



FEMA

April 22nd, 2019

MEMORANDUM FOR: Sondra F. McCauley
Assistant Inspector General for Audits

FROM: Thomas Von Essen *Thomas Von Essen*
Regional Administrator

SUBJECT: Management Response to Draft Interim Report: "FEMA's Cost Eligibility Determination of Puerto Rico Electric Power Authority's Contract with Cobra Acquisitions LLC"
(Project No. 18-044-AUD-FEMA (a))

Thank you for the opportunity to review and comment on this draft interim report. The Federal Emergency Management Agency (FEMA) appreciates the Office of Inspector General (OIG) in conducting its review and issuing this report.

Hurricane Maria's devastating force damaged Puerto Rico so severely that all electricity was cut off across the island, as noted in OIG's draft interim report. Under such unprecedented and exigent circumstances, Puerto Rico Electric Power Authority (PREPA), the sole electricity provider in Puerto Rico, entered into a 12-month contract with Cobra Acquisitions LLC (Cobra) to provide storm restoration services. In accordance with applicable federal grant rules, PREPA was responsible for conducting the procurement, selecting the contractor, and managing the grant and project in compliance with the rules associated with the use of federal funds.

FEMA reviewed the Cobra contract and determined that:

- (1) PREPA awarded the contract in compliance with the emergency procurement provision of the Commonwealth of Puerto Rico; and,
- (2) The contract rates were reasonable when compared with other proposals available to PREPA at the time.

FEMA will review the actual project costs claimed for reasonableness at project closeout in accordance with regulatory requirements for large project closeouts, after all supporting documentation has been submitted by Puerto Rico and PREPA. FEMA will ensure that all awarded Public Assistance funding meets eligibility requirements, including cost eligibility.

The draft report contained one recommendation, with which FEMA concurs. Attached find our detailed response to the recommendation. Technical comments were previously provided under separate cover.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you again in the future.

Attachment

**Attachment: Management Response to Recommendation
Contained in OIG 18-044-AUD-FEMA (a)**

OIG recommended that the Federal Coordinating Officer for FEMA-4339-PR:

Recommendation 1: Conduct a comprehensive analysis of Cobra contract costs in accordance with Public Assistance grant guidelines and disallow any costs that are not reasonable.

Response: Concur. FEMA's Puerto Rico Joint Field Office requested an independent review of the Cobra contract costs be performed by the Homeland Security Operational Analysis Center (HSOAC), which provides specialized, independent, and objective studies and analysis services to DHS Components. On March 28, 2019, HSOAC delivered a report which concluded that the Cobra contract rates fell within a representative range that is reasonable for emergency work. A copy of the HSOAC report was provided to the OIG under separate cover. We request that the OIG consider this recommendation resolved and closed as implemented.