

**FEMA Should Disallow  
\$1.1 Million in Grant Funds  
Awarded to Richland County,  
North Dakota**





# DHS OIG HIGHLIGHTS

## ***FEMA Should Disallow \$1.1 Million in Grant Funds Awarded to Richland County, North Dakota***

**September 25, 2019**

### **Why We Did This Audit**

Richland County received approximately \$7 million in Federal grants from the North Dakota Department of Emergency Services for damage from severe flooding that occurred between 2009 and 2013. Our audit objective was to determine whether the County properly accounted for and expended the funds according to Federal regulations and FEMA guidelines.

### **What We Recommend**

FEMA should disallow about \$1.1 million in grant funds and direct North Dakota to work with the County to verify it complies with all Federal grant requirements and establishes effective accounting systems.

#### **For Further Information:**

Contact our Office of Public Affairs at (202) 981-6000, or email us at [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

### **What We Found**

Richland County, North Dakota (County) did not always properly account for and expend Federal funds according to Federal regulations and Federal Emergency Management Agency (FEMA) guidelines. As the agency awarding Public Assistance Program grants, FEMA is responsible for holding its grantees accountable for proper grant management. As the grantee, the North Dakota Department of Emergency Services (North Dakota) needed to ensure the County was aware of and followed all Federal procurement regulations when awarding disaster-related contracts.

We determined FEMA did not hold North Dakota accountable for fulfilling its grant management responsibilities, and North Dakota did not adequately manage the FEMA grant by monitoring the County to ensure it complied with applicable regulations and guidelines. The County did not follow all Federal procurement regulations when awarding about \$1.9 million in disaster-related contracts. The County also did not properly account for and maintain disaster-related cost documents. As a result, there is no assurance the contract costs claimed by the County are reasonable, putting Federal funds and taxpayers' money at risk of fraud, waste, and abuse.

### **FEMA Response**

FEMA officials agreed with our findings and recommendations. Appendix C includes FEMA's written response in its entirety. Prior to final issuance of this report, FEMA took action to resolve and close our recommendations.



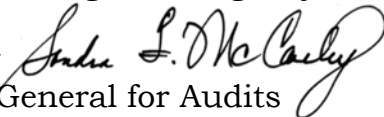
## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

September 25, 2019

MEMORANDUM FOR: Lee dePalo  
Regional Administrator, Region VIII  
Federal Emergency Management Agency

FROM: Sondra F. McCauley   
Assistant Inspector General for Audits

SUBJECT: *FEMA Should Disallow \$1.1 Million in Grant Funds  
Awarded to Richland County, North Dakota*

Attached for your action is our final report, *FEMA Should Disallow \$1.1 Million in Grant Funds Awarded to Richland County, North Dakota*. We incorporated the formal comments provided by your office.

The report contains three recommendations. Your office concurred with all three recommendations. Based on information provided in your responses to the draft report, we consider all recommendations resolved and closed. No further action is required.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriations responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Katherine Trimble, Deputy Assistant Inspector General for Audits, at (202) 981-6000.



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**Background**

North Dakota experienced nine federally-declared disasters from 2009 to 2013. Heavy spring rains and rapid melting of record amounts of snow caused fast moving surface water, creating overland flooding and ground saturation. Some of the roadways sustained significant damage from subsequent storms.



Figure 1. Ice Damage on North Dakota Road  
Source: North Dakota Department of Emergency Services

The North Dakota Department of Emergency Services (North Dakota), a Federal Emergency Management Agency (FEMA) grantee, awarded the Richland County (County) Public Assistance Program, its subgrantee, approximately \$7 million to help local communities respond to and recover from four disasters. The awards provided 75 to 90 percent Federal funding, with the grantee or subgrantee responsible for supplying the remainder.<sup>1</sup> Table 1 shows the amount of Public Assistance Program funding awarded to the County for these four disasters.

**Table 1: Public Assistance Program Funding Awarded to Richland County**

<b>Disaster Number</b>	<b>Incident Period</b>	<b>Award Amount</b>
1829-DR-ND	3/13/2009 to 8/10/2009	\$2,683,834
1907-DR-ND	2/26/2010 to 7/15/2010	1,934,927
1981-DR-ND	2/14/2011 to 7/20/2011	2,115,809
4118-DR-ND	4/22/2013 to 5/16/2013	220,376
<b>Total Awarded</b>		<b>\$6,954,946</b>

Source: Office of Inspector General (OIG) analysis of FEMA award information

<sup>1</sup> Disasters 1829-DR-ND and 1981-DR-ND received 90 percent Federal funding, and Disasters 1907-DR-ND and 4118-DR-ND received 75 percent Federal funding.



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Many of the roads damaged in the disasters were township, not County roads. The County acted as the subgrantee on behalf of several townships. In October 2017, we issued a management alert<sup>2</sup> advising FEMA to determine whether the County had legal responsibility and was eligible to receive public assistance for township projects. FEMA determined that the County was legally responsible for performing work on the projects referenced in the management alert.

### **North Dakota Did Not Fulfill All of Its Grant Management Responsibilities**

FEMA did not hold North Dakota accountable for fulfilling its grant management responsibilities. According to the Code of Federal Regulations (CFR), the FEMA-State Agreement outlines the understandings, commitments, and conditions under which FEMA will provide Federal disaster assistance.<sup>3</sup> In its FEMA-State Agreement, a state agrees to comply with the “requirements of laws and regulations in the *Stafford Act* and 44 CFR.” As a party to the FEMA-State Agreement, FEMA is responsible for holding a state accountable for the FEMA-State Agreement and the State Administrative Plan.

According to 44 CFR 13.37(a)(2) and 13.40(a), states, as grantees, are responsible for proper grant administration. As grantees, states must monitor their subgrantees to ensure they comply with Federal regulations. Grantees must ensure subgrantees are aware of Federal regulations. They are also responsible for managing the day-to-day operations of grant and subgrant activities and must monitor these activities to ensure compliance with applicable Federal requirements and achievement of performance goals. Grantee monitoring must cover each program, function, or activity.

North Dakota did not properly manage day-to-day operations or continually monitor the County to assess compliance with Federal requirements. Specifically, it did not conduct site visits but instead relied on documentation submitted after completion of a project to identify noncompliance issues. We identified six projects with noncompliance issues that could have been prevented if North Dakota effectively managed or continuously monitored the County.

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<sup>2</sup> *Management Alert - FEMA Should Recover \$6.2 Million in Public Assistance Funds for Disaster Repairs That Are Not the Legal Responsibility of Richland County, North Dakota*, OIG-18-09, Oct 30, 2017.

<sup>3</sup> 44 CFR 206.44, *FEMA-State Agreements*.



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For example, on one project the scope of work was “to repair disaster-related damage to a bridge.” However, the County demolished and replaced the entire bridge without requesting prior approval from North Dakota or FEMA. FEMA guidelines require states to approve changes to scopes of work prior to repairs. For the five other projects, North Dakota was unaware of changes or additions to scopes of work until project closeouts. Conducting reviews after project closeout did not allow the state to identify noncompliance and rectify issues in a timely manner.

### **Richland County Did Not Comply with Federal Grant Management Requirements**

North Dakota did not ensure the County followed applicable Federal grant management requirements. Specifically, the County did not follow all Federal procurement regulations at 44 CFR 13.36<sup>4</sup> when awarding disaster-related contracts. In addition, the County did not properly account for and maintain disaster-related cost documents.

#### **Improper Procurement**

We reviewed seven contracts totaling \$1.9 million and identified:

- 5 (71 percent) procurements for which the County awarded contracts without full and open competition;
- 7 (100 percent) contracts in which the County did not take all necessary affirmative steps to ensure use of small and minority firms, women’s business enterprises, and labor surplus area firms when possible;
- 7 (100 percent) contracts that did not include required provisions describing the rights and responsibilities of the parties to minimize the risk of misinterpretation and disputes;
- 3 (43 percent) time and material-type contracts the County awarded without determining no other contracts were suitable or without including ceiling prices to reduce risk.
- 6 (86 percent) procurements for which the County did not perform cost or price analyses to ensure reasonableness of proposed contract price; and

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<sup>4</sup> 44 CFR 13.36, *Procurement*; standards for grantees and subgrantees.



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- 4 (57 percent) contracts awarded in which the County did not require contractors to execute performance and payment bonds for full contract price.

Additionally, the County did not maintain records sufficient to detail the significant history of a procurement as required by Federal regulations. The County could not provide properly executed contract change orders, procurement records documenting the methods used to solicit contracts, or signed contracts when requested. Table 2 summarizes the seven contracts we reviewed and the specific violations of procurement regulations.

**Table 2: Violations of Procurement Regulations for Seven Contracts Awarded by Richland County**

Contract Reviewed	Award Amount	Procurement Regulation Violations					
		Full and Open	Affirmative Action	Contract Provisions	Time and Material	Cost and Price	Bonds
Duerr Township - Contractor A	\$ 638,279	•	•	•	•	•	
Elma Township – Contractor A	366,783	•	•	•	•	•	
Liberty Grove Township – Contractor B	209,288		•	•		•	•
Richland County – Contractor C	196,897	•	•	•		•	•
Moran Township – Contractor B	183,681	•	•	•		•	•
Moran Township – Contractor D	173,255	•	•	•		•	•
Homestead Township – Contractor B	164,503		•	•	•		
<b>Total Cost</b>	<b>\$ 1,932,686</b>	5	7	7	3	6	4

Source: OIG analysis of the County’s procurement records

As a result of the improper procurements, there is no assurance that costs were reasonable and that all potential contractors received an opportunity to bid, including small businesses, minority-owned firms, and women’s business entities. For these reasons, we determined that \$1,932,686 in contracting costs are ineligible to be charged against the grant. We do not question \$785,765 of these ineligible costs, related to multiple contracts, because FEMA had already made its determinations during project closeout or after resolution of the County’s appeals that the costs were either disallowed or deemed



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reasonable.<sup>5</sup> Therefore, \$1,932,686 less \$785,765 leaves \$1,146,921 in ineligible costs to be disallowed. Consequently, we recommend that FEMA disallow \$1,146,921 of the ineligible contracting costs.

### **Improper Project Cost Accounting and Inadequate Maintenance of Documentation Supporting Costs**

The County did not properly account for costs for large disaster-related projects or adequately maintain records of costs. According to Federal regulations, subgrantees must account for large project expenditures on a project-by-project basis and maintain accounting records that adequately support those costs.<sup>6</sup> However, the County maintained documentation by township and disaster, rather than by project.

The County also did not have an effective system to track supporting documentation for costs. The County was unable to provide supporting documents for the costs we requested without a time consuming and extensive search. In some cases, it took almost 6 months to provide adequate support. During our review of the County's disaster records, we found supporting documents not only misfiled by township, but also misfiled among the different disasters.

FEMA made similar findings during project closeout. FEMA stated in its close out documentation that it determined the County "did not adequately put into place financial tracking systems to account for their Federal expenditures; and the applicant's source documentation of cancelled checks, progress payments, and invoices do not correlate. The documentation submitted does not demonstrate that the sub-grantee was able to manage the Federal grant."

These issues occurred because North Dakota did not ensure the County had specific policies or procedures in place for tracking project costs and retaining records. This lack of policies and procedures prevented County personnel from applying a consistent methodology during personnel turnover.

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<sup>5</sup> 44 CFR 206.206 (An eligible applicant, subgrantee, or grantee may appeal any determination previously made related to an application for or the provision of Federal assistance under the Public Assistance Program).

<sup>6</sup> 44 CFR 206.205(b) and 44 CFR 13.20(b)(2) and (6).





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**Recommendations**

**Recommendation 1:** We recommend the Regional Administrator, FEMA Region VIII, disallow \$1,146,921 (\$975,194 Federal share) in ineligible contract costs that did not fully comply with Federal standards, unless FEMA decides to grant an exception to administrative requirements, including Federal procurement regulations, as 44 CFR 13.6(c) allows, and determines the costs are eligible and reasonable.

**Recommendation 2:** We recommend the Regional Administrator, FEMA Region VIII, direct North Dakota to work with Richland County officials to establish an effective accounting and record retention system to account for and maintain supporting documents on a project-by-project basis.

**Recommendation 3:** We recommend the Regional Administrator, FEMA Region VIII, direct North Dakota to increase its monitoring of Richland County's grant awards and verify the County maintains an effective accounting and record retention system for FEMA grant awards and complies with Federal procurement regulations.

**Management Comments and OIG Analysis**

We discussed the results of our audit with FEMA, North Dakota, and County officials during and after our audit. We provided a Notice of Findings and Recommendations in advance to these officials and discussed it at exit conferences with FEMA officials on May 21, 2018, and with North Dakota and County officials on May 22, 2018.

In response to our draft report, FEMA Region VIII officials provided written comments dated March 21, 2019, which are included in their entirety in appendix C. FEMA concurred with our recommendations. Subsequent to transmitting the written comments, FEMA took action to resolve and close our recommendations, providing additional information and supporting documents as necessary. A summary of FEMA's responses and our analysis follows.

**Response to Recommendation #1: Concur.** During the closeout process, FEMA evaluated the contract costs we questioned. FEMA reduced the amount and determined \$1,118,555 in requested costs were necessary and reasonable.

**OIG Analysis of FEMA's Response:** FEMA's corrective actions to evaluate the questioned costs resolve and close this recommendation. No further action is required.



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**Response to Recommendation #2: Concur.** FEMA provided technical assistance to North Dakota for development and implementation of a new process to ensure sufficient accounting and retention of supporting documents on a project-by-project basis. Further, the State identifies the County as high risk and requires the County to comply with specific conditions or restrictions while completing its FEMA approved projects.

**OIG Analysis of FEMA's Response:** FEMA's corrective actions to work with North Dakota to improve subrecipient compliance resolve and close this recommendation. No further action is required.

**Response to Recommendation #3: Concur.** FEMA provided technical assistance to North Dakota for development and implementation of a process that identified the County as high risk. As a high risk, the County is subject to additional conditions and restrictions including increased monitoring and verification of sufficient accounting and retention of supporting documents on a project-by-project basis.

**OIG Analysis of FEMA's Response:** FEMA's corrective actions to work with North Dakota resolve and close this recommendation. These actions include increasing the State's monitoring and verification of the County's grants to verify the County maintains effective accounting and retention of supporting documents on a project-by-project basis. No further action is required.

### Objective, Scope, and Methodology

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Pub. L. No. 107-296), by amendment to the *Inspector General Act of 1978*.

We audited FEMA Public Assistance grant funds awarded to Richland County, North Dakota (Public Assistance Identification Number 077-99077-00). Our audit objective was to determine whether the County accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines for FEMA Disaster Numbers 1829-DR-ND, 1907-DR-ND, 1981-DR-ND, and 4118-DR-ND. North Dakota awarded the County approximately \$7 million for damages resulting from severe storms and flooding that occurred from 2009 to 2013. The awards provided 75 to 90 percent funding for 22 large and 287 small projects.<sup>7</sup>

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<sup>7</sup> Federal requirements in effect at the time of the four disasters set the small project threshold at 1) DR-1829: \$64,200 [Notice of Adjustment of Disaster Grant Amounts 73 Fed. Reg. 60302 (Oct. 10, 2008)]; 2) DR-1907: \$63,200 [Notice of Adjustment of Disaster Grant Amounts 74



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We audited 27 projects, totaling \$2.7 million or 39 percent of the awards. The scope included a detailed review of 16 projects (9 large projects and 7 small projects) totaling \$1.6 million. In addition, we expanded the scope of our audit to include an additional 11 projects totaling \$1.2 million, to perform a 100 percent review of all contracts greater than the simplified acquisition threshold set at \$100,000 (44 CFR 13.36(d)(1), October 1, 2008). For those 11 projects, we limited our review to the procurement methodology the County used in awarding contracts. Appendix A presents the initial and expanded scope of projects we audited. We did not place any significant reliance on the data from FEMA's computerized information system because we compared FEMA obligated costs to State payments and subgrantee claimed costs. We also verified the payments and claimed costs were supported by source documents. The audit covered funding data for each disaster for the period from March 13, 2009, through November 14, 2016. We reviewed FEMA's appeals determination letters issued after our audit ended to include costs determined reasonable as well as costs FEMA disallowed.

We interviewed FEMA, North Dakota, and Richland County officials. We gained an understanding of the County's method of accounting for disaster-related costs and its procurement policies and procedures; reviewed the County's disaster-related contracts awarded and supporting documents; judgmentally selected and reviewed (generally based on dollar amounts) project costs and procurement transactions; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our objective. We conducted this audit by applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We conducted this performance audit between November 2016 and May 22, 2018. This audit is part of a body of public assistance grant audits conducted by our office early in the public assistance process to identify areas where the grantee or subgrantee may need additional technical assistance or monitoring to ensure compliance with Federal regulations and FEMA guidelines. Audit planning, risk assessment, and internal control assessment were limited to the extent necessary to address our audit objectives. We conducted our review under the authority of the Inspector General Act of 1978, as amended, and followed generally accepted government auditing standards (GAGAS) with the exceptions noted above. GAGAS require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a

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Fed. Reg. 51297 (Oct. 6, 2009)]; 3) DR-1981: \$63,900 [Notice of Adjustment of Disaster Grant Amounts 75 Fed. Reg. 62135 (Oct. 7, 2010)]; and 4) DR-4118: \$67,500 [Notice of Adjustment of Disaster Grant Amounts 77 Fed. Reg. 61423 (Oct. 9, 2012)].



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reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Office of Audits major contributors to this report are Paige Hamrick, Director (Ret); J. Eric Barnett, Audit Manager; John Polledo, Audit Manager; Rebecca Hetzler, Auditor-in-Charge; Patti Smith, Senior Auditor (Ret); Joseph O’Gorman, Program Analyst; Eddie Jones, Independent Referencer; Lindsey Koch, Communications Analyst; and Kelly Herberger, Communications Analyst.



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**Appendix A**  
**Audited Projects and Questioned Costs**

<b>Disaster Number</b>	<b>Project/ Category of Work*</b>	<b>Award Amount</b>	<b>Questioned Costs</b>
1981	1922-C	\$ 267,315	\$ 0
1981	3053-C	189,629	173,255
1829	5078-C	183,681	183,681
1829	5094-C	170,179	0
1907	1168-C	166,727	142,860
1829	5127-B	115,995	0
1907	1086-C	103,012	0
1829	3681-C	100,465	0
1907	1085-C	98,924	0
4118	80-A	52,000	0
1829	3265-C	31,659	0
1981	2262-C	31,484	0
1829	3986-C	30,337	0
1907	1302-C	21,998	0
1907	542-C	11,463	0
1981	2916-C	7,346	0
<b>Subtotals</b>		<b>\$1,582,214</b>	<b>\$ 499,796</b>
<b>Limited Review for Contracting**</b>			
1829	5101-C	\$ 214,956	\$ 0
1829	3690-C	113,405	113,405
1907	1113-C	111,196	66,428
1907	1091-C	102,768	102,768
1981	2516-C	100,490	100,490
1907	1173-C	99,040	0
1907	1103-C	91,991	68,178
1907	1112-C	89,368	0
1829	3667-C	83,653	78,788
1981	2922-C	82,329	53,669
1981	2428-C	74,145	63,399
<b>Subtotals</b>		<b>\$1,163,341</b>	<b>\$ 647,125</b>
<b>Grand Totals</b>		<b>\$2,745,555</b>	<b>\$1,146,921</b>

Source: FEMA project worksheets, County records, and OIG analysis

\*FEMA identifies type of work by category: A for debris removal, B for emergency protective measures, and C-G for permanent work.

\*\*The limited contract review only included the contract costs, not all project costs.



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**Appendix B**  
**Potential Monetary Benefits**

<b>Rec no.</b>	<b>Type of Potential Monetary Benefit</b>	<b>Total</b>	<b>Federal Share</b>
1	Questioned Costs – Ineligible	\$ 1,146,921	\$ 975,194
1	Funds Put to Better Use	0	0
	<b>Totals</b>	<b>\$1,146,921</b>	<b>\$975,194</b>

Source: OIG analysis of report findings



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**Appendix C**  
**FEMA Region VIII Comments to the Draft Report**


U.S. Department of Homeland Security  
Region VIII  
Denver Federal Center, Building 710  
P.O. Box 25267  
Denver, CO 80225-0267



**FEMA**

March 21, 2019

MEMORANDUM FOR: Sondra F. McCauley  
Assistant Inspector General for Audits  
Office of the Inspector General

FROM: Lee K. dePalo   
Regional Administrator

SUBJECT: Management's Response to OIG Draft Report: "FEMA Should  
Disallow \$1.1 Million in Grant Funds Awarded to Richland  
County, North Dakota"  
(Project No. G-17-022-EMO-FEMA)

Thank you for the opportunity to review and comment on this Draft Report. The Federal Emergency Management Agency (FEMA) appreciates the work of the Department of Homeland Security (DHS) Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

FEMA recognizes the importance of the State's compliance with grant management requirements and is encouraged by North Dakota's progress in working with subrecipients to establish an effective accounting and record retention system to account for and maintain supporting documents on a project-by-project basis. FEMA has directed the State to continue its process improvements in support of Richland County.

The Draft Report contained three recommendations with which FEMA concurs. Please see the attached for our detailed response to each recommendation. Technical comments were previously provided under a separate cover.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you in the future.

[www.fema.gov](http://www.fema.gov)



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**Attachment: DHS Management Response to Recommendations Contained in  
G-17-022-EMO-FEMA Draft Report**

**Recommendation 1:** We recommend the Regional Administrator, FEMA Region VIII, disallow \$1,146,921 (\$975,194 Federal share) in ineligible contract costs that did not fully comply with Federal standards, unless FEMA decides to grant an exception to administrative requirements, including Federal procurement regulations, as 44 CFR 13.6(c) allows, and determines the costs are eligible and reasonable.

Response: Concur. FEMA agrees that the County did not fully comply with Federal procurement standards. However, FEMA determined the obligated costs are necessary and reasonable, as required in Appendix A, Part C of OMB Circular A-87. During the closeout process, FEMA evaluated the questioned contract costs for 1829-DR-ND projects 3690 and 5078; 1907-DR-ND projects 1103, 1091, 1113, and 1168; and 1981-DR-ND projects 2428, 2516, 2922, 3053 using reasonable cost standards. FEMA specifically compared the requested costs to average local rates or RSMeans, an estimating tool commonly used within the construction industry. The table below shows the funding amount requested by the County at closeout and costs FEMA deemed eligible and reasonable.

Disaster Number	Project Number	Award Amount Request at Closeout	Awarded Reasonable Costs	Reduction Amount
1829	3690	\$ 118,109	\$ 113,405	\$ 4,704
1829	5078	\$ 183,681	\$ 183,681	\$ 0
1907	1103	\$ 95,191	\$ 91,991	\$ 5,342
1907	1091	\$ 102,768	\$ 102,768	\$ 0
1907	1113	\$ 73,227	\$ 73,227	\$ 0
1907	1168	\$ 149,198	\$ 143,856	\$ 3,200
1981	2428	\$ 80,665	\$ 63,959	\$ 1,611
1981	2516	\$ 103,793	\$ 103,421	\$ 372
1981	2922	\$ 83,042	\$ 54,229	\$ 28,813
1981	3053	\$ 189,629	\$ 188,018	\$ 16,706

FEMA therefore reduced the requested amount by \$60,748 and limited its funding to \$1,118,555, effectively disallowing a greater award.

FEMA has confirmed that all obligated Public Assistance (PA) grant funds were reasonable costs for the questioned projects. FEMA requests that the OIG consider this recommendation resolved and closed as implemented.





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**Recommendation 2:** We recommend the Regional Administrator, FEMA Region VIII, direct North Dakota to work with Richland County officials to establish an effective accounting and record retention system to account for and maintain supporting documents on a project-by-project basis.

Response: Concur. FEMA has provided technical assistance to the State to implement and support a process change to ensure sufficient accounting and record retention for supporting documents on a project-by-project basis. Through this effort, a new process was developed and implemented. This new process requires subrecipients to sign a PA Subgrant Agreement, which outlines the requirements of administering a federally-funded grant. The Agreement provides subrecipients with a comprehensive list of all activities they must comply with to receive funding for any awarded PA projects. No future awarded funding will be disbursed unless subrecipients are complying with the new process and all federal regulations and requirements.

FEMA requests that the OIG consider this recommendation resolved and closed as implemented.

**Recommendation 3:** We recommend the Regional Administrator, FEMA Region VIII, direct North Dakota to increase its monitoring of Richland County's grant awards and verify that the County maintains an effective accounting and record retention system for FEMA grant awards and complies with Federal procurement regulations.

Response: Concur. To ensure subrecipients maintain an effective accounting and record retention system for FEMA grant awards and compliance with federal procurement regulations, FEMA has conducted Procurement Disaster Assistance Team (PDAT) training five times in North Dakota since 2015. FEMA staff provided the training for local subrecipients to ensure understanding of federal procurement regulations. Personnel from the County attended this training once. The offer of future FEMA PDAT training is available to the State in various formats, including online webinar and/or live trainer.

In addition, FEMA worked with the State in its process improvement. Subrecipients are now required to agree to adhere to federal procurement regulation before any contract costs are reimbursed. Per documentation provided by the State, it adjusted its reimbursement process for Large Projects by requiring subrecipients to submit copies of all procurement documents for the State to review and approve *before* any costs are distributed.

With FEMA's guidance, the State has substantially improved its processes to ensure subrecipients maintain an effective accounting and record retention system for FEMA grant awards in compliance with federal procurement regulations. FEMA requests that the OIG consider this recommendation resolved and closed as implemented.



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**Appendix D**  
**Report Distribution**

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Department of Homeland Security  
Office of Inspector General, Mail Stop 0305  
Attention: Hotline  
245 Murray Drive, SW  
Washington, DC 20528-0305