

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

FEMA Public Assistance Grant  
Funds Awarded to Prairie Land Electric  
Cooperative, Inc., Norton, Kansas

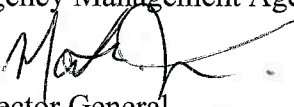




# Homeland Security

NOV 1 2011

MEMORANDUM FOR: Beth A. Freeman  
Regional Administrator, Region VII  
Federal Emergency Management Agency

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

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to  
Prairie Land Electric Cooperative, Inc., Norton, Kansas*  
FEMA Disaster Number 1626-DR-KS  
Audit Report Number DD-12-02

We audited public assistance grant funds awarded to Prairie Land Electric Cooperative, Inc., (Cooperative) in Norton, Kansas, Public Assistance Identification Number 000-UOYO8-00. Our audit objective was to determine whether the Cooperative accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to federal regulations and FEMA guidelines.

The Kansas Division of Emergency Management (KDEM), a FEMA grantee, awarded the Cooperative \$27 million for damages caused during a severe winter storm on November 27–28, 2005. The award provided 75% funding for two large projects and one small project.<sup>1</sup> We audited all projects under the award (see Exhibit, Schedule of Projects Audited). The audit covered the period November 27, 2005, through May 26, 2009.

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.

---

<sup>1</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$57,500.

We interviewed FEMA, KDEM, and Cooperative 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 Cooperative's internal controls applicable to grant activities because it was not necessary to accomplish our audit objective. However, we did gain an understanding of the Cooperative's method of accounting for disaster-related costs and its procurement policies and procedures.

## RESULTS OF AUDIT

The Cooperative generally accounted for and expended FEMA grant funds according to federal regulations and FEMA guidelines. However, the Cooperative claimed \$133,440 in mutual aid costs incurred in completing permanent recovery work, which is not eligible according to FEMA policy.

### **Finding A: Mutual Aid Costs**

The Cooperative's claim included \$133,440 (\$100,080 federal share) for mutual aid costs to complete work that FEMA classified as permanent work (Category F). FEMA Public Assistance Policy 9523.6 (September 22, 2004), *Mutual Aid Agreements for Public Assistance and Fire Management Assistance*, section 7.E.1.b.(i), states that examples of mutual aid work that are not eligible include permanent recovery work. This policy also states in section 7.G.6 that reimbursement for work beyond emergency assistance, such as permanent repairs, is not eligible for mutual aid assistance. Therefore, we question \$133,440 as ineligible costs for Category F work.

On August 16, 2011, FEMA Region VII requested a waiver of FEMA's mutual aid policy for Disaster 1626. Although FEMA has granted numerous waivers for mutual aid claims for permanent work in the past, as of our exit conference with FEMA Region VII on September 12, 2011, FEMA headquarters had not granted a waiver for this specific disaster.

## RECOMMENDATION

We recommend that the Regional Administrator, FEMA Region VII:

**Recommendation #1:** Disallow \$133,440 (\$100,080 federal share) of ineligible costs for mutual aid work that FEMA classified as permanent work.

## DISCUSSION WITH MANAGEMENT

We discussed the results of our audit with FEMA, KDEM, and Cooperative officials during our audit and included their comments in this report, as appropriate. We also provided written summaries of our findings and recommendations in advance to these officials and discussed them at the exit conferences held with KDEM officials on September 8, 2011, and with FEMA

and Cooperative officials on September 12, 2011. These officials all agreed or at least understood the audit finding, but KDEM disagreed with the recommendation because FEMA had previously granted waivers for similar findings to allow claims for mutual aid costs.

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, Moises Dugan, William Lough, Cheryl Spruiell, and Patricia Epperly.

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 (Job Code G-11-38)  
Audit Liaison, FEMA Region VII  
Audit Liaison, DHS

**Schedule of Projects Audited**  
**November 27, 2005, through May 26, 2009**  
**Prairie Land Electric Cooperative Inc., Norton, Kansas**  
**FEMA Disaster Number 1626-DR-KS**

<b>Project Number</b>	<b>Claimed Amount</b>	<b>Questioned Costs</b>
37	\$ 4,382	\$ 0
38	25,766,765	133,440
39	1,293,015	0
<b>Totals</b>	<u>\$27,064,162</u>	<u>\$133,440</u>

## ADDITIONAL INFORMATION AND COPIES

To obtain additional copies of this report, please call the Office of Inspector General (OIG) at (202)254-4100, fax your request to (202)254-4305, or e-mail your request to our OIG Office of Public Affairs at [DHS-OIG.OfficePublicAffairs@dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@dhs.gov). For additional information, visit our OIG website at [www.oig.dhs.gov](http://www.oig.dhs.gov) or follow us on Twitter @dhsOIG.

## OIG HOTLINE

To report alleged fraud, waste, abuse or mismanagement, or any other kind of criminal or noncriminal misconduct relative to Department of Homeland Security programs and operations:

- Call our Hotline at 1-800-323-8603
- Fax the complaint directly to us at (202)254-4292
- E-mail us at [DHSOIGHOTLINE@dhs.gov](mailto:DHSOIGHOTLINE@dhs.gov); or
- Write to us at:  
DHS Office of Inspector General/MAIL STOP 2600,  
Attention: Office of Investigation - Hotline,  
245 Murray Drive SW, Building 410  
Washington, DC 20528

The OIG seeks to protect the identity of each writer and caller.