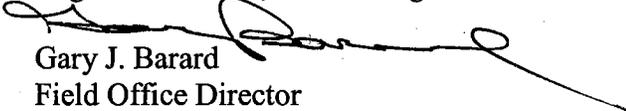




Homeland Security

November 19, 2004

MEMORANDUM FOR: Kenneth O. Burris, Jr.
Regional Director, FEMA Region IV

FROM: 
Gary J. Barard
Field Office Director

SUBJECT: Crisp County, Georgia
FEMA Disaster No. 1033-DR-GA
Audit Report No. DA-06-05

The Office of Inspector General (OIG) audited public assistance funds awarded to Crisp County, Georgia. The objective of the audit was to determine whether the County accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The County received an award of \$6.9 million from the Georgia Emergency Management Agency, a FEMA grantee, for debris removal, emergency protective measures, and restoration of facilities damaged as a result of Tropical Storm Alberto in July 1994. The award provided 90 percent funding for 8 large projects and 12 small projects¹. Audit work was limited to the \$6,812,407 awarded and claimed under the 8 large projects (see Exhibit).

The audit covered the period July 1994 to May 2003. During this period, the County received \$6,131,166 of FEMA funds under the 8 large projects.

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included tests of the County's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

The County's claim contained charges of \$211,528 (FEMA share \$190,375) that were either unnecessary, not reduced by project income, or were duplicative in nature.

A. Unnecessary Charges. The County's claim under dam restoration Project 90722 included \$117,778 of excessive engineering fees. To complete work under the project, the County hired an architectural-engineering firm to perform engineering and design services, and monitor the

¹ According to FEMA regulations, a large project costs \$42,400 or more and small project costs less than \$42,400.

restoration of the dam. The County paid the firm \$385,284 for its services and claimed those costs under the FEMA project.

However, the OIG noted that the County's claim included additional engineering fees of \$117,778 paid to the County's engineer of record² to perform the same monitoring activities. County officials said that the Federal Energy Regulatory Commission required the County's engineer of record to monitor all restoration projects, including those monitored by outside consultant engineers. However, County officials could not provide the OIG with documentation of such requirement. U.S. Office of Management and Budget Circular A-87, Attachment A, Section C, states that to be allowable under Federal award, a cost must be necessary and reasonable for proper and efficient performance of the award. Accordingly, the \$117,778 is questioned because the activities performed resulted in a duplication of effort and were not necessary to complete work under the project.

- B. Program Income. The County's Power Commission was awarded \$870,274 under Project 86078 for costs associated with purchasing additional electrical power from a third party source while its power generating facility was being repaired from damages sustained during the disaster. The award covered the period July 1994 to September 1995. The Power Commission used the purchased power to supply County residents and businesses with electrical power. The OIG noted that the Power Commission's financial statements showed net operating income of \$1,497,136 from the sale of electrical power during the grant period. However, the County failed to credit the project with the \$85,337 of income earned as a result of the FEMA award.

Federal regulation (44 CFR 13.25) states that income received or earned by a subgrantee during the grant period that is related to the grant supported activity shall be deducted from total allowable costs to determine the net allowable costs. The OIG determined that the FEMA award provided 5.7 percent of the total power purchased from the third party and sold to the Power Commission's customers during the grant period. Therefore, the County should have credited the FEMA project with 5.7 percent of the net income earned during the grant period, or \$85,337 ($\$1,497,136 \times 5.7$ percent).

County officials said that the net income shown in the financial statements does not represent accumulated income but instead are funds used to pay for capital expenditures (new poles, lines, transformers, vehicles, etc.) necessary for maintaining the electrical generation system. However, County officials could not provide the OIG with a capital expenditure schedule or other equivalent documentation to show that income earned from the Power Commission's operations was being used for such purposes. Accordingly, the OIG questions the unapplied program income of \$85,337.

- C. Duplicate Charges. The County's claim of \$5,237,165 under dam restoration Project 90722 included charges of \$8,413 for lodging costs of engineers who conducted on-site monitoring of work under the project. However, the OIG noted that, during final inspection, the FEMA inspector inadvertently reimbursed the County again for these same charges under small Project 69438. Accordingly, the OIG questions \$8,413 of duplicate charges awarded and claimed under Project 69438.

² The principal engineer used by the County for engineering services related to its power generating facilities.

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$211,528 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The audit results were discussed with FEMA, grantee, and County officials on July 1, 2004. County officials concurred with finding C, but disagreed with findings A and B. Their comments, where appropriate, are included in the body of the report.

Please advise the Atlanta Field Office-Audit Division by February 19, 2005, of the action taken to implement the OIG recommendation. Should you have any questions concerning this report, please contact David Kimble or me at (770) 220-5242.

Crisp County, GA
FEMA Disaster No. 1033-DR-GA
Schedule of Claimed and Questioned Costs

Large Projects

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
55407	\$100,000	\$ 100,000	
55409	96,367	96,367	
55410	196,242	196,242	
76345	51,303	51,303	
76361	91,771	91,771	
81176	169,285	169,285	
86078	870,274	870,274	\$ 85,337
90722	<u>5,237,165</u>	<u>5,237,165</u>	<u>117,778</u>
	<u>\$6,812,407</u>	<u>\$6,812,407</u>	<u>\$203,115</u>

Small Projects

69438	\$ 8,413	\$ 8,413	\$ 8,413
All other Projects (11)	<u>81,358</u>	<u>81,358</u>	<u>0</u>
	\$ <u>89,771</u>	\$ <u>89,771</u>	\$ <u>8,413</u>
Total	<u>\$6,902,178</u>	<u>\$6,902,178</u>	<u>\$211,528</u>