



An Audit Report on

# **Public Assistance Disaster Grants Related to Hurricane Harvey**

December 2019

Report No. 20-019



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## Overall Conclusion

The Texas Division of Emergency Management (TDEM) is responsible for administering the Federal **Emergency Management Agency's (FEMA)** Public Assistance Program (Program). While TDEM complied with most federal and state requirements to expend and monitor Program grant funds related to Hurricane Harvey response and recovery, it should strengthen its processes related to:

- Reviewing supporting documentation for large projects (those with total eligible costs greater than or equal to \$123,100) to ensure that subrecipients<sup>1</sup> are not overpaid and they comply with applicable requirements.
- Allocating expenditures to the appropriate cost reimbursement rate of 90 percent, recording transactions in its accounting system, and accounting for equipment related to its emergency work project.
- Ensuring that subrecipients with small projects (those with total eligible costs less than \$123,100) retain documentation for the expenditures and procurement used to support the projects.

TDEM had adequate processes and controls in place to monitor the contract with the grant compliance contractor that it used to administer and monitor disaster grants. However, TDEM should ensure that it (1) consistently approves invoices with enough time to allow for further processing needed to submit payments prior to their due dates and (2) calculates and pays interest on late payments.

TDEM developed a process and performed reconciliations of Program funding as part of its financial monitoring of the grant. It also allocated state grant funding

### Background Information

TDEM is a component of the Texas A&M University System as of September 1, 2019. Prior to that, it was a division within the Department of Public Safety. TDEM is responsible for preparing the **State's** emergency management plan and its duties include the following:

- Determine requirements for jurisdictions in response to disaster events.
- Coordinate deployment of mobile support units.
- Procure and position supplies, medicines, materials, and equipment.
- Cooperate with the federal government and any public or private agency or entity in implementing programs for disaster mitigation, preparation, response, and recovery.

The Public Assistance Program (Program) that TDEM administers provides grants to state and local governments and certain private nonprofit entities to assist them with the response to and recovery from disasters. The Program provides funds used for debris removal, emergency protective measures, and restoration of disaster-damaged publicly owned facilities and the facilities of certain private nonprofit entities.

Sources: Texas Government Code, Sections 418.042 and 418.043; the Memorandum of Understanding between the Texas A&M University System and the Department of Public Safety; and the Federal Emergency Management Agency's *Public Assistance Program and Policy Guide*, April 2018.

<sup>1</sup> Subrecipients are non-federal entities such as state agencies, local governments, and private nonprofits that receive a subaward from a pass-through entity to carry out part of a federal program. TDEM was both a pass-through entity and a subrecipient of Program grants.

for debris removal assistance in accordance with the requirements in its contract with the Texas Commission on Environmental Quality.

Table 1 presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating <sup>a</sup>
1	Hurricane Harvey Public Assistance Program Funding	Not Rated
2-A	TDEM Had Adequate Controls in Place to Ensure That Subrecipients of Funding for Large Projects Complied with Federal Grant Requirements, But It Should Strengthen Its Review of Project Documentation	Medium
2-B	TDEM Should Strengthen Its Processes and Documentation Related to Its Emergency Work Project	Medium
3	While TDEM Followed Its Procedures to Expend Program Grants for Small Projects, It Should Ensure That Subrecipients Maintain Documentation as Required	Medium
4-A	TDEM Properly Reviewed Invoices and Approved Payments to the Contractor It Used to Administer Disaster Grant Programs	Low
4-B	TDEM Had Adequate Processes to Perform Reconciliations as Part of Its Financial Monitoring of the Program Grant	Low
5	TDEM Had Adequate Processes to Allocate State Debris Removal Assistance Funding to Eligible Subrecipients	Low
<p><sup>a</sup> A chapter/subchapter is rated <b>Priority</b> if the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.</p> <p>A chapter/subchapter is rated <b>High</b> if the issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.</p> <p>A chapter/subchapter is rated <b>Medium</b> if the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.</p> <p>A chapter/subchapter is rated <b>Low</b> if the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.</p>		

Auditors communicated other, less significant issues separately in writing to TDEM management.

## ***Summary of Management's Response***

At the end of certain chapters in this report, auditors made recommendations to address the issues identified during this audit. TDEM agreed with the recommendations in this report.

## ***Audit Objectives and Scope***

The objectives of this audit were to:

- Determine whether the Department of Public Safety (DPS) and the Texas A&M University System (TAMUS) have processes and related controls to help ensure that public assistance disaster grant funds related to Hurricane Harvey are allocated and expended in accordance with applicable requirements and DPS and TAMUS policies and procedures.
- Determine whether DPS and TAMUS have processes and related controls to help ensure that public assistance disaster grants related to Hurricane Harvey are monitored in accordance with applicable requirements and DPS and TAMUS policies and procedures.

The scope of this audit covered allocation of grant funding, Program funds expended, Program compliance monitoring, and other monitoring activities performed by TDEM from August 23, 2017, through May 31, 2019. TDEM was a division within DPS through August 31, 2019. Effective September 1, 2019, TDEM was transitioned to become a component agency within TAMUS.

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# Detailed Results

Chapter 1

## ***Hurricane Harvey Public Assistance Program Funding***

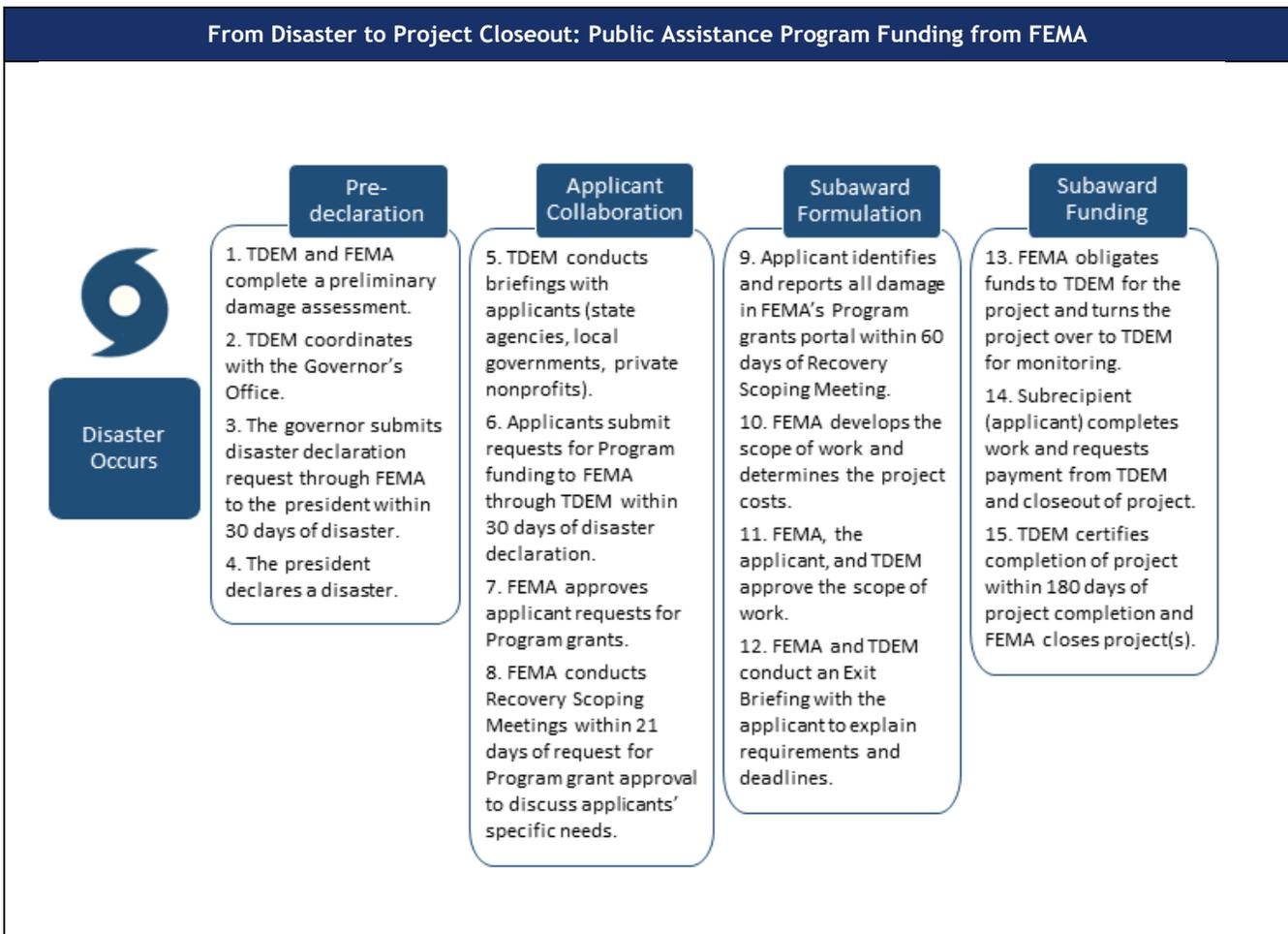
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Hurricane Harvey made landfall in Texas as a Category 4 hurricane on August 25, 2017. The storm included record rainfall totals of up to 60 inches, high winds and tornadoes, and a storm surge that resulted in flooding and damage to homes, businesses, vehicles, and infrastructure (such as roads, bridges, and power facilities). The president declared a major disaster for the state of Texas on August 25, 2017. The disaster declaration established the designated areas, types of assistance available, and rates at which the federal government will reimburse costs.

The Federal Emergency Management Agency (FEMA) approved federal grant assistance for Texas through a FEMA-State Agreement for Hurricane Harvey, which was signed by the Texas governor and FEMA on August 27, 2017, and included FEMA's Public Assistance Program (Program). The funding provided through the Program was for (1) debris removal, (2) emergency protective measures, (3) restoration of disaster-damaged, publicly owned facilities and the facilities of certain private nonprofit organizations, and (4) administrative costs. For Hurricane Harvey, FEMA reimbursed 90 percent of eligible costs for most project work categories (see Appendix 3 for more information). The FEMA-State Agreement designated 53 counties in Texas as eligible for Program funding as a result of Hurricane Harvey (see Appendix 4 for more information).

The Program involves multiple steps and processes performed by FEMA, the Texas Division of Emergency Management (TDEM), and subrecipients (see Figure 1 on the next page). TDEM works with FEMA to conduct initial damage assessments, obtain Program grant funding for the State, and inform subrecipients about the Program. FEMA is primarily responsible for approving subrecipients' requests for Program funding, developing each subrecipient's project(s) scope of work, and approving the grant funding for each subrecipient's project(s). TDEM is then responsible for monitoring the subrecipients to ensure that they comply with federal and state requirements and also conducting a financial reconciliation with FEMA to close out the grant after the subrecipients complete the work and satisfy all administrative requirements.

Figure 1



Source: Based on information from TDEM and FEMA's *Public Assistance Program and Policy Guide*, April 2018.

As of May 31, 2019, FEMA had approved and funded 4,546 projects totaling \$1.5 billion for Hurricane Harvey-related Program grants within Texas, and the amount reimbursed to the subrecipients totaled approximately \$1.1 billion (see Appendix 3 for more information). Approximately \$412.1 million of the FEMA-approved funding is related to project costs that the subrecipients had not yet submitted for reimbursement from TDEM or the reimbursements were in progress.

FEMA established project thresholds to classify projects as small or large (see text box on project thresholds for more information). FEMA approved 1,029 large projects with a total amount of \$993.5 million paid to

**Project Thresholds**

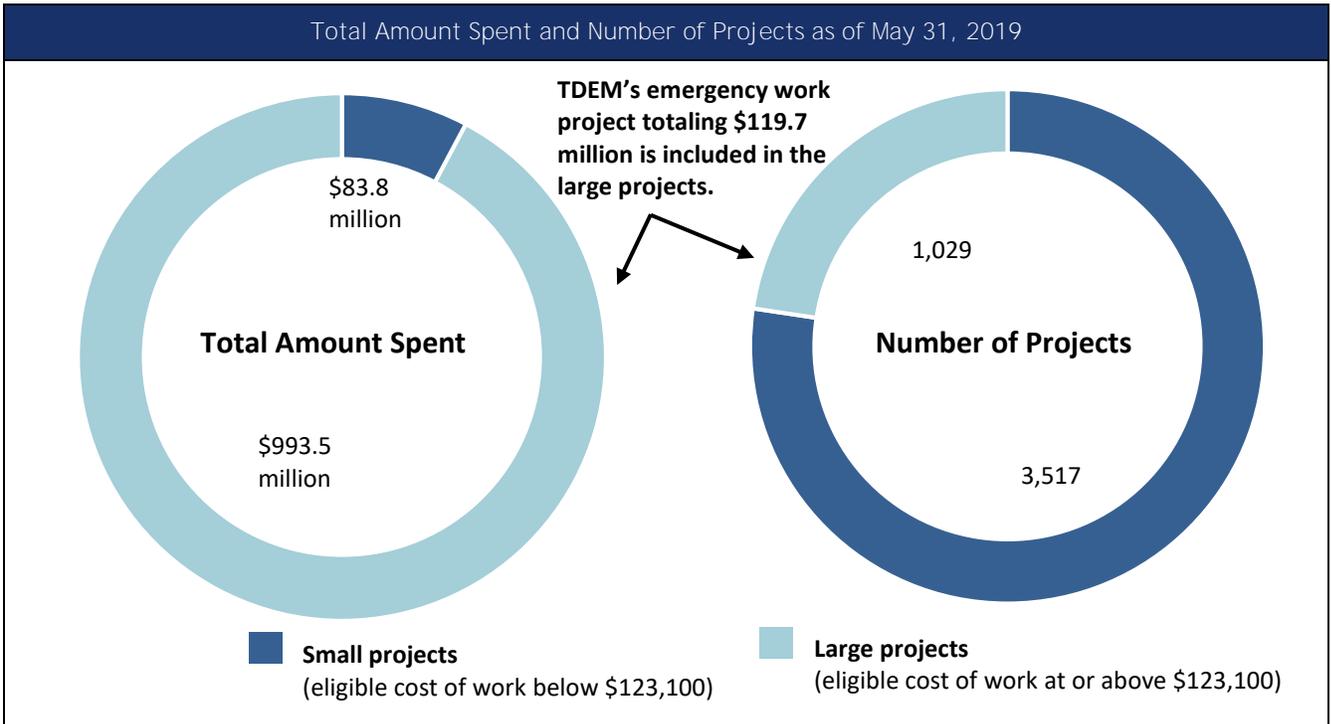
FEMA establishes project thresholds for each federal fiscal year. The thresholds apply to disasters declared within that fiscal year and are based on the Consumer Price Index. In federal fiscal year 2017, which was when Hurricane Harvey was declared as a disaster, the minimum project threshold was \$3,100, and the large project threshold was \$123,100. Projects with total costs less than \$3,100 were not eligible for Program grant funding. Projects with eligible costs between \$3,100 and \$123,099 were classified as small projects. Projects with total eligible costs greater than or equal to \$123,100 were classified as large projects.

Sources: FEMA's *Public Assistance Program and Policy Guide*, April 2018; Title 44, Code of Federal Regulations, Section 206.203; and TDEM's *Addendum to the State of Texas Administrative Plan for Public Assistance for DR-4332-TX Hurricane Harvey*, September 2017.

subrecipients (see Chapter 2-A). There were 3,517 small projects with a total amount of \$83.8 million paid to subrecipients (see Chapter 3). FEMA approved a large project totaling \$119.7 million for TDEM’s emergency work project; for that project, TDEM is the subrecipient and is also responsible for monitoring (see Chapter 2-B). Figure 2 shows the number of and amount paid for small and large projects as of May 31, 2019.

As of September 30, 2019, FEMA asserted that it still had 2,153 projects awaiting approval and funding from the remaining \$1.3 billion in Hurricane Harvey-related Program grants.

Figure 2



Source: Based on information obtained by auditors from TDEM’s Grant Management System.

## ***While TDEM Complied with Most Federal and State Requirements, It Should Strengthen Its Processes Related to Large Projects and Its Emergency Work Project***

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TDEM ensured that the subrecipients complied with federal grant requirements for most of the large projects tested (those with total eligible costs greater than or equal to \$123,100). However, TDEM should strengthen its processes related to its review of project expenditure and procurement documentation to ensure that subrecipients are (1) reimbursed for the correct amounts and (2) comply with applicable procurement requirements.

TDEM complied with most federal and state requirements related to expending Program grant funds for its Hurricane Harvey emergency work project, but it should strengthen its processes and documentation, including: (1) allocating project expenditures to the appropriate cost reimbursement rate of 90 percent, (2) recording transactions in its accounting system, and (3) accounting for equipment it purchased for the project.

### Chapter 2-A

TDEM Had Adequate Controls in Place to Ensure That Subrecipients of Funding for Large Projects Complied with Federal Grant Requirements, But It Should Strengthen Its Review of Project Documentation

Chapter 2-A  
Rating:  
Medium <sup>2</sup>

Large projects are those with total eligible costs greater than or equal to \$123,100. As of May 31, 2019, FEMA approved 1,029 large projects with a total amount paid to subrecipients of \$993.5 million.

Auditors tested 62 large projects, which had a total amount of \$178.0 million paid to subrecipients: (1) 50 projects that had not been closed or had not expended all funds and (2) all 12 large projects that were completed and closed as of May 31, 2019. TDEM ensured that the subrecipients complied with requirements for 50 (81 percent) of the 62 projects that auditors tested. For the remaining 12 projects:

- Seven (11 percent of the 62 projects tested) included expenditure documentation that did not support the amount that TDEM paid to the subrecipients. For 6 (86 percent) of the 7 projects, auditors identified instances of missing invoices, duplicate invoices that were included in the amounts paid, and/or invoice line items that were less than the total invoice amount. This resulted in overpayments to the subrecipients totaling \$65,776. For the remaining project, TDEM did not adjust the

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<sup>2</sup> The risk related to the issues discussed in Chapter 2-A is rated as Medium because they present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

payment to the subrecipient to take into account insurance proceeds that the subrecipient received. This resulted in an overpayment to the subrecipient totaling \$4,894. Title 2, Code of Federal Regulations (CFR), Section 200.403(g), requires that costs paid by federal grants must be adequately documented to be allowable. TDEM's policies and procedures also require that payments to subrecipients be based on proper supporting documentation.

- For 5 (8 percent of the 62 projects tested), TDEM did not ensure that the subrecipients submitted documentation related to vendor procurements. As a result, it was unclear whether the subrecipients complied with federal and state procurement guidelines and regulations. Title 2, CFR, Section 200.318, requires that subrecipients maintain records to detail the history of the procurement.

Many of the issues related to missing documentation identified by auditors were the result of TDEM's monitoring process. For large projects that were already complete when FEMA approved the project, TDEM (1) would rely on the validation process that FEMA performed (see text box for more information); (2) would collect from the subrecipient proof of payment of project expenditures, certification of no duplication of benefits, and a project closeout certificate; and (3) would not perform further review or site inspections.

#### FEMA's Validation Process

Part of the Public Assistance delivery model process that FEMA implemented in September 2017 included a validation process performed by the Consolidated Resource Center (CRC) within FEMA. The CRC reviewed documentation that subrecipients submitted to determine the project's costs and scope of work. Depending on the size and complexity of the project, the CRC may review all documentation or a sample of documentation provided by the subrecipient.

Source: FEMA and TDEM.

TDEM asserted that it changed its monitoring process in December 2018. Specifically, TDEM would review all expenditure and procurement documentation for subrecipients who submitted requests for project cost reimbursement starting in December 2018. For the 12 expenditure and procurement documentation errors discussed above:

- Four of the seven projects that had expenditure documentation errors occurred after December 2018. TDEM and its contractor did not identify the errors in expenditure documentation during its monitoring process for the remaining three projects. Those errors for the four projects resulted in overpayments to the subrecipients totaling \$15,096.
- All five projects that lacked supporting procurement documentation occurred prior to December 2018.

## Recommendation

TDEM should strengthen its monitoring process to ensure that it identifies errors during reviews of project documentation.

### **Management's Response**

*We agree:*

*In accordance with national guidance, the Disaster State Administrative Plan (DSAP), must be approved by the Federal Emergency Management Agency (FEMA). Based on that guidance, and FEMA's approval of the DSAP, TDEM relied on FEMA's Consolidated Resource Center (CRC) to review documentation that subrecipients submitted to determine the project's costs and scope of work allowances. This was not a responsibility of TDEM in accordance with the DSAP.*

*In December 2018, TDEM determined that the FEMA CRC was not adequately validating projects under Title 2, Code of Federal Regulations (CFR), Section 200 and began to monitor and evaluate the progress and completion of each subrecipient's projects. TDEM drafted changes and provided a draft DSAP to FEMA in July 2019, codifying TDEM's revised functional reviewer role that was implemented in December 2018. Since this time, TDEM and FEMA have been working to refine the language and finalize a revised DSAP acceptable to FEMA.*

*The TDEM Quality Assurance Unit is tasked with coordinating this revision with the TDEM Recovery Division, and FEMA. It is anticipated that the DSAP will be revised within 90-120 days and approved by FEMA thereafter and TDEM considers this recommendation to have been implemented.*

*Responsible Party: TDEM Division Chief for Mitigation.*

## TDEM Should Strengthen Its Processes and Documentation Related to Its Emergency Work Project

Chapter 2-B  
Rating:

Medium <sup>3</sup>

FEMA approved a large emergency work project for TDEM, allocating approximately \$119.7 million for the costs that TDEM incurred to provide emergency response assistance during and directly following Hurricane Harvey (see text box for more information). For this project, TDEM is the subrecipient and is also responsible for monitoring its compliance with grant requirements for the project.

TDEM obtained advanced funding from FEMA to pay some of the initial costs and used state funding to supplement the initial FEMA funding. TDEM then obtained additional funding from FEMA to reimburse the state funding. FEMA approved a reimbursement rate of 100 percent for costs that TDEM incurred within the first 30 days after Hurricane Harvey and a 90 percent reimbursement rate for costs that TDEM incurred after the first 30 days (see Figure 3 on the next page for more information).

### TDEM's Emergency Work Project

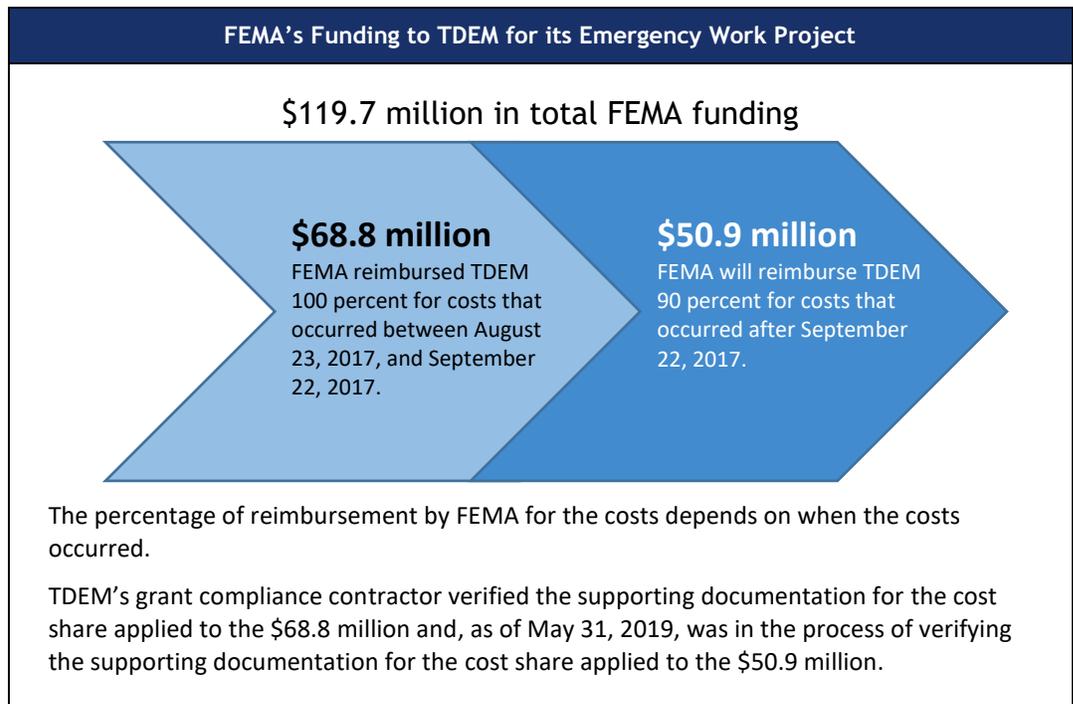
TDEM provided statewide emergency protective measures in response to Hurricane Harvey to eliminate or lessen immediate threats to lives, public health, or safety. TDEM utilized in-state labor and equipment, out-of-state labor and equipment through mutual aid agreements, and contractors to provide services such as evacuation and sheltering, search and rescue, supplies and commodities, emergency operations, and medical care.

Source: FEMA Form 90-91, Project Worksheet, for TDEM's Emergency Work Project.

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<sup>3</sup> The risk related to the issues discussed in Chapter 2-B is rated as Medium because they present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

Figure 3



Sources: FEMA Form 90-91, Project Worksheet, for TDEM emergency work project; FEMA-State Agreement for Hurricane Harvey, August 27, 2017; and information from TDEM.

### Expenditures Reimbursed at 100 Percent

For the 60 expenditures auditors tested from the \$68.8 million that FEMA reimbursed at 100 percent of total costs, TDEM ensured that it maintained adequate documentation to support most expenditures. Specifically, for the 60 expenditures tested, TDEM:

- Ensured that the services performed were consistent with the category of work and scope of work that FEMA approved for 59 (98 percent) expenditures.
- Adequately documented its procurement of goods and services for 57 (95 percent) expenditures.
- Ensured that 57 (95 percent) expenditures occurred within the time frames that FEMA approved.

While TDEM complied with most federal and state grant requirements, it should make improvements related to allocating project expenditures to the appropriate cost reimbursement rate to decrease the risk that it would have to return Program funds to FEMA. In addition, TDEM should improve its processes related to documenting its approval of expenditures.

Allocating Expenditures to the Correct Reimbursement Rate. TDEM was reimbursed at the correct rate of 100 percent for 47 (78 percent) of the 60 expenditures tested. For the remaining 13 expenditures, TDEM was reimbursed more than what was allowable according to the FEMA-State Agreement. Those 13 expenditures included invoices with service dates that occurred after the first 30 days of the incident period or the supporting documentation did not clearly identify that the services provided occurred within the time period that FEMA had approved for the project. For the expenditures with service dates after the first 30 days, TDEM was reimbursed at 100 percent of the costs but should have been reimbursed at 90 percent.

The total dollar amount of the errors could not be determined because TDEM did not separate the expenditures in situations in which services were provided both before and after the first 30 days of the incident period. Title 2, CFR, Sections 200.403 and 200.309, require that costs be adequately documented in order to be allowable and that only costs incurred during the time frame approved for the project may be reimbursed by the federal award.

Documenting Approval of Expenditures. TDEM maintained documentation to support its approval prior to payment for 45 (75 percent) of the 60 expenditures tested. For the remaining 15 expenditures, TDEM asserted that it reviewed and approved expenditures prior to payment but was not able to locate some documentation and that some approvals were verbal due to the time-sensitive nature of the need for resources. Title 2, CFR, Section 200.333, requires non-federal entities to maintain supporting documentation for a federal award for a period of three years from the date of submission of the final expenditure. The FEMA-State Agreement for the Program funds requires TDEM to follow all applicable federal regulations, even following a disaster.

#### Expenditures Reimbursed at 90 Percent

For the 60 expenditures tested from the \$50.9 million that TDEM's grant compliance contractor was still reviewing as of May 31, 2019, TDEM maintained documentation to support that there was an estimate for the cost or that it approved the cost prior to the service being provided for 57 (95 percent) expenditures. For the remaining 3 expenditures, which totaled \$16,993, TDEM did not have adequate documentation to support that it approved the expenditures prior to the service being provided.

TDEM's policies and procedures state that advances of funds can be obtained based on invoices and/or other supporting documentation and TDEM asserted that it reviewed and approved costs prior to services being provided. In addition, Title 2, CFR, Section 200.303, requires non-federal entities to establish and maintain effective internal controls that provide

reasonable assurance that it is managing Program grant funds in compliance with federal requirements.

As of May 31, 2019, TDEM was still in the process of submitting documentation to FEMA to support the expenditures for its emergency work project. TDEM asserted that its grant compliance contractor (see text box for more information) was reviewing all supporting documentation for the project costs to properly allocate the expenditures under the correct reimbursement rate and will coordinate with FEMA to correct any errors against future reimbursements to TDEM.

Recording Transactions in Its Accounting System

Auditors' analysis and testing of samples of possible duplicate transactions from TDEM's emergency work project expenditure data determined that 7 (28 percent) of the 25

transactions tested were duplicate transactions caused by manual errors. Of the 7 duplicate entries, only 1 resulted in a duplicate payment totaling \$3,336. The Department of Public Safety (DPS) had previously identified the duplicate payment and requested a refund from the vendor. The remaining six transactions were duplicate adjusting entries. DPS made corrections to the duplicate entries after auditors brought the errors to its attention.

In addition, auditors' data analysis determined that the amounts and vendor names for 17 expenditures differed between the data that TDEM maintained to track its verified expenditures and the data in its accounting system. Those differences were caused by manual data entry errors and errors in transferring funds between the fund subaccounts that TDEM used to track state and federal funds spent for Hurricane Harvey response and recovery. As a result, the amounts identified as federal Hurricane Harvey Program expenditures in TDEM's accounting system were \$375,183 less than the amounts in the data that TDEM maintained to track its verified expenditures.

Accounting for Equipment

TDEM adequately safeguarded and maintained the seven equipment items it purchased with Program grant funds under its emergency work project. However, TDEM did not add 6 (86 percent) of those equipment items to its inventory because its accounting system did not identify the items as capital assets because of a manual coding error. Title 2, CFR, Section 200.313, requires subrecipients to maintain inventory property records for equipment purchased with federal funds. The total cost of the 6 items was \$994,508.

**TDEM's Grant Compliance Contractor**

TDEM's grant compliance contractor supplements TDEM's organizational structure and provides services including:

- Provide technical support to the subrecipients.
- Review project documentation to ensure that the subrecipients comply with applicable requirements.
- Process payment requests from the subrecipients.
- Prepare project documentation to send to FEMA.

TDEM staff perform a review of the contractor's work and are the final approval authority.

Source: TDEM.

TDEM added the missing equipment items to its inventory property records after auditors identified the issue.

## Recommendations

TDEM should:

- Ensure that it allocates expenditures for its emergency work project to the appropriate cost reimbursement rate based on when the expenditure occurred.
- Ensure that it adequately documents project expenditures to comply with requirements related to project time frames and allowability.
- Strengthen its processes for entering information into its accounting system and into other data sets to ensure consistency and accuracy.
- Strengthen its processes for assigning accounting system codes for equipment items to ensure that they are properly accounted for and tracked in its property records.

## Management's Response

*We agree:*

*TDEM has been in discussions with the Federal Emergency Management Agency (FEMA) to implement a process of requesting a separate project worksheet (PW) when multiple cost-share allocations exist which will run concurrently. This will allow for TDEM to request funds based on the appropriate cost-share for expenses.*

*On September 1, 2019 TDEM became an independent state agency under the Texas A&M University System (TAMUS). As a component of the transition, the TAMUS Aggiebuy resource began to be used for procurement and accounts payable management. Aggiebuy has several more layers of controls versus the previous procurement system that was in place within the Texas Department of Public Safety prior to September 2019. TDEM has implemented additional controls that require before any purchase order is executed and/or invoice is paid from a disaster event project code, it must be first approved by the TDEM Disaster Finance Section. The TDEM Disaster Finance Section reviews the information to ensure compliance with FEMA requirements, contingency contract terms/conditions, project time frames and allowable costs, and that it is related to the event to which it is being attributed.*

*TDEM implemented TDEM Policy #502 in June 2019 which requires the Disaster Finance Section to request any reimbursement requests or advance of funds request through the TDEM Grant Management System for TDEM*

*related projects. This policy creates a stronger separation of duties and oversight of the TDEM projects to ensure proper internal controls.*

*Accounting object codes are reviewed by TDEM staff. This assists TDEM with ensuring the correct accounting object codes are used. Once the capital asset is ordered, a capital asset number is assigned to the item. Upon payment of the invoice, a capital asset tag is created and sent to TDEM to place on the item for tracking and inventory control. TDEM considers this recommendation implemented.*

*Responsible Party: TDEM Section Chief for Disaster Finance.*

## ***While TDEM Followed Its Procedures to Expend Program Grants for Small Projects, It Should Ensure That Subrecipients Maintain Documentation as Required***

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**Chapter 3**  
**Rating:**  
Medium <sup>4</sup>

Small projects are those with total eligible costs less than \$123,100. As of May 31, 2019, FEMA approved 3,517 small projects with a total amount paid to subrecipients of \$83.8 million.

Auditors tested 25 small projects totaling \$1.9 million; for those projects, TDEM ensured that the subrecipients submitted certifications that work was completed prior to reimbursing them, which is in accordance with its policy. However, TDEM did not always ensure that subrecipients maintained documentation to support the work performed for the project or that expenditures were within the approved project time frames for 13 (52 percent) of the 25 projects tested. Specifically:

- For 10 (40 percent) projects, TDEM did not ensure that the subrecipients maintained documentation to support (1) the total project costs and/or (2) that the subrecipient paid the expenditures in full. This resulted in \$373,007 in costs that were not fully supported. For 1 of those 10 projects, it was unclear whether the work performed was consistent with the approved scope of work due to the lack of supporting documentation. Title 2, Code of Federal Regulations (CFR), Section 200.403(g), requires that costs must be adequately documented in order to be allowable. Title 2, CFR, Section 200.333, also requires subrecipients to maintain supporting documentation for a federal award for a period of three years from the date of submission of the final expenditure.

In addition, TDEM reimbursed \$7,562 to a subrecipient for 1 of the 10 projects for costs incurred outside of the project time frames that FEMA approved. Title 2, CFR, Section 200.309, requires that costs incurred only during the time frame approved for the project may be reimbursed by the federal award.

- For 3 (16 percent) of the 19 projects for which the subrecipient procured goods or services, TDEM did not ensure that the subrecipients maintained documentation to support the procurement of vendors used to perform the project work. Six projects that auditors tested did not have procurements of goods or services. As a result, it was unclear whether the subrecipients complied with federal and state procurement

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<sup>4</sup> The risk related to the issues discussed in Chapter 3 is rated as Medium because they present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

guidelines and regulations. The total unsupported procurement costs were \$36,091.

To expedite the processing and payment of small projects, TDEM implemented a policy to pay subrecipients when (1) FEMA approved the project funding and (2) the subrecipients submitted certifications that work was completed. For all 25 small projects that auditors tested, TDEM paid the subrecipients upon FEMA's approval of the funding and obtained the required subrecipient certifications.

By not maintaining documentation to support the costs and project work, there is risk that subrecipients could be expending Program grant funds for non-disaster related work, which could result in TDEM and its subrecipients having to return funds to FEMA. In addition, TDEM and its subrecipients are also at risk of having to return funds to FEMA for reimbursed expenditures incurred outside of the approved project time frames.

### **Recommendations**

TDEM should:

- Implement internal controls to help ensure that subrecipients of small projects maintain documentation to support project costs, proof of payment, and procurements as required.
- Ensure that subrecipients comply with federal and state requirements related to approved time frames for expenditures.

### **Management's Response**

*We agree:*

*Payments were made consistent with the jointly approved TDEM/FEMA process for automatic payment and closure of projects within the small project threshold that was implemented for Hurricane Harvey.*

*TDEM followed in the State Administrative Plan which was approved by FEMA and in accordance with Title 2, Code of Federal Regulations (CFR), Section 200 and identified how small projects would be handled. TDEM believes that the responsibility to provide adequate documentation, upon the request of FEMA or any other authorized authority, is between FEMA/authorized authority and the subrecipient.*

*Further, subrecipients are required to review and acknowledge the following standards related to records retention in the TDEM Grant Terms and Conditions prior to receiving any funds.*

#### **K. Retention and Accessibility of Records.**

1. Retention of Records. Subrecipient shall maintain fiscal records and supporting documentation for all expenditures of this Grant's funds pursuant to the applicable OMB 2 C.F.R. Subpart D – Post Federal Award Requirements, §200.333-337, and this Grant. Subrecipient shall retain these records and any supporting documentation for a minimum of three (3) years from the later of the completion of this project's public objective, submission of the final expenditure report, any litigation, dispute, or audit. Records shall be retained for three (3) years after any real estate or equipment final disposition. The DHS or TDEM may direct Subrecipient to retain documents or to transfer certain records to DHS/FEMA custody when DHS/FEMA determines that the records possess long term retention value.

2. Access to Records. Subrecipient shall give the United States Department of Homeland Security, the Comptroller General of the United States, the Texas State Auditor, TDEM, or any of its duly authorized representatives, access to and the right to examine all books, accounts, records, reports, files, other papers, things or property belonging to or in use by Subrecipient pertaining to this Grant including records concerning the past use of DHS/FEMA funds. Such rights to access shall continue as long as the records are retained by Subrecipient.

*The TDEM Recovery Division and Finance Section has more closely been monitoring grant timelines, through the use of the TDEM Grants Management System, to ensure subrecipients comply with federal and state requirements related to the approved time frames for expenses. Contractors associated with TDEM will continue participate in this increased monitoring process as well. TDEM considers this recommendation implemented.*

*Responsible Party: TDEM Division Chief for Recovery.*

## ***TDEM Had Adequate Controls in Place to Monitor Its Grant Compliance Contractor and Perform Reconciliations of Program Funding***

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TDEM had adequate processes and controls in place to monitor its grant compliance contractor. This included:

- Verifying that it received the services included in the invoices and approving invoices prior to forwarding them to the Department of Public Safety (DPS) for payment.
- Performing adequate contract monitoring activities, including (1) conducting a risk assessment of the contract to determine the level of monitoring needed and (2) reporting vendor performance to the Office of the Comptroller of Public Accounts as required.

TDEM also developed a process and performed reconciliations of Hurricane Harvey Program funding as part of its financial monitoring of the grant.

### Chapter 4-A

#### TDEM Properly Reviewed Invoices and Approved Payments to the Contractor It Used to Administer Disaster Grant Programs

Chapter 4-A  
Rating:  
Low<sup>5</sup>

TDEM had adequate processes and controls in place to monitor the contractor it used to monitor projects for Hurricane Harvey response and recovery (see text box on the next page for more information). However, TDEM should improve its processes so that it makes payments in a timely manner and remits required interest.

**Contract Monitoring.** Auditors tested 4 (50 percent) of 8 invoices that TDEM received from its contractor for services performed on Hurricane Harvey response and recovery projects. TDEM had adequate processes in place to verify that it received the services included in the invoices, and it had controls to approve invoices prior to forwarding them to DPS for payment. In addition, TDEM performed adequate contract monitoring activities, including (1) conducting a risk assessment of the contract to determine the level of monitoring needed and (2) reporting vendor performance to the Office of the Comptroller of Public Accounts as required.

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<sup>5</sup> The risk related to the issues discussed in Chapter 4-A is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

**Payment Timeliness.** Auditors reviewed payment timeliness for all 8 contractor invoices and determined that TDEM paid 4 (50 percent) of the invoices after their due dates. Specifically, DPS was not able to pay the contractor prior to the due dates because TDEM forwarded those 4 invoices to DPS between 5 and 11 days past the due date on the invoices. Texas Government Code, Section 2251.021, requires state agencies to make payments to vendors within 30 days of the date the agency receives an invoice for the goods or services.

For those 4 payments discussed above, TDEM also did not calculate and remit the required interest to the vendor, which totaled approximately \$10,000. TDEM asserted that the agency was not required to pay interest on late payments for those invoices because the federal funding source used to pay the contractor prevents payment within 30 days. However, the contract terms require TDEM to pay interest on late payments in accordance with Texas Government Code, Section 2251.025.

#### **TDEM's Grant Administration and Compliance Monitoring Contract**

Prior to TDEM's current grant administration and compliance monitoring contract from March 6, 2018, through August 31, 2020, TDEM had contracts with four different vendors to perform the services noted in Chapter 2-B.

The current grant administrator and compliance monitoring contractor billed TDEM for work it performed on each project based on a percentage rate schedule included in the contract. The percentage rates vary based on (1) project size and (2) whether the project existed prior to the contract effective date or if it is a new project. The contractor must provide TDEM with supporting information for each invoice detailing (1) the number of projects that work was performed on, (2) labor hours worked, (3) the size of the projects worked on, (4) whether the project is existing or new, and (5) tasks performed.

In addition, the contract states that TDEM will pay the contractor on the basis of itemized invoices detailing tasks related to processing reimbursement payments to subrecipients and project closeout.

Sources: TDEM's contract with its grant administration and compliance monitoring vendor and invoices from the grant compliance monitor to TDEM.

### **Recommendations**

TDEM should ensure that it:

- Consistently approves invoices with enough time to allow for further processing to make payments prior to their due dates.
- Calculates and remits interest on late payments as required.

### **Management's Response**

*We agree:*

*TDEM ensures that all invoices are approved with adequate time to make payments within the statutorily required time perimeters. Email notices/reminders are sent to TDEM finance staff from finance support staff at TAMUS prompting action on invoices that are close to accruing interest. This control was implemented in September 2019. TDEM will continue work with TAMUS and any other office, as necessary, to ensure accurate use of interest control reason codes.*

*The TDEM Finance Section is responsible for the monitoring and continued quality assurance activities related to this item. TDEM considers this recommendation implemented.*

*Responsible Party: TDEM Division Chief for Finance.*

## **TDEM Had Adequate Processes to Perform Reconciliations as Part of Its Financial Monitoring of the Program Grant**

**Chapter 4-B  
Rating:**

Low<sup>6</sup>

TDEM developed a process in February 2019 to reconcile project-level expenditure data from its grant management system to the federal system it used to obtain Program funds from FEMA. Auditors reviewed all five of TDEM's reconciliations performed and determined that TDEM identified discrepancies and resolved most discrepancies. However, for the most recent reconciliation completed in May 2019, TDEM had not resolved two discrepancies that totaled \$283,493. For those two projects, the expenditures in its grant management system were less than the payment amount in the federal system that TDEM used to obtain federal funds. For one of those projects, TDEM had to return \$30,389 to FEMA, and for the other project, TDEM was researching missing expenditure transactions totaling \$253,104.

TDEM performed the first reconciliation in February 2019 and four additional reconciliations in April 2019 and May 2019. Over that time, TDEM had been refining its reconciliation procedures and had reduced the number of projects with discrepancies from 14 to 2 (as discussed above).

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<sup>6</sup> The risk related to the issues discussed in Chapter 4-B is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

## ***TDEM Had Adequate Processes to Allocate State Debris Removal Assistance Funding to Eligible Subrecipients***

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**Chapter 5  
Rating:**

Low <sup>7</sup>

FEMA is responsible for allocating federal grant funding to the State and TDEM is responsible for administering the federal grant and monitoring subrecipients after the subrecipients receive the federal funding (see Figure 1 in Chapter 1). TDEM also administered state funding to assist subrecipients of Program debris removal funding to pay the portion of the costs that FEMA did not reimburse.

TDEM appropriately allocated state grant funding for debris removal assistance in accordance with the requirements in the contract it had with the Texas Commission on Environmental Quality (TCEQ). Debris removal is one of the Program work categories and FEMA reimburses these projects at 90 percent of the total costs (see Appendix 3 for more information).

TCEQ's contract with TDEM provided for up to \$90 million in state funding to TDEM for assistance with debris removal projects. TDEM was responsible for determining eligibility and allocating funds to eligible subrecipients (cities and counties) to assist them in reimbursing their costs for debris removal projects (see text box for more information).

As of May 31, 2019, TDEM appropriately allocated a total of \$34.6 million in accordance with contract requirements to 200 eligible subrecipients of Program debris removal funding and reimbursed subrecipients a total of \$24.9 million of that amount.

### **Debris Removal Assistance Grants**

TCEQ contracted with TDEM in December 2017 to provide state funding to assist subrecipients of Program debris removal funding to pay their non-federal cost share amount (the portion that FEMA does not reimburse) up to 10 percent. The contract required TDEM to administer the grant program to make reimbursements to eligible subrecipients.

TDEM may continue to reimburse subrecipients for allocated funding as of August 31, 2019, through the contract end date of August 31, 2021.

Source: The contract between TCEQ and TDEM.

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<sup>7</sup> The risk related to the issues discussed in Chapter 5 is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

# Appendices

Appendix 1

## **Objectives, Scope, and Methodology**

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### Objectives

The objectives of this audit were to:

- Determine whether the Department of Public Safety (DPS) and the Texas A&M University System (TAMUS) have processes and related controls to help ensure that public assistance disaster grant funds related to Hurricane Harvey are allocated and expended in accordance with applicable requirements and DPS and TAMUS policies and procedures.
- Determine whether DPS and TAMUS have processes and related controls to help ensure that public assistance disaster grants related to Hurricane Harvey are monitored in accordance with applicable requirements and DPS and TAMUS policies and procedures.

### Scope

The scope of this audit covered allocation of grant funding, the Federal Emergency Management Agency's (FEMA) Public Assistance Program (Program) funds expended, Program compliance monitoring, and other monitoring activities performed by the Texas Division of Emergency Management (TDEM) from August 23, 2017, through May 31, 2019. TDEM was a division within DPS through August 31, 2019. Effective September 1, 2019, TDEM was transitioned to become a component agency within TAMUS.

### Methodology

The audit methodology included collecting and reviewing documentation for TDEM's administration of the Program disaster grants related to Hurricane Harvey, including conducting interviews with TDEM, DPS, TDEM's grant compliance and monitoring contractor, and FEMA staff; reviewing applicable statutes, rules, and TDEM policies and procedures; and performing selected tests and procedures.

### Data Reliability and Completeness

Auditors obtained (1) project and expenditure information from TDEM's Grant Management System (GMS); (2) expenditure and revenue information from the Uniform Statewide Accounting System (USAS) and the Centralized Accounting and Payroll/Personnel System (CAPPS); (3) project information from FEMA's Emergency Management Mission Integrated Environment (EMMIE) system; and (4) cash draw information from the U.S. Department of

Health and Human Service's Payment Management System (PMS) used to obtain federal funds from FEMA. The information from GMS and USAS were primarily used during the audit, and the information from CAPPS, EMMIE, and PMS was used as corroborating data sources.

To assess the information from GMS, auditors (1) compared the number of Program-funded projects in GMS to EMMIE; (2) compared the project expenditure data in GMS to USAS and PMS; and (3) performed data analysis of the GMS project data to confirm the reimbursement rate. In addition, auditors tested user access, passwords, change management, and application controls in GMS. Auditors determined that the GMS data was sufficiently reliable for the purposes of this audit.

Auditors used revenue and expenditure information in USAS. Auditors tested user access controls, relied on previous State Auditor's Office audit work, and compared data in USAS to GMS and PMS (as discussed above). Auditors determined that the USAS data was sufficiently reliable for the purposes of this audit.

#### Sampling Methodology

Auditors selected non-random samples of (1) Program-funded projects; (2) invoices from TDEM's grant compliance contractor; and (3) reconciliations performed by TDEM. Specifically:

- Samples of Program-funded projects were selected to gain coverage of the small and large project thresholds because the procedures and requirements for large and small projects differ. Within each sample, auditors selected projects to gain coverage over the different Program work categories and to ensure that the samples included both complete and in-progress projects.
- Auditors selected non-random samples of expenditures from TDEM's emergency work project (1) to ensure coverage of the types of services provided and the different reimbursement allocation periods and (2) to check for duplicate payments.
- Auditors selected invoices from TDEM's grant compliance contractor to ensure coverage of some of the highest invoice amounts and varying service periods.
- Auditors tested all five of TDEM's reconciliations of GMS to PMS that occurred during the audit scope.

To test compliance with cash management requirements, auditors selected non-statistical random samples of federal cash draws that TDEM and DPS made from PMS. Auditors determined that non-random selection was not

necessary because the cash draw documentation was consistent for all draw types.

The samples described above were generally not representative of the populations; therefore, it would not be appropriate to project the test results to the populations.

Information collected and reviewed included the following:

- TDEM's *State of Texas Administrative Plans for Public Assistance* from 2017 and 2018, and the *Addendum to the State of Texas Administrative Plan for Public Assistance for DR-4332-TX Hurricane Harvey*, September 2017.
- Program-funded project data and documentation from TDEM's GMS and FEMA's EMMIE.
- TDEM's revenue and expenditure data from USAS, GMS, and PMS.
- TDEM's contract with its grant compliance and monitoring vendor.
- Invoices and supporting documentation that TDEM received from its grant compliance and monitoring vendor.
- Reconciliations prepared by TDEM of Program revenue and expenditure data.
- TDEM's contract with the Texas Commission on Environmental Quality (TCEQ) for debris removal assistance grants and the notices of award documentation.
- User access documentation for USAS and GMS.

Procedures and tests conducted included the following:

- Interviewed staff of TDEM, DPS, FEMA, and TDEM's grant compliance and monitoring contractor to identify the processes related to allocating and expending Program grant funds and monitoring grant subrecipients for compliance, including financial and administrative internal controls and the information systems used to support those processes.
- Tested samples of Program projects to determine whether TDEM expended the Program grants in compliance with requirements and monitored the projects to verify that the subrecipients complied with applicable state and federal requirements.
- Tested samples of expenditures from TDEM's emergency work project to determine whether TDEM expended funds in accordance with

requirements and monitored the project to verify that it complied with applicable state and federal requirements.

- Analyzed expenditure data for TDEM's emergency work project to determine whether TDEM accurately recorded expenditures.
- Tested equipment purchased by TDEM for its emergency work project to determine whether TDEM maintained inventory property records and adequately safeguarded and maintained the equipment.
- Tested a sample of invoices from the grant compliance and monitoring vendor to determine whether TDEM ensured compliance with contractual requirements.
- Tested samples of the TDEM's reconciliations of Program revenue and expenditure data to determine whether TDEM appropriately identified and resolved discrepancies.
- Tested application controls within GMS to determine whether the system appropriately (1) prevented transactions that exceeded the project budget and time frame and (2) enforced segregation of duties parameters set up in the system.
- Verified whether DPS and TDEM (1) limited access to USAS and GMS to personnel whose job duties required such access and (2) ensured appropriate segregation of duties.

Criteria used included the following:

- Robert T. Stafford Disaster Relief and Emergency Assistance Act, United States Code, Title 42, Chapter 68.
- Title 2, Code of Federal Regulations (CFR), Part 200.
- Title 44, CFR, Part 206.
- Texas Government Code, Chapters 418, 2251, and 2261.
- *Uniform Grant Management Standards*, Office of the Comptroller of Public Accounts, Revised March 2016.
- FEMA Public Assistance Program policies and guides.
- TDEM's *State of Texas Administrative Plan for Public Assistance*, September 4, 2017, and October 4, 2018.
- TDEM's *Addendum to the State of Texas Administrative Plan for Public Assistance for DR-4332-TX Hurricane Harvey*, September 2017.

- FEMA-State Agreement for Hurricane Harvey, August 27, 2017.
- TDEM’s contract with its grant compliance and monitoring vendor.
- TDEM’s contract with TCEQ for debris removal assistance grants.
- DPS and TDEM policies and procedures.

#### Project Information

Audit fieldwork was conducted from March 2019 through October 2019. We conducted this performance audit in accordance with generally accepted government auditing standards.<sup>8</sup> 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 on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor’s staff performed the audit:

- Jennifer Lehman, MBA, CIA, CFE, CGAP (Project Manager)
- Robert Pagenkopf, MBA, CFE (Assistant Project Manager)
- Brandy Corbin
- Jerel Deacon
- Kristin A. Franklin
- Rebecca Franklin, CISA, CFE, CGAP
- Daniel Spencer, MSA, CFE
- Daniel A. Thu
- George D. Eure, CPA (Quality Control Reviewer)
- Michael A. Simon, MBA, CGAP (Audit Manager)

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<sup>8</sup> United States Government Accountability Office’s *Government Auditing Standards*, 2011 Revision.

## Issue Rating Classifications and Descriptions

Auditors used professional judgment and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 2 provides a description of the issue ratings presented in this report.

Table 2

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

## Categories of Work

Through the Public Assistance Program (Program), the Federal Emergency Management Agency (FEMA) provides grant funding for emergency work and permanent work (see Table 3 for information on emergency work and permanent work categories). Emergency work addresses an immediate threat to safety and permanent work repairs and restores facilities to their pre-incident state. In addition, FEMA provides for reimbursement of management costs incurred in administering the Program.

Table 3

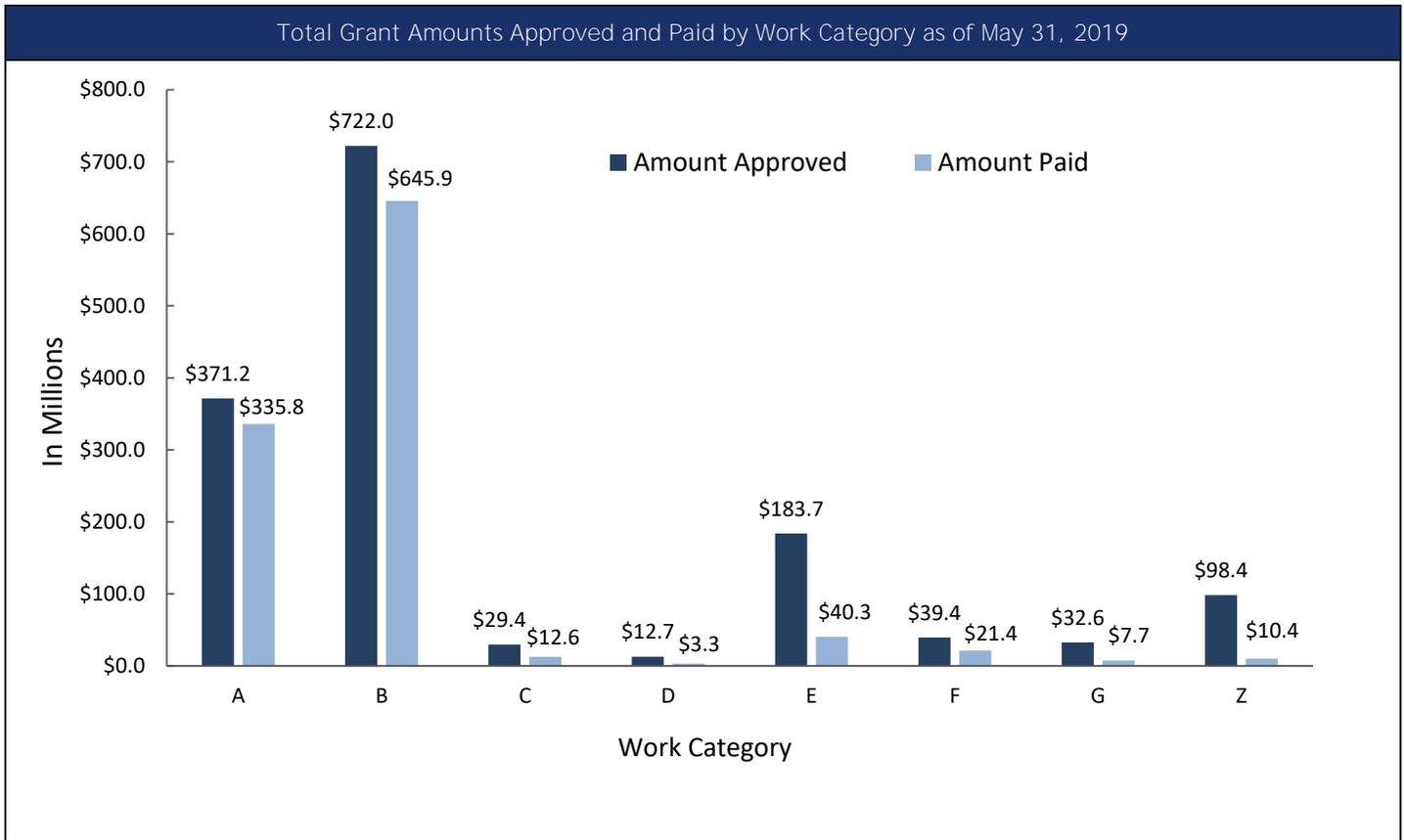
Categories of Work			
Category	Category Title	Category Description	Cost Share
A	Debris Removal (Emergency Work)	Debris removal activities such as clearance, removal, and disposal. Removal is in the public interest and eliminates immediate threats to lives, public health, and safety. Debris includes, but is not limited to, vegetative debris, construction and demolition debris, hazardous materials, and vehicles and vessel wreckage.	FEMA will reimburse 90 percent of costs. The subrecipient is responsible for the remaining 10 percent of costs.
B	Emergency Protective Measures (Emergency Work)	Emergency protective measures conducted before, during, and after the incident that eliminate or lessen immediate threats (1) to lives, public health, or safety or (2) of significant additional damage to improved public property. Activities include transporting emergency equipment, search and rescue, evacuation and sheltering, and emergency operations center.	FEMA will reimburse 100 percent of costs incurred between August 23, 2017, and September 22, 2017, and 90 percent of costs incurred after September 22, 2017, related to Hurricane Harvey response and recovery. The subrecipient is responsible for the remaining 10 percent of costs.
C	Roads and Bridges (Permanent Work)	Repair and restoration of road and bridge components, including surfaces, bases, shoulders, decking, guardrails, piers, and associated facilities (lighting, sidewalks, and signs).	FEMA will reimburse 90 percent of costs. The subrecipient is responsible for the remaining 10 percent of costs.
D	Water Control Facilities (Permanent Work)	Repair and restoration of facilities such as dams and reservoirs, levees, canals, irrigation facilities, pumping facilities, navigational waterways, and shipping channels.	FEMA will reimburse 90 percent of costs. The subrecipient is responsible for the remaining 10 percent of costs.
E	Buildings and Equipment (Permanent Work)	Repair, restoration, and replacement of buildings (which include all structural and nonstructural components, contents and equipment within the building, and furnishings) and equipment (which include vehicles and construction equipment).	FEMA will reimburse 90 percent of costs. The subrecipient is responsible for the remaining 10 percent of costs.
F	Utilities (Permanent Work)	Repair or replacement of utility facilities and components, such as power generators, water storage and treatment facilities, water delivery systems, power transmission and distribution facilities, sewage collection systems, natural gas transmission and distribution systems, and communication systems.	FEMA will reimburse 90 percent of costs. The subrecipient is responsible for the remaining 10 percent of costs.
G	Parks, Recreation, Other (Permanent Work)	Repair, restoration, or replacement of publicly-owned facilities such as mass transit facilities, beaches, parks, boat docks, swimming pools, golf courses, ball fields, fish hatcheries, playground equipment, and tennis courts.	FEMA will reimburse 90 percent of costs. The subrecipient is responsible for the remaining 10 percent of costs.

Categories of Work			
Category	Category Title	Category Description	Cost Share
Z	Administrative	Indirect costs, direct administrative costs, and other administrative expenses associated with a specific project. Eligible administrative activities include preliminary damage assessments, site inspections, travel expenses, training, and preparing Public Assistance documentation.	FEMA will reimburse 100 percent of costs.

Sources: FEMA's *Public Assistance Program and Policy Guide*, April 2018; FEMA's *Recovery Policy- Public Assistance Management Costs (Interim)*, November 2018; and FEMA-State Agreement for Hurricane Harvey, August 27, 2017.

As of May 31, 2019, FEMA had approved and funded 4,546 projects totaling approximately \$1.5 billion for Hurricane Harvey-related Program grants, and the total amount reimbursed to the subrecipients totaled approximately \$1.1 billion. The majority of projects that FEMA approved and funded as of May 31, 2019, have been emergency work projects (Categories A and B) due to the immediate need for funding related to debris removal and emergency protective measures. According to the Texas Division of Emergency Management (TDEM) and FEMA, the permanent work projects (Categories C through G) take longer for FEMA to approve due to requirements such as (1) determinations of pre-disaster design and function of the facility being repaired, (2) environmental and historical preservation considerations, (3) conformity with building codes and standards, and (4) applicable permits. FEMA also provided Program grant funds to reimburse subrecipients for administrative costs (Category Z). See Figure 4 on the next page for the total grant amounts approved and paid by work category.

Figure 4

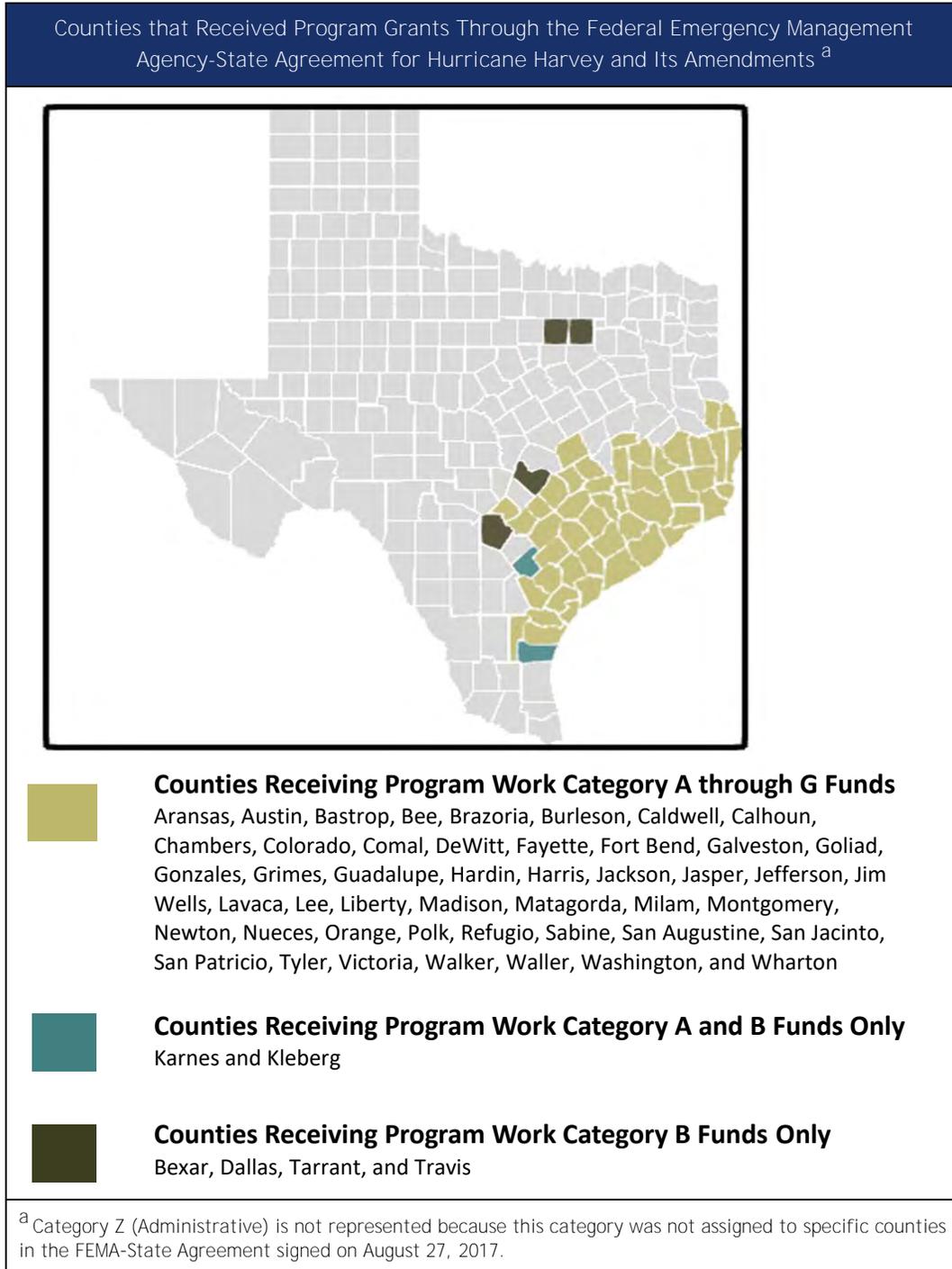


Source: Based on information obtained by auditors from TDEM's Grant Management System.

## Counties That Received Program Funding

Figure 5 shows the counties that received Public Assistance Program (Program) grants by the work categories listed in Appendix 3.

Figure 5



Source: Based on information from the FEMA-State Agreement for Hurricane Harvey, August 27, 2017.

## ***Related State Auditor's Office Work***

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Related State Auditor's Office Work		
Number	Product Name	Release Date
20-013	An Audit Report on the Texas A&M Engineering Extension Service	December 2019
20-006	An Audit Report on Hurricane Harvey Disaster Recovery Funds Administered by the General Land Office	October 2019

Copies of this report have been distributed to the following:

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The Honorable Dennis Bonnen, Speaker of the House, Joint Chair  
The Honorable Jane Nelson, Senate Finance Committee  
The Honorable Robert Nichols, Member, Texas Senate  
The Honorable Dustin Burrows, House Ways and Means Committee

### **Office of the Governor**

The Honorable Greg Abbott, Governor

### **Department of Public Safety**

Members of the Public Safety Commission  
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    Ms. A. Cynthia Leon  
    Mr. Steve Stodghill  
Mr. Steve McCraw, Director

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### **Texas Division of Emergency Management**

Mr. W. Nim Kidd, Chief



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