The awards will provide 75 percent Federal funding for debris removal, emergency protective measures, and permanent work. The disasters did not cause damage to insurable facilities. Therefore, the County did not receive any insurance proceeds for damages resulting from these



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disasters or need to obtain insurance to cover similar damages in future disasters. At the time of our fieldwork, FEMA had not completed project worksheets to define the scope of disaster work, and the County had not yet completed most of its disaster-related work or filed claims for reimbursement.

Background

Fort Bend County is located in southeast Texas about 33 miles west of Houston. It covers approximately 875 square miles and is home to nearly 585,000 residents. In mid-April 2016, storms caused flooding of the County’s waterways and damage to several of its eligible infrastructures. The President declared a major disaster (DR-4269-TX) on April 25, 2016. The next month, severe storms caused additional flooding and damage to the County’s ditches and culverts. On June 11, 2016, the President declared another major disaster (DR-4272-TX) for damages that occurred in May 2016.

Figure 1: Bessie Creek Washout, Fort Bend County, Texas



Source: Fort Bend County, Texas



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Results of Audit

The County does not have adequate accounting policies, procedures, and business practices to adequately document and support its own labor and equipment costs in accordance with Federal regulations and FEMA guidelines. As a result, FEMA should not fund \$50,000 of force account labor costs the County improperly documented. In addition, although the County's procurement policies, procedures, and business practices generally comply with Federal procurement standards, they did not include all required provisions in contracts the County awarded totaling \$1.4 million. Therefore, FEMA should direct Texas, as FEMA's grantee, to provide the County with additional technical assistance and monitoring to ensure it complies with all applicable Federal requirements in spending the remaining estimated \$5.0 million for eligible disaster work for the two disasters.

Finding A: Policies, Procedures, and Business Practices

Project Cost Accounting

The County does not have adequate policies, procedures, and business practices to account for FEMA grant funds properly. As a result, the County cannot adequately identify the source and application of Federal funds or to support project costs. For instance, many of the employees' timesheets did not (1) include an adequate description of the disaster-related work performed, (2) identify hours worked to a specific disaster or project, or (3) include required employee or supervisor approvals. Federal regulations and FEMA guidelines require that —

- subrecipients 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)); and
- applicants 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).

County officials said they plan to spend about \$635,000 using their own labor, materials, and equipment for disaster-related repairs. We discussed accounting procedures with County officials and reviewed examples of documentation supporting disaster costs. Although the County designates specific accounting codes for all disaster-related costs, it does not have procedures in place to



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adequately document and support its own labor, materials, and equipment costs.

County officials said they were unaware of the Federal requirements for documenting and supporting labor, materials, and equipment costs and, as a result, will not claim FEMA reimbursement for the County's unsupported force account labor costs of about \$50,000. However, if the County decides to seek reimbursement, FEMA should disallow the \$50,000 unless the County can provide documentation to support these costs. The County still intends to claim the remaining \$585,000 of estimated disaster-related labor, materials, and equipment costs for permanent work. Therefore, Texas should provide the County with additional assistance and monitoring to ensure it maintains records that adequately identify and support its labor and equipment costs.

Because of our audit, the County said it will revise its policies and procedures to require its employees to describe the work they perform for each project by disaster, and to sign and obtain proper approvals on individual timesheets. The County also implemented a compliance plan that specifically addresses Federal requirements for documenting and accounting for its disaster-related costs.

Procurement Practices

The County's procurement policies, procedures, and business practices generally comply with Federal procurement standards. Nevertheless, the County did not include all required Federal provisions in either of its debris removal or debris monitoring contracts totaling \$1.4 million. Federal regulations require specific provisions for contracts and subcontracts, including remedies and termination clauses, non-discrimination, compliance with labor laws, and prohibitions of "kickbacks" (2 CFR Part 200, Appendix II). These provisions describe the rights and responsibilities of the parties and minimize the risk of misinterpretations and disputes.

To evaluate the County's procurement practices, we reviewed its policies and procedures in effect at the time of the two disasters and reviewed the methodology it used to award contracts. We also discussed procurement practices with County officials. Although the County did not follow all Federal procurement standards, it did have policies, procedures, and business practices in place to (1) conduct cost or price analyses; (2) maintain adequate records documenting its procurement history; (3) avoid or prevent situations involving conflicts of interest; and (4) monitor its vendors to ensure they met the terms, conditions, and specifications of their contracts.



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County officials said they plan to use contract labor for approximately \$5.7 million for debris removal and the repair and replacement of drainage ditches and culverts. As of August 26, 2016, the County had awarded two contracts totaling \$1.4 million, and incurred \$767,000 in debris removal and monitoring costs. We did not question any contracting costs because the County generally followed Federal procurement regulations.

On August 23, 2016, shortly after our audit began, County officials informed us that they were not in compliance with all Federal procurement standards and provided us with a memorandum addressed to their independent auditors indicating their intent to comply with previous Federal procurement standards (44 CFR 13.36) as permitted under 2 CFR 200.110(a). To make this election, the County must have previously documented its decision in its internal procurement policies. Nonetheless, the County did not comply with those regulations nor had it incorporated its decision to comply with previous procurement standards in its policies and procedures.

As a result of our audit, the County implemented a plan to provide reasonable assurance that it complies with Federal procurement requirements that includes, among other actions, working closely with its independent auditors to identify and correct contract procurement weaknesses in accordance with 2 CFR 200.317 through 2 CFR 200.326.

Finding B: Grant Management

Texas should continue to monitor and provide technical assistance to the County to ensure it complies with all Federal accounting and procurement standards. In its FEMA-State Agreement (FSA-4269-FEMA-DR-TX, p. 2), Texas agreed to comply with all applicable Federal laws and regulations, including 2 CFR Part 200. In addition, Federal regulation at 2 CFR 200.331(d) requires recipients to monitor the subrecipient's activities "to ensure that the subaward is used . . . in compliance with Federal statutes, regulations, and the terms and conditions of the subaward."

On July 6, 2016, Texas conducted a joint meeting with potential disaster applicants (including the County) for DR-4269-TX and DR-4272-TX, and on July 25, 2016, participated in a FEMA-led meeting to discuss the Public Assistance grant program's requirements. Texas also provided the County with copies of its Procurement Guidance Checklist on August 12, 2016, and again on October 4, 2016, as an aid to properly procuring its contracts. In addition, Texas officials said they had hired approximately 84 individuals to help provide technical assistance and monitor subrecipients' activities, and that during future visits with the County, they would have addressed and resolved the



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issues we identified. However, the County could benefit from additional grant management and continued monitoring to ensure that it complies with Federal accounting and procurement standards. Doing so should provide reasonable assurance that the County will spend the remaining \$5.0 million (\$6.4 million minus \$1.4 million awarded contract costs) in estimated damages for eligible disaster work in accordance with Federal regulations and FEMA guidelines.

Recommendations

We recommend that the Regional Administrator, FEMA Region VI:

Recommendation 1: Not fund \$50,000 (\$37,500 Federal share) of unsupported labor costs, unless the County can provide FEMA with documentation to support the costs (finding A).¹ We consider this recommendation to be resolved and closed and require no further action from FEMA because, on May 30, 2017, FEMA agreed that if the County submits funding for the affected projects, FEMA will review them to determine what costs, if any, are eligible and reasonable for FEMA reimbursement.

Recommendation 2: Direct Texas to provide additional technical assistance and monitoring to the County to ensure it complies with Federal accounting and procurement regulations for awarding disaster contracts and to prevent the potential improper spending of approximately \$585,000 (\$438,750 Federal share) in estimated labor, materials, and equipment costs (finding B). We consider this recommendation to be resolved and closed and require no further action from FEMA because on February 13, 2017, FEMA instructed Texas to continue providing technical assistance to the County, while monitoring their compliance with Federal procurement, accounting, and grants management standards.

Discussions with Management and Audit Follow-Up

We discussed the preliminary results of our fieldwork with FEMA and Texas officials on September 7, 2016, and County officials on August 26, 2016, as well as during our audit. We considered their comments in developing our final report and incorporated their comments as appropriate. We also provided a draft report in advance to these officials and discussed it at exit conferences with FEMA officials on January 10, 2017; and with County and Texas officials on January 11 and January 12, 2017, respectively. FEMA and Texas officials generally agreed with our findings and recommendations. However, County officials disagreed and said they would provide us with additional

¹ Because FEMA had not yet obligated these costs, we classify them as cost avoidance.



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documentation not previously provided to address our original findings. As a result of that new information, we revised the report accordingly.

On May 30, 2017, we received FEMA's written response to this report (see appendix B). FEMA officials concurred with recommendations 1 and 2. FEMA officials acknowledge the County did not have a system in place to allow it to track its employees' work on a project-by-project basis and agreed that if the County submitted requests for funding that it will review them to determine what costs, if any, are eligible and reasonable for FEMA reimbursement. FEMA officials also acknowledge the County needs additional technical assistance and on February 13, 2017, instructed Texas to continue providing technical assistance to the County, while monitoring their compliance with Federal procurement, accounting, and grants management standards. Based on FEMA's proposed actions, we consider recommendations 1 and 2 to be resolved and closed and require no further action from FEMA.

The Office of Emergency Management Oversight major contributors to this report are Paige Hamrick, Director; David B. Fox, Audit Manager; Raeshonda Keys, Auditor-in-Charge; Douglas Denson, Auditor; Jacqueline Lim, Auditor; and John Skrmetti, Independent Reference Reviewer.

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



Appendix A Objective, Scope, and Methodology

We audited the capability of Fort Bend County, Texas (County), Public Assistance Identification Number 157-99157-00 to manage Federal Emergency Management Agency (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 grant funds according to Federal regulations and FEMA guidelines for FEMA Disaster Number DR-4269-TX. Because our initial review of the County’s force account labor and contracting methodology identified potential problems and because the County was the recipient of another FEMA Public Assistance grant, for force account and contracting purposes only, we expanded the scope of our audit to include FEMA Disaster Number DR-4272-TX.

As of August 26, 2016, the cutoff date of our audit, FEMA had not yet obligated any funding or completed its development of project worksheets for damages resulting from the two severe storms and flooding from April 17, 2016, through May 26, 2016. The County estimated it had sustained approximately \$6.4 million of disaster-related damages (see table 1). The award will provide 75 percent FEMA funding for debris removal, emergency protective measures, and permanent work for large and small projects.²

Table 1: Estimated Disaster-Related Damages by Disaster

Disaster	Estimated Damages	Force Account	Contract
DR-4269-TX	\$ 4,050,000	\$ 0	\$ 4,050,000
DR-4272-TX	2,300,000	635,000	1,665,000
Totals	\$6,350,000	\$635,000	\$5,715,000

Source: Office of Inspector General (OIG) analysis

We interviewed FEMA, Texas, and County officials; 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 County’s internal controls over 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.

² Federal regulations in effect at the time of the disaster set the large project threshold at greater than \$121,800 [*Notice of Adjustment of Disaster Grant Amounts*, Vol. 80, No. 198, Fed. Reg. 61,836 (Oct. 14, 2015)].



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Appendix A (continued)

We conducted this performance audit between August 2016 and January 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 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 two disasters.



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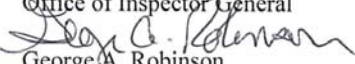
Appendix B
FEMA Region VI Audit Response

U.S. Department of Homeland Security
FEMA Region 6
800 N. Loop 288
Denton, TX 76209



May 30, 2017

MEMORANDUM FOR: Paige Hamrick, Director
Central Regional Office - North
Office of Inspector General

FROM: 
George A. Robinson
Regional Administrator

SUBJECT: Management's Response to OIG 2nd Draft Report
*Fort Bend County, Texas, Needs Additional Assistance and
Monitoring to Ensure Proper Management of Its FEMA
Grant*
FEMA Disaster Number: 4269-DR-TX
Audit Job Code: G-16-047

Thank you for the opportunity to review and comment on this draft report. The Federal Emergency Management Agency (FEMA) appreciates the Office of Inspector General's (OIG) work in planning and conducting its review and issuing this report.

FEMA is pleased to note the OIG's positive recognition of Fort Bend County's (Applicant) efforts to conduct cost/price analyses; maintain adequate procurement history records; avoid and prevent situations involving conflicts of interest; and monitor its vendors to ensure they meet the terms, conditions, and specifications of their contracts. FEMA is also pleased to note the OIG's positive recognition of the Applicant's revision to its policies and procedures to more effectively account for its employees' work on a project-by-project basis, as a result of the audit.

The draft report contained two recommendations, with which FEMA concurs. Please see the attached for our detailed response to the recommendations.

Again, we thank you for the opportunity to review and comment on this draft report. We have already submitted our technical comments on this draft report. If you have any questions, or need further assistance, please contact Kent Baxter, Audit Coordinator at 940-898-5399.

Attachments: FEMA Management Response to Recommendations
February 13, 2017, Letter to TDEM



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Appendix B (continued)

cc: W. Nim Kidd, Chief, TDEM
Moises Dugan, R6-ORA
Traci L. Brasher, R6-REC
David Lebsack, R6-REC
Bill Boone, R6-REC-PA
Michael Crow, R6-REC-PA
Melinda Dunn, R6-REC-PA
Kathy Hill, HQ-OCFO
Gary McKeon, HQ-OPPA-ALO
Kent Baxter, R6-ORA



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Appendix B (continued)

**Attachment: FEMA Management Response to Recommendations
Contained in OIG G-16-047**

Recommendation 1: *Not fund \$50,000 (\$37,500 Federal share) of unsupported labor costs, unless the County can provide FEMA with documentation to support the costs (finding A).*

Response: Concur. FEMA Region 6 agrees with the intent of this recommendation agreeing that the County did not have a system in place to allow it to track its employees' work on a project-by-project basis at the time of both disaster declarations. If the affected projects are submitted by the County for funding, FEMA will review them to determine what costs, if any, are eligible and reasonable¹ for FEMA reimbursement. Based on these proposed actions, we request that this recommendation be closed on final report issuance.

Estimated Completion Date: N/A.

Recommendation 2: *Direct Texas to provide technical assistance and monitoring to the County to ensure it complies with Federal accounting and procurement regulations for awarding disaster contracts and to prevent the potential improper spending of approximately \$585,000 (\$738,750 Federal share) in estimated labor, materials, and equipment costs (finding B).*

Response: Concur. FEMA Region 6 agrees with the intent of this recommendation. In correspondence to the State of Texas dated February 13, 2017, the FEMA Region 6 Regional Administrator instructed the State to continue providing technical assistance to Fort Bend County, while monitoring their compliance with Federal procurement, accounting, and grants management standards. The outcome of this effort will prevent improper spending of federal funds. A copy of this letter is attached for your review. Based on these actions, we request that this recommendation be closed on final report issuance.²

Estimated Completion Date: N/A.

Based on our actions described above, we request that this audit be closed on issuance of the final report.

¹ See Title 44 of the Code of Federal Regulations (CFR) § 206.223, *General work eligibility*; see also 2 CFR Part 200, Subpart E, *Cost Principles*; and 2 CFR § 200.403, *Factors affecting allowability of costs*, and 200.404, *Reasonable costs*.

² See FEMA letter dated February 2, 2017, to the Texas Department of Emergency Management.



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Appendix C
Potential Monetary Benefits

Table 2: Potential Cost Avoidance

Disaster Number	Type of Work	Estimated Cost to Repair or Incurred	Cost Avoidance*
DR-4269-TX			
	Contract (Estimated)	\$ 4,050,000	\$ 0
	Subtotal	\$ 4,050,000	\$ 0
DR-4272-TX			
	Contract (Incurred)	\$ 767,000	0
	Contract (Estimated)	898,000	0
	Force Account (Incurred)	** 50,000	50,000
	Force Account (Estimated)	585,000	585,000
	Subtotal	\$ 2,300,000	\$ 635,000
	Totals	\$6,350,000	\$635,000

Source: Office of Inspector General (OIG) analysis

* At the time of our fieldwork, FEMA had not yet obligated funds to cover the estimated \$6,350,000 of damage to the projects on which the County expects to expend disaster-related costs; therefore, we classify these costs as cost avoidance. In addition, we did not question any contract costs because the County generally followed Federal procurement regulations.

** County officials said they will no longer seek FEMA reimbursement for these costs.

Table 3: Summary of Potential Monetary Benefits

Type of Potential Monetary Benefit	Amount	Federal Share
Questioned Costs – Ineligible	\$ 0	\$ 0
Questioned Costs – Unsupported	0	0
Funds Put to Better Use (Cost Avoidance)	635,000	476,250
Totals	\$635,000	\$476,250

Source: OIG analysis of report findings



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Appendix D **Report Distribution**

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