

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

FEMA Public Assistance Grant
Funds Awarded to Grand River Dam
Authority, Vinita, Oklahoma

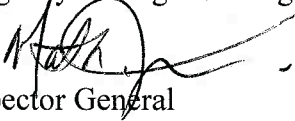




Homeland Security

NOV 1 2011

MEMORANDUM FOR: Tony Russell
Regional Administrator, Region VI
Federal Emergency Management Agency

FROM: Matt Jadacki 
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to
Grand River Dam Authority, Vinita, Oklahoma*
FEMA Disaster Number 1678-DR-OK
Audit Report Number DD-12-01

We audited public assistance grant funds awarded to the Grand River Dam Authority (Authority) in Vinita, Oklahoma, Public Assistance Identification Number 000-006E9-00. Our audit objective was to determine whether the Authority accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to federal regulations and FEMA guidelines.

The Oklahoma Department of Emergency Management (ODEM), a FEMA grantee, awarded the Authority \$9.15 million for damages caused by an ice storm during January 12–26, 2007. The award provided 75% FEMA funding for eight large projects and one small project.¹ The audit covered the period January 12, 2007, through March 28, 2011, the cutoff date of our audit, and included a review of two large projects totaling \$5.55 million, or 61% of the total award (see Exhibit, Schedule of Projects Audited).

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

RESULTS OF AUDIT

The Authority generally accounted for and expended FEMA grant funds according to federal regulations and FEMA guidelines. However, we question \$4,545 because the Authority's claim included contracting costs not related to the disaster event. To be eligible for financial assistance, costs for an item of work must be required as a result of the major disaster event (44 CFR 206.223(a)(1)). Authority officials agreed that FEMA should not be responsible for these costs.

RECOMMENDATION

We recommend that the Regional Director, FEMA Region VI:

Recommendation #1: Disallow \$4,545 (\$3,409 federal share) of ineligible contracting costs not related to the disaster.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with Authority officials during the audit and included their comments in this report, as appropriate. We also provided written summaries of our finding and recommendation in advance to FEMA, ODEM, and Authority officials and discussed them at exit conferences held on August 16, August 23, and August 15, 2011, respectively. FEMA, ODEM, and Authority officials agreed with the 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. To promote transparency, this report

will be posted to our website. Significant contributors to this report were Tonda Hadley, Christopher Dodd, Patti Smith, Douglas Denson, and DeAnna Fox.

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

cc: Administrator, FEMA
Audit Liaison, FEMA Region VI
Audit Liaison, FEMA (Job Code G-11-029)
Audit Liaison, DHS

**Schedule of Projects Audited
 January 12, 2007, through March 28, 2011
 Grand River Dam Authority, Vinita, Oklahoma
 FEMA Disaster Number 1678-DR-OK**

Project Number	Project Funding	Ineligible Costs	Total Costs Questioned
558	\$ 4,759,996	\$ 4,545	\$ 4,545
575	<u>788,978</u>	<u>0</u>	<u>0</u>
Totals	<u>\$5,548,974</u>	<u>\$ 4,545</u>	<u>\$ 4,545</u>

ADDITIONAL INFORMATION AND COPIES

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