

U.S. Department of Homeland Security  
Central Regional Office  
Office of Emergency Management Oversight  
7460 Warren Parkway, Suite 275  
Frisco, TX 75034



Homeland  
Security

March 31, 2010

MEMORANDUM FOR: Janet Odesho, Acting Regional Administrator  
FEMA Region V

FROM:   
Tonda L. Hadley, Director  
Central Regional Office

SUBJECT: *City of North Royalton, Ohio*  
FEMA Disaster Numbers 1580- and 1519-DRs-OH.  
Hazard Mitigation Grant Program  
Audit Report Number DD-10-07

We audited Hazard Mitigation Grant Program (HMGP) funds awarded to the City of North Royalton, Ohio (City). Our audit objectives were to determine whether the City accounted for and expended FEMA funds according to federal regulations and FEMA guidelines, the projects met FEMA eligibility requirements, and project management complied with applicable regulations and guidelines.

FEMA provides HMGP grants on a cost-shared basis to eligible applicants within a federally declared state to implement measures designed to reduce the loss of life and property from natural disasters. FEMA's eligibility criteria require that an applicant have a FEMA-approved (unless delegated to the state) hazard mitigation plan and that projects be cost effective, environmentally sound, and provide a long-term beneficial impact. Eligible applicants include state and local governments, certain private non-profit organizations and institutions, and Indian tribes or tribal organizations.

The City received awards for four HMGP projects valued at \$2,040,472 in total (federal share \$1,228,438) from the Ohio Emergency Management Agency (OEMA), a FEMA grantee, between September 2006 and January 2008. OEMA selected the City's projects for submission to FEMA from the applications it received following severe storms and flooding that occurred December 22, 2004, through February 1, 2005 (1580-DR), and May 18, 2004, through June 21, 2004 (1519-DR). The awards funded a storm-water drainage project, two projects to acquire six properties, and one project to retrofit four properties. At the time of our audit, all projects were complete except for the retrofit project. The OEMA awards provided FEMA funding of between 37.2% to 75% of project costs under FEMA disasters 1580- and 1519-DRs-OH.

The audit covered the period from grant award in September 2006 to the completion of our audit work in January 2010. During this time, the City claimed \$1,109,400 in direct project costs. We audited \$1,068,959, or 96.4% of these costs.

We conducted this performance audit under the authority of 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 and appropriate evidence to provide a 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.

Our audit methodology consisted of reviewing the City's compliance with federal procurement standards, reviewing judgmentally selected transactions (generally based on dollar values) of the City's claimed costs; conducting interviews of FEMA, OEMA, and City officials; and performing other auditing procedures we considered necessary to accomplish the audit objectives. We did not assess the adequacy of the City's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objectives. We did, however, gain an understanding of the City's accounting system for HMGP costs.

## **RESULTS OF AUDIT**

The City accounted for and expended FEMA funds according to federal regulations and FEMA guidelines; the projects met FEMA eligibility requirements; and project management complied with applicable regulations and guidelines.

## **OTHER MATTERS**

During the environmental review of the City's acquisition projects, the United States Fish and Wildlife Service (FWS) told FEMA that the City should refrain from cutting down any trees from April 15, to September 15, each year because the area is within the range of the Indiana bat, a federally listed endangered species. Additionally, FWS told FEMA that, if the City needed to remove a tree, the City would need to contact OEMA to request further consultation with FWS. This project condition was included in the Record of Environmental Considerations (REC) that OEMA provided to the City during the project implementation meeting, which took place in March 2007. Additionally, OEMA met with City officials in August 2007 and in December 2007 to discuss the acquisition projects; however, OEMA records did not specify whether OEMA specifically reviewed FWS's annual restriction on cutting down trees from April 15, to September 15, with the City.

Because of public safety concerns and without notifying OEMA, the City cut down 21 trees in August 2008 that sustained damage during the demolition of the residential properties acquired under its HMGP grants. OEMA identified this violation during project closeout and subsequently notified FWS. As a result, the FWS recommended, and FEMA agreed, that the City should plant a prescribed number and size of trees on the project sites as a remedy for violating the Endangered Species Act as well as HMGP environmental conditions. Additionally, FEMA determined that all

costs associated with the tree removal and costs incurred by the City to meet the conditions of the FWS were not eligible for reimbursement. To minimize the potential for future environmental and grant violations, OEMA should strengthen its procedures for ensuring that subgrantees are aware of project conditions that might jeopardize funding throughout the project's performance period.

### **DISCUSSION WITH MANAGEMENT**

We discussed the audit results with FEMA, OEMA, and City officials on February 17, 2010. These officials agreed with the audit results. Because the audit did not identify issues requiring further action from FEMA, we consider this audit closed. Significant contributors to this report were Moises Dugan, William Haney, and Lori Smith. Should you have questions concerning this report, please contact me, or your staff may contact Moises Dugan, Audit Manager, at (214) 436-5200.

cc: Audit Liaison, FEMA (Job Code DG9C06)  
Audit Liaison, FEMA Region V