



- Technical services to maximize the County's requested \$42.7 M reimbursement from FEMA and CalOES for the Thomas Fire and 1/9 Debris flow disasters
- Preparation for future expected audits related to these disasters
- Technical assistance with the County's Hazard Mitigation Grant Program funding requests and applications

FEMA's financial assistance programs are complex, with numerous financial, operational, administrative and environmental requirements, and subject to strict auditing standards over several years. Given the dollar amounts at risk, and the County's inexperience in seeking funding for damages of this magnitude, a financial recovery consultant was always included as part of the Recovery Organization. We believe that 80%-90% of the contract costs will be offset through FEMA's Direct Administrative Charge program. Funding for this agreement was included as part of the set-aside for the Thomas Fire/Debris flow that the Board allocated with the FY 18-19 budget.

### **Background:**

Due to the significance of costs incurred and the degree of damage to County infrastructure in late January 2018, the County sought the assistance of a qualified accounting firm with experience in FEMA programs and reimbursement protocols to help compile, document, and submit all cost recovery claims to FEMA and the California Governor's Office of Emergency Services (CalOES). The County does not have this specialized type of experience or staffing. A panel of County financial professionals requested and reviewed proposals from various firms providing disaster cost recovery services and selected Ernst & Young due to their qualifications and extensive experience in managing disaster cost recovery for local governments.

In order to expedite getting Ernst & Young on board, the County issued an initial Purchase Order in an amount not to exceed \$95,000, with the expectation that staff would return to your Board with a subsequent comprehensive agreement at a later date. This has proven to be a challenge as the breadth of work required to be undertaken by the consultant and County staff to identify, document, and compile our claims has proven to be significantly greater than originally contemplated. This challenge has been further exacerbated by the amount of time it has taken to address project scope and narrative questions posed by FEMA and Cal OES through the claiming process, as well as the additional services the County has sought from Ernst & Young, discussed in more detail below.

The scope of services being provided by Ernst & Young is detailed in the attached proposed agreement. Highly summarized, their role is to provide staff work, technical assistance, and guidance to ensure that all eligible costs incurred by the County in connection with this declared disaster are submitted for federal and state reimbursement. In addition to helping maximizing the level of cost recovery, one of their most critical roles is to ensure that our claims contain sufficient supporting documentation to withstand any future federal audits. Recovery will take years and management of the federal and State grants will extend beyond the recovery period and staff will need to continue to manage documentation that meets the audit standards of the Federal Office of Inspector General (OIG).

Since the Thomas Fire and 1/9 Debris Flow, County departments, with technical assistance from Ernst & Young, have worked diligently to identify, quantify, and compile all documentation required for their cost recovery claims. Documentation requirements for FEMA are extensive and to date 10,292 documents have been reviewed and compiled into project folders. All identified project costs have been submitted to FEMA. The County has already been approved by FEMA for \$13.8 million dollars' worth of reimbursements of the \$42.7M expected. It is anticipated that FEMA approval for the remainder of the

submitted projects will be achieved within the next six months. Ernst & Young has provided much needed guidance navigating federal regulations and resources compiling documentation, putting the County in the best position to maximize cost recovery. Much of the debris removal and emergency protective measure work has been completed and permanent capital projects are anticipated to continue through December 2019.

### Claim Status

Status	Cost
Projects Approved by FEMA (in compliance review, and close-out)	\$ 13,795,000
Projects Submitted to FEMA, Review in Progress	\$ 28,905,000
<b>Total</b>	<b>\$ 42,700,000</b>

**Additional Services:** In addition to the primary work effort Ernst and Young continues to provide in connection with the Thomas Fire and 1/9 Debris Flow declared disaster, we have relied on their expertise and experience to assist the County in two additional areas: Hazard Mitigation Grant Program applications; and conducting a compliance and documentation review of pertinent County procurement procedures in exigent circumstances.

Hazard Mitigation Grant Program Technical Assistance: The County has utilized Ernst & Young to provide technical assistance in conjunction with requests for federal funding under FEMA’s Hazard Mitigation Grant Program (HMGP). The FEMA HMGP is a competitive program and requires a highly technical benefit cost analysis. On August 28, 2018, the Board authorized the Public Works Department to apply for six hazard mitigation grants, with a combined grant value of \$31.3M and on November 14, 2018, the Board authorized additional HMGP applications for two projects, with a net additional value of \$6.75M.

Compliance Review of Existing County Emergency Procurement Practices: In an effort to ensure that the County’s procurement practices and procedures during exigent periods meet stringent FEMA/Cal OES requirements, Ernst and Young was asked to review our current County procurement manual and procedures. In addition to this review, Ernst & Young provided emergency procurement training for staff from General Services, Auditor-Controller’ Office, CEO’s Office, Public Works, Fire Department and the Sheriff’s Department. Over the next six months, the County will focus on standardizing procedures, emergency project files, documentation organization, and compliance in order to mitigate future audit reimbursement risks.

**Fiscal Analysis:**

Budgeted: Yes, these funds were established and set aside within the General Fund as part of the Fiscal Year 2018-19 Adopted Budget. All offsetting reimbursement received by the County under the DAC program related to this agreement will be returned to the General Fund.

As of the end of November 2018, Ernst & Young has provide more than 2,550 hours of services under this agreement with a total contract value, including reimbursable expenses, of approximately \$652,500.

While a significant portion of the cost recovery process for the Thomas Fire and 1/9 Debris Flow has been accomplished, responding to FEMA inquiries in order to move the remaining claims to an “Approved” status could potentially take several more months. Therefore, staff is recommending a cap on this agreement of \$780,000.

The County is participating in FEMA’s Public Assistance Direct Administrative Cost (DAC) Pilot Program as an expedited method of recouping a portion of our administrative costs associated with this declared disaster. This relatively new FEMA program allows the County to receive a flat percentage, ranging between 4% - 5%, of all of the County’s eligible emergency and permanent work to cover management and administration of public assistance awards, such as County staff time or consultant costs directly related to meeting federal award administrative requirements. Given that the County’s total eligible project costs are roughly \$42.7 million, the County is eligible to receive between \$1.7 million (4%) and \$2.1 million (5%) under this pilot program depending on the timeliness our project closeout. It is estimated that between 80-90% of the costs incurred under this contract will be reimbursed as administrative charge through the FEMA DAC program.

According to the program guidance, any excess funds received under this program may be used for cost effective mitigation activities that will reduce the risk of damage in future disasters. Mitigation projects may include items such as the creation of a call center at the EOC, improving our mapping or messaging capability, addressing equipment needs at the EOC, or training and planning for future disaster response and recovery operations.

**Attachments:**

- Attachment A: Agreement for Services of Independent Contractor
- Attachment B: Budget Revision Request No. 0006091
- Attachment C: List of FEMA Public Assistance Program Projects (DR-4353)

**Authored by:**

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