

**Audit of FEMA Public  
Assistance Grant Funds  
Awarded to Downe  
Township, New Jersey**





# DHS OIG HIGHLIGHTS

## *Audit of FEMA Public Assistance Grant Funds to Downe Township, New Jersey*

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September 19, 2017

### Why We Did This Audit

Downe Township, New Jersey (Township) received a \$2.5 million Public Assistance grant award from the New Jersey Office of Emergency Management (New Jersey), a Federal Emergency Management Agency (FEMA) grantee, for damages from Hurricane Sandy that occurred in October 2012.

### What We Recommend

FEMA should disallow \$832,040 of grant funds and deobligate \$12,938 in unneeded funds. FEMA should also direct New Jersey to provide technical assistance and monitoring to ensure the Township complies with Federal procurement regulations.

#### **For Further Information:**

Contact our Office of Public Affairs at (202) 254-4100, or email us at [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

### What We Found

FEMA and New Jersey did not ensure the Township complied with Federal procurement standards in awarding contracts for disaster work totaling \$832,040. As a result, full and open competition did not always occur, and FEMA has no assurance that costs were reasonable or that disadvantaged businesses received sufficient opportunities to bid on federally funded work. Furthermore, none of the contractor documentation we reviewed contained federally required contract provisions. In addition, the Township did not provide sufficient support for \$445,385 of the \$832,040 awarded. If FEMA allows any part of the contract costs we are questioning as ineligible, it should also determine whether the Township supported those costs adequately.

Additionally, the Township finished a project for \$12,938 less than the amount FEMA obligated for the work. Therefore, FEMA should deobligate the funds and put them to better use.

The majority of these unallowable costs occurred because Township officials were not fully aware of procurement standards for Federal grants. As FEMA's grantee, New Jersey is responsible for ensuring that the Township is aware of and follows Federal regulations. It is FEMA's responsibility to hold New Jersey accountable for proper grant administration. Therefore, New Jersey should provide additional technical assistance to the Township and verify that the Township implements and adheres to Federal requirements.

### FEMA Response

FEMA agreed with our findings and recommendations. Appendix C includes FEMA's written response in its entirety.



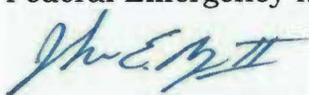
## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

September 19, 2017

MEMORANDUM FOR: John Rabin  
Acting Regional Administrator, Region II  
Federal Emergency Management Agency

FROM:   
John E. McCoy II  
Acting Assistant Inspector General  
Office of Emergency Management Oversight

SUBJECT: *Audit of FEMA Public Assistance Grant Funds Awarded to Downe Township, New Jersey*  
Audit Report Number OIG-17-106-D

We audited Public Assistance grant funds awarded to Downe Township, New Jersey (Township). The New Jersey Office of Emergency Management (New Jersey), a Federal Emergency Management Agency (FEMA) grantee, awarded the Township \$2.5 million<sup>1</sup> for damages from Hurricane Sandy that occurred in October 2012 (see table 1). The award provided 90 percent FEMA funding. We audited three large projects and two small projects totaling \$2.1 million, or about 84 percent of the total award (see table 3, appendix B). At the time of our audit, the Township had completed work on several of its projects but had not yet submitted final claims to New Jersey.

**Table 1: Gross and Net Award Amounts**

	Gross Award Amount	Insurance Reductions	Net Award Amount
All Projects	\$2,524,158	\$283,675	\$2,240,483
Audit Scope	\$2,116,603	\$283,675	\$1,832,928

Source: FEMA and Township documentation

<sup>1</sup> The gross award amount represents FEMA's initial estimate of eligible damages before the deduction of anticipated or actual insurance proceeds.



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**Background**

Downe Township, New Jersey, is located on the Delaware Bay in the southernmost section of Cumberland County, New Jersey. On October 29, 2012, Hurricane Sandy’s high winds and widespread landfall caused severe storm surge, flooding, coastal erosion, structural damages, loss of power to homes and businesses, and blocked roads with debris (see figure 1). The President issued a disaster declaration on October 30, 2012, a day later.

**Figure 1: Bayfront Damage and Beach Erosion**



*Source: Office of the Inspector General (OIG)*

**Results of Audit**

FEMA and New Jersey did not ensure the Township complied with Federal regulations and FEMA guidelines. Specifically, we question \$832,040 of ineligible costs where the Township did not comply with Federal procurement standards of the \$1.8 million of contract costs we reviewed.<sup>2</sup> Furthermore, the Township did not provide sufficient documentation to support \$445,385 of the \$832,040 of ineligible costs. If FEMA allows any part of the costs we question as ineligible, FEMA should make sure that the Township supports those costs adequately.

<sup>2</sup> We concluded the purchase orders and vouchers the Township used to conduct business are contracts because they contained all four key elements of a contract. Specifically, they contained an offer, acceptance, consideration, and legal intent.



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Additionally, the Township completed work on Project 0127 for \$12,938 less than FEMA estimated. FEMA should deobligate those funds and put them to better use.

The majority of these unallowable costs occurred because New Jersey did not ensure that Township officials were fully aware of procurement standards and documentation requirements for Federal grants. New Jersey is responsible for ensuring that the Township is aware of and follows Federal regulations, and it is FEMA's responsibility to hold New Jersey accountable.

### **Finding A: Improper Contracting**

New Jersey did not ensure that the Township followed Federal procurement standards in awarding \$828,428 of the \$1.8 million of contract costs we reviewed. As we previously reported in a prior report<sup>3</sup>, FEMA approved an exigency period for New Jersey for Hurricane Sandy through January 3, 2013. The Township claimed \$3,612 of ineligible markups on contractor costs for Project 0127 completed during the exigent period. We generally do not question contract costs for exigent work that prevents or mitigates the loss of lives and property. However, we question markups applied as a percentage of costs. Therefore, we question \$832,040 in contract costs as ineligible (\$828,428 plus \$3,612).

#### Federal Procurement Standards

The Township did not follow Federal procurement standards in awarding contracts totaling \$828,428 for work under Project 2756. Specifically, the Township did not solicit bids for non-exigent Sandy-related work. The Township awarded work to contractors it used previously for Sandy-related work. Without full and open competition there is an increased risk of fraud, waste, and abuse and decreased opportunities for disadvantaged firms, such as small and minority firms, to compete for federally funded work. In addition, none of the 12 contracts we reviewed for this Project contained federally required contract provisions. Therefore, we question \$828,428 as ineligible because the work was not competed and FEMA has no assurance that costs were reasonable.

We questioned Township officials about their failure to follow Federal procurement standards for Project 2756. They said they followed New Jersey Governor's Executive Order 104 and used contractors that had previously

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<sup>3</sup> *New Jersey Complied with Applicable Federal and State Procurement Standards when Awarding Emergency Contracts for Hurricane Sandy Debris Removal Activities*, OIG-14-45-D, February 2014 report. The contractor completed work for Project 0127 before that date.  
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performed Sandy-related work<sup>4</sup>. However, 44 Code of Federal Regulations (CFR) 13.36, in part, require that subgrantees —

1. conduct procurement transactions in a manner providing full and open competition;
2. take all necessary affirmative steps to assure the use of small and minority firms, women's business enterprises, and labor surplus area firms when possible; and
3. include required provisions in contracts.

#### Full and Open Competition

The Township did not provide full and open competition in awarding contract work totaling \$828,428 for Project 2756. The Township did not advertise or solicit bids for non-exigent FEMA-funded work. The Township relied on its knowledge of local contractors and hired contractors based on the work they performed previously. Without full and open competition, FEMA has little assurance that contract costs are reasonable. Full and open competition usually increases the number of bids received and thereby increases the opportunity for obtaining reasonable pricing from the most qualified contractors. It also helps discourage and prevent favoritism, collusion, fraud, waste, and mismanagement of Federal funds.

#### Small and Minority Firms, Women's Business Enterprises, and Labor Surplus Area Firms

The Township did not take the required affirmative steps to ensure the use of small and minority firms, women's business enterprises, or labor surplus area firms whenever possible for any of the 12 contracts we reviewed for Project 2756. Federal regulations at 44 CFR 13.36(e)(2) require subgrantees to, at minimum, take the following six specific steps to assure the use of these types of disadvantaged firms whenever possible:

1. place qualified small and minority businesses and women's business enterprises on solicitation lists;
2. solicit small and minority businesses and women's business enterprises whenever they are potential sources;
3. divide total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;
4. establish delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises;

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<sup>4</sup> The Governor of New Jersey issued Executive Order 104 on October 27, 2012, declaring a state of emergency and activated State resources pursuant to New Jersey law.



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5. use the services and assistance of the Small Business Administration, and the Minority Business Development Agency of the Department of Commerce; and
6. require the prime contractor to ensure that subcontractors, if used, take the preceding five affirmative steps described.

### Contract Provisions

The Township did not include all required provisions in any of the 12 contracts we reviewed for Project 2756. Federal regulations list 13 provisions that grantees and subgrantees must include in their contracts (44 CFR 13.36(i)(1)–(13)). These provisions document the basic rights and responsibilities of the parties, minimize the risk of misinterpretations and disputes, document the legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as may be appropriate. For example, two provisions that were particularly needed in the Township’s contracts were those related to access to contractors’ records and retention of records. If the Township had included these two provisions in its contracts, the contractors would have been obligated to provide all documents and records to support their invoices and maintain records for at least 3 years. As a result, the Township has been unable to obtain additional records from its contractors to support \$445,385 in contract costs, as we discuss in finding B.

### Ineligible Markup of Contractors’ Costs

The Township claimed \$3,612 of ineligible markups on contractor costs for Project 0127. The Township awarded an \$18,058 time and materials contract for emergency work during the exigency period. The invoices we reviewed contained \$2,167 for profit (15 percent) and \$1,445 for insurance (10 percent) (see table 2). These markups are characteristic of a prohibited cost-plus-a-percentage-of-cost contract.

**Table 2: Ineligible Contractor Costs**

Project Number	Work Order Numbers	Invoice Totals	Ineligible Markup on Costs		
			Profit	Insurance	Total Questioned Costs
0127	2712110112	\$ 8,268	\$ 992	\$ 662	\$ 1,654
0127	2712110212	6,201	744	496	1,240
0127	2712110312	3,589	431	287	718
<b>Total</b>		<b>\$18,058</b>	<b>\$2,167</b>	<b>\$1,445</b>	<b>\$3,612</b>

Source: OIG analyses of Township data

Federal procurement standards at 44 CFR 13.36(f)(4) prohibit cost-plus-a-percentage-of-cost-contracts because they provide a disincentive for contractors to control costs. The more a contractor charges, the more profit the

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contractor makes. These invoices added profit and insurance charges characteristic of a prohibited cost-plus-a-percentage-of-cost contract. According to 44 CFR 13.36(f)(4), recipients of Federal funds must not use cost-plus-a-percentage-of-cost and percentage-of-construction-cost-methods of contracting.

We generally do not question contract costs for exigent work because it prevents or mitigates the loss of lives and property. However, we question \$3,612 ineligible markups applied as a percentage of costs.

### **Finding B: Unsupported Costs**

The Township did not provide documentation adequate to support costs totaling \$445,385 of \$828,428 it claimed. As a result, FEMA has no assurance that these costs are valid and eligible or that contractors billed according to the contracted rates. According to 44 CFR 13.20(b)(2) and (6), subgrantees must maintain accounting records that adequately identify the source and application of Federal funds and maintain source documentation to support those accounting records.

The Township's contractors provided invoices for their work, but did not always include supporting documentation, such as hourly rates and equipment usage and work activity logs. The Township paid the invoices without requesting documentation sufficient to support the invoiced amounts. We asked Township officials for additional support and they told us they reached out to some of their contractors, but they were unable to obtain the additional documentation. Without maintaining sufficient records, the Township cannot provide reasonable assurance contractor expenses are valid, reasonable, and eligible.

The \$445,385 in unsupported costs are ineligible and included in finding A. If FEMA allows any part of the \$828,428 as eligible, Township officials will need to provide adequate documentation such as activity and equipment usage logs to support the unsupported costs. In order for costs to be eligible, they must be supported.

#### *Discussion with Township Officials*

During several discussions with Township officials regarding supporting documentation, they explained they did not obtain work activity or equipment usage logs but did reach out to their contractors requesting additional supporting documentation. The officials were not sure whether the contractors still had the records supporting the Township's paid invoices.



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We also discussed Federal procurement requirements with Township officials. As a result of our conversation, the Township revised its procedures to include Federal procurement standards when Federal funds are used.

### **Finding C: Unused Project Funds**

The Township completed authorized work on Project 0127 for \$12,938 less than the \$314,860 FEMA estimated and obligated for the project. These unused funds remained obligated at the time of our audit. The Township confirmed it no longer needs additional funding to complete Project 0127. Therefore, FEMA should deobligate the \$12,938 of Federal funds and put those funds to better use.

### **Finding D: Potential Cost Avoidance**

Based on our audit findings, the Township revised its policies for procurements with Federal funds. If the Township follows its revised procurement policies, it should avoid misspending almost \$2.3 million in additional funds it has requested from FEMA. The Township requested an additional scope of work change for Project 2756, increasing the amount from \$803,007 to \$3,104,250. Township engineers identified a risk not included in the original scope change. The new scope change addresses a hazard mitigation proposal not previously identified. Township engineers determined the original project would not provide effective long-term protection and reduce risk to a coastal berm. The Township is waiting for FEMA and New Jersey to approve the change before it starts the additional work.

To remedy the contracting issues we identified, the Township drafted contracting guidelines in August 2016 that specifically prohibit the use of cost-plus-a-percentage-of-cost contracts for FEMA-funded projects. The new guidelines also require that all contracts contain the provisions that 44 CFR 13.36(i) requires. Additionally, Township officials told us that their procurement officials will review all contracts before award to ensure that contracts fully comply with requirements of 44 CFR 13.36(b) through (i), including those related to soliciting disadvantaged firms.

We did not test the Township's new procurement procedures because the Township did not implement the new procedures prior to us finishing our fieldwork. In addition, the Township is waiting for FEMA to approve the additional \$2.3 million of work the Township requested. We recommend FEMA withhold funding until New Jersey provides FEMA assurance that the Township complied with all Federal procurement standards in completing the work.



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## **Finding E: Grant Management**

New Jersey should have done more as FEMA's grantee to ensure the Township was aware of and complied with Federal procurement standards. In its FEMA-State Agreement, New Jersey agreed to "comply with the requirements of laws and regulations found in the *Stafford Act* and 44 CFR." Further, Federal regulations at 44 CFR 13.37(a)(2) and 13.40(a) require grantees to (1) ensure that subgrantees are aware of Federal regulations, (2) manage the operations of subgrant activity, and (3) monitor subgrant activity to ensure compliance. It was New Jersey's responsibility to ensure the Township complied with applicable Federal regulations and FEMA guidelines. It is FEMA's responsibility to hold New Jersey accountable for proper grant administration. Therefore, New Jersey should provide additional technical assistance to the Township and verify that the Township implements and adheres to Federal requirements.

### **Recommendations**

We recommend the Regional Administrator, FEMA Region II:

**Recommendation 1:** Disallow \$832,040 (Federal share \$748,836) as ineligible costs associated with contracts that were not procured in a manner consistent with 44 C.F.R. 13.36 and prohibited cost markups, unless FEMA elects to use its discretionary enforcement authority under 44 C.F.R. 13.43(a) to reimburse those costs that are reasonable and eligible under the *Robert T. Stafford Disaster Relief and Emergency Act* and its implementing regulations (finding A).

**Recommendation 2:** Disallow \$445,385 (Federal share \$400,847) as unsupported contract costs unless the Township provides additional documentation that FEMA determines is sufficient to support the costs (finding B). If FEMA allows any part of the \$828,428 in ineligible contract costs we question in finding A, FEMA should also determine whether the Township supported those costs adequately because we determined in finding B that \$445,385 of the \$828,428 was unsupported.

**Recommendation 3:** Deobligate and put to better use \$12,938 (Federal share \$11,644) of unneeded Federal funding for project work (finding C).

**Recommendation 4:** If FEMA approves the submitted scope change for Project 2756, withhold requested funding totaling \$2,301,243 (Federal share \$2,071,119) for amended work until New Jersey certifies the Township's new procurement policies and procedures for FEMA-funded work. Implementing this recommendation should ensure that the Township will avoid misspending



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these additional Public Assistance funds requested for Hurricane Sandy damages (finding D).

**Recommendation 5:** Direct New Jersey to provide additional technical assistance to the Township and verify the Township adheres to Federal requirements to expend and account for disaster related expenses (finding E).

### **Discussion with Management and Audit Follow-up**

We discussed the results of our audit with Township, New Jersey, and FEMA officials during our audit. We also provided a draft report in advance to these officials and discussed it at the exit conference on May 1, 2017.

FEMA Region II officials provided a written response on June 1, 2017, agreeing with our findings and recommendations (see appendix C). The response indicated that FEMA expects to implement its proposed corrective actions to address all recommendations by November 30, 2017. Therefore, we consider the five recommendations contained in this report resolved but open. We will evaluate closure upon documentation that FEMA has implemented its proposed corrective actions. Please email closeout documentation and requests to [emo.auditliaison@oig.dhs.gov](mailto:emo.auditliaison@oig.dhs.gov).

The Office of Emergency Management Oversight major contributors to this report are William Johnson, Director; Anthony Colache, Audit Manager; Keith Lutgen, Auditor-in-Charge; Kevin Donahue, Auditor; Dan Malone, Program Analyst; and Lori Smith, Independence Reference Reviewer.

Please call me with any questions at (202) 254-4100, or your staff may contact Paul Wood, Acting Deputy Assistant Inspector General or William Johnson, Director, Eastern Regional Office - North at (404) 832-6703.



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### **Appendix A**

#### **Objective, Scope, and Methodology**

We audited FEMA Public Assistance grant funds awarded to the Township, (FIPS Code 011-049C3-00). Our audit objective was to determine whether the Township accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines for Disaster Number 4086-DR-NJ. The Township received a Public Assistance grant award of \$2.5 million from the New Jersey Office of Emergency Management, a FEMA grantee, for damages resulting from Hurricane Sandy, which occurred in October 2012. The award provided 90 percent FEMA funding for debris removal, emergency protective measures, and permanent repairs to buildings and facilities. The award consisted of five large projects and seven small projects.<sup>5</sup> We audited three large and two small projects totaling \$2.1 million (see appendix B). The audit covered the period October 26, 2012, through March 10, 2017. At the time of our audit, the Township had completed work on the four projects we audited, but had not submitted a final claim to New Jersey.

To accomplish our objective, we interviewed Township, New Jersey, and FEMA personnel; gained an understanding of the Township's method of accounting for disaster-related costs and its procurement policies and procedures; judgmentally selected (generally based on dollar amounts) and reviewed project costs and procurement transactions for the projects in our audit scope; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our audit objective.

We conducted this performance audit between April 2016 and May 2017 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 the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. To conduct this audit, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

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<sup>5</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$67,500 [Billing Code 9111-23-P Effective Date Oct. 1, 2012)].



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**Appendix B**  
**Potential Monetary Benefits**

**Table 3: Questioned Costs, Unused Funds, and Potential Cost Avoidance by Project**

<b>Project Number — Category of Work*</b>	<b>Obligated Amount</b>	<b>Ineligible Costs (Finding A)</b>	<b>Unsupported Costs (Finding B)</b>	<b>Unused Funds (Finding C)</b>	<b>Potential Cost Avoidance** (Finding D)</b>
0127 - B	\$ 314,860	\$ 3,612	\$ 0	\$12,938	\$ 0
2755 - G	944,215	0	0	0	0
2756 - C	828,428	828,428	445,385	0	2,301,243
5115 - C	9,102	0	0	0	0
5116 - C	19,997	0	0	0	0
<b>Gross Total</b>	<b>\$2,116,603</b>	<b>\$832,040</b>	<b>\$445,385</b>	<b>\$12,938</b>	<b>\$2,301,243</b>
Less Costs Questioned Twice	(283,675 <sup>6</sup> )	0	(\$445,385)	0	0
<b>Net Totals</b>	<b>\$1,832,928</b>	<b>\$832,040</b>	<b>\$ 0</b>	<b>\$12,938</b>	<b>\$2,301,243</b>

*Source: OIG analyses of Downe Township and FEMA documentation*

\*FEMA identifies type of work by category: A for debris removal, B for emergency protective measures, and C – G for permanent work.

\*\*FEMA has not obligated the requested \$2.3 million of damages for this project; therefore we classify these costs as cost avoidance.

**Table 4: Summary of Potential Monetary Benefits**

<b>Type of Potential Monetary Benefit</b>	<b>Amount</b>	<b>Federal Share</b>
Questioned Costs – Ineligible	\$ 832,040	\$ 748,836
Questioned Costs – Unsupported	445,385	400,847
Questioned Costs – Unsupported (Less Questioned Twice)	(445,385)	(400,847)
Funds Put to Better Use:		
Unused Funds	12,938	11,644
Potential Cost Avoidance	\$ 2,301,243	\$ 2,071,119
<b>Totals</b>	<b>\$3,146,221</b>	<b>\$2,831,599</b>

*Source: OIG analyses of Downe Township and FEMA documentation*

<sup>6</sup> Insurance proceeds for Project 2755 deducted from net total.  
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**Appendix C**  
**FEMA Region II Audit Response**

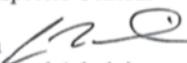
U.S. Department of Homeland Security  
Region II  
Jacob K. Javits Federal Office Building  
26 Federal Plaza, 13<sup>th</sup> Floor  
New York, New York 10278



**FEMA**

June 1, 2017

MEMORANDUM FOR: John McCoy  
Acting Assistant Inspector General  
Office of Emergency Management Oversight  
Office of Inspector General

FROM: John Rabin   
Acting Regional Administrator, Region II  
Federal Emergency Management Agency

SUBJECT: Management's Response to OIG Draft Report: "Downe Township, New Jersey Did Not Follow All Federal Procurement Standards for \$832,040 in Contracts" (Project No. G-16-029-EMO-FEMA)

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security's (DHS) Federal Emergency Management Agency (FEMA) appreciates the Office of Inspector General's (OIG) review and report.

The draft report contains 5 recommendations with which FEMA concurs. Please see the attached for our detailed response to each recommendation.

Again, FEMA thanks you for the opportunity to review and comment on this draft report. Please direct any questions regarding this response to Anastasia Holmes, FEMA Region II Recovery Division Appeals and Audits Analyst, at [Anastasia.holmes@fema.dhs.gov](mailto:Anastasia.holmes@fema.dhs.gov) or 202-384-2925.



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**Attachment: Management Response to Recommendations  
Contained in G-16-029-EMO-FEMA**

**Recommendation 1:** Disallow \$832,040 (Federal share \$748,836) as ineligible costs associated with contracts that were not procured by Downe Township (Township) in a manner consistent with 44 C.F.R. §13.36 and prohibited cost markups, unless FEMA elects to use its discretionary enforcement authority under 44 C.F.R. 13.43(a) to reimburse those costs that are reasonable and eligible under the Stafford Act and its implementing regulations (finding A).

**Response:** Concur. FEMA will review the costs resulting from improper procurement procedures in Project Worksheet (PW) 2756 and the costs associated with markups in PW 0127 and will deobligate any costs found to be ineligible.

Estimated Completion Date (ECD): November 30, 2017.

**Recommendation 2:** Disallow \$445,385 (Federal share \$400,846) as unsupported contract costs unless the Township provides additional documentation that FEMA determines is sufficient to support the costs (finding B). If FEMA allows any part of the \$828,428 in ineligible contract costs we question in finding A, FEMA should also determine whether the Township supported those costs adequately because we determined in finding B that \$445,385 of the \$828,428 was unsupported.

**Response:** Concur. The Township states that it has additional supporting documentation for PW 2756 necessary to support these costs. FEMA will work closely with the State of New Jersey (Grantee) and the Township to ensure that only eligible work and sufficiently supported costs are reimbursed to the Township.

ECD: November 30, 2017.

**Recommendation 3:** Deobligate and put to better use \$12,938 (Federal share \$11,645) of unneeded Federal funding for project work (finding C).

**Response:** Concur. FEMA will closeout PW 0127 and deobligate \$12,938 (Federal share \$11,645) of unneeded Federal funding for project work.

ECD: November 30, 2017.

**Recommendation 4:** Withhold requested funding totaling \$2,275,822 (Federal share \$2,048,240) for amended work until New Jersey provides assurance that the Township complied with all Federal procurement standards for FEMA funded work. Implementing this recommendation should ensure that the Township will avoid misspending these additional Public Assistance funds requested for Hurricane Sandy damages (finding D).

**Response:** Concur. On May 11, 2017, the Grantee submitted a response to the OIG's draft report to FEMA. In its response, the Grantee states that the Township has "taken proactive steps and revised its procurement policies to comply with federal requirements." The



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Grantee also asserts in the response that it “will continue to proactively monitor the Township to ensure compliance with the applicable federal procurement standards.” If FEMA finds the requested scope of work change eligible, FEMA will review the Township’s revised procurement policies prior to obligating additional funding and will place a condition on the grant requiring the Township to comply with federal procurement standards.

ECD: August 31, 2017.

**Recommendation 5:** Direct the Grantee to provide additional technical assistance to the Township and verify the Township adheres to Federal requirements to expend and account for disaster related expenses (finding E).

**Response:** Concur. FEMA will direct the Grantee in writing to provide technical assistance and oversight to the Township ensure compliance with Federal grant requirements and emphasize the Grantee’s responsibility to monitor the Township’s grant activities.

ECD: August 31, 2017.



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**Appendix D**  
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Chief Procurement Officer  
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Audit Liaison, FEMA (Job Code G-16-029)  
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**Appendix D (continued)**

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Branch  
State Auditor, New Jersey  
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Office of Inspector General, Mail Stop 0305  
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