

**FEMA Should Recover
\$3.9 Million of \$13.2
Million in Grant Funds
Awarded to the Borough
of Lavallette, New Jersey**





DHS OIG HIGHLIGHTS

FEMA Should Recover \$3.9 Million of \$13.2 Million in Grant Funds Awarded to the Borough of Lavallette, New Jersey

July 5, 2017

Why We Did This Audit

The Borough of Lavallette (Borough), New Jersey, received a \$13.2 million 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 \$3,179,876 of ineligible or unsupported costs and deobligate \$680,871 in unneeded funds.

For Further Information:

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

What We Found

The Borough did not always comply with FEMA grant requirements. We reviewed \$9.5 million of the \$13.2 million award, and questioned \$3.2 million composed of the following amounts:

- \$2,659,824 of duplicate costs;
- \$369,854 of ineligible labor, equipment, and contract costs;
- \$125,058 of unsupported equipment costs; and
- \$25,140 of project income.

Additionally, we identified \$680,871 of unneeded funds that FEMA should deobligate and put to better use.

These findings occurred primarily because of Borough officials' limited familiarity with Federal regulations and FEMA guidelines. Nevertheless, New Jersey, as FEMA's grantee, is responsible for ensuring that subgrantees are aware of and comply with 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

July 5, 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: *FEMA Should Recover \$3.9 Million of \$13.2 in Grant
Funds Awarded to the Borough of Lavallette, New
Jersey*
Audit Report Number OIG-17-93-D

We audited Federal Emergency Management Agency (FEMA) Public Assistance grant funds awarded to the Borough of Lavallette (Borough), New Jersey. The Borough received a Public Assistance award of \$13.2 million¹ from the New Jersey Office of Emergency Management (New Jersey), a FEMA grantee, for damages resulting from Hurricane Sandy, which occurred in October 2012 (see table 1). The award provided 90 percent FEMA funding. We audited 12 projects, totaling \$9.5 million, or about 83 percent of the total award (see appendix B, table 5). At the time of our audit, the Borough had completed work on the 12 projects in our audit scope but had not submitted final claims to New Jersey for all expenditures.

Table 1: Gross and Net Award Amounts

	Gross Award Amount	Insurance Reductions	Net Award Amount
All Projects	\$13,202,935	\$(1,190,350)	\$ 12,012,588
Audit Scope	\$ 9,503,242	\$ (773,968)	\$ 8,729,267

Source: FEMA and Borough documentation

¹ 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

The Borough of Lavallette is located in Ocean County, New Jersey, on the Barnegat Peninsula, a long, narrow barrier island that separates the Barnegat Bay from the Atlantic Ocean. On October 29, 2012, Hurricane Sandy's high winds and widespread landfall caused severe storm surge, flooding, structural damages, loss of power to homes and businesses, and blocked roads with debris (see figures 1 and 2). The President issued a disaster declaration on October 30, 2012, a day later.

Figure 1: Damaged Boardwalk after Hurricane Sandy



Source: Borough of Lavallette, New Jersey

Figure 2: Debris and Damage to Road after Hurricane Sandy



Source: Borough of Lavallette, New Jersey



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Results of Audit

The Borough did not always comply with FEMA grant requirements. Of the \$9.5 million in expenditures we reviewed, we questioned \$3.2 million composed of the following amounts:

- \$2,659,824 in duplicate costs;
- \$369,854 in ineligible labor, equipment, and contract costs;
- \$125,058 of unsupported equipment costs; and
- \$25,140 of project income.

Additionally, we identified \$680,871 in unneeded funds that FEMA should put to better use. The Borough completed work on projects for \$680,871 less than the FEMA estimate.

These findings occurred primarily because of Borough officials' limited familiarity with Federal regulations and FEMA guidelines. Nevertheless, it was New Jersey's responsibility as FEMA's grantee to ensure that the subgrantee, the Borough, was aware of and complied with all Federal regulations and FEMA guidelines applicable to FEMA Public Assistance grants.

Finding A: Duplicate Benefits

The Borough claimed \$2,659,824 in duplicate benefits. Specifically, the Borough received \$2,643,936 in insurance reimbursements for multiple projects that it did not use to reduce FEMA funding. In addition, the Borough claimed costs totaling \$15,888 twice for Project 1717. According to Section 312 of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, no entity will receive assistance for any loss for which it has received financial assistance from other programs, insurance, or any other source. Furthermore, according to 44 Code of Federal Regulation (CFR) 206.250(c), grant recipients must deduct actual and anticipated insurance recoveries from otherwise eligible costs. Therefore, we question \$2,659,824 as duplicate benefits.

Duplicate Benefits – Insurance

The Borough received insurance benefits that it applied to its insurable facilities. However, FEMA did not reduce the project funding to account for these proceeds. The result was FEMA overfunding the projects by \$2,608,386.²

² During our audit, we identified \$2,379,542 of funds the Borough received readily available for deobligation and return to FEMA after the projects are completed and closed. The Borough properly identified and maintained the Federal share of \$2,379,542 in a separate account.



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Borough officials said they were working with FEMA officials to return the unneeded funding. In addition, we identified \$35,550 of unapplied insurance proceeds, which FEMA should apply to individual projects. At the time of our fieldwork, however, FEMA had not yet deobligated the funding. Therefore, we question \$2,643,936 as duplicate benefits (see table 2).

Table 2: Duplicate Insurance Benefits

Project Number and Category of Work³	Project Scope	Insurance Proceeds Questioned
1717 – A	Debris Removal	\$ 186
0043 – B	Temporary Facilities	44,649
3981 – C	Roads	159
5180 – E	Repairs-Police Cars	107,267
1273 – F	Sewer Systems	30,913
4188 – F	Water Distribution System	555,694
4300 – F	Electric Distribution Systems	1,632,599
1398 – G	Bulkheads	126,129
3961 – G	Boardwalk	87,072
4797 – G	Parks	23,718
Unallocated	Not Yet Allocated to FEMA Projects	35,550
Total		\$2,643,936

Source: Office of the Inspector General (OIG) analyses of FEMA and Borough documentation

Duplicate Benefits – Non-Insurance

The Borough claimed costs for equipment rental twice, once as rental equipment and again as force account⁴ equipment for Project 1717 as well as claimed some force account cost as both force account and contract costs. As a result, the Borough claimed \$15,888 of ineligible costs. Specifically, the claim included \$14,718 of duplicate costs for equipment used in debris removal. Additionally, the Borough claimed \$1,170 both as force account material costs and as contract costs. Borough officials explained the \$1,170 in expenses were force account materials and not contract expenses. Therefore, we question \$15,888 as duplicate costs.

Finding B: Ineligible and Excessive Costs

The Borough’s claim included \$369,854 of ineligible and excessive costs (see table 3). Specifically, the Borough’s claim of \$5,412,474 included \$269,537 of

³ FEMA classifies disaster-related work by type: debris removal (Category A), emergency protective measures (Category B), and permanent work (Categories C through G).

⁴ “Force account” is the term FEMA uses to identify work an entity performs with its own employees, equipment, or materials as opposed to work that a contractor performs.



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ineligible force account labor, \$57,378 of ineligible contract costs, and \$42,939 of excessive equipment costs.

Table 3: Ineligible Labor, Contract, and Excessive Equipment Costs

Project Number	Amount Claimed	Ineligible Labor, Contract Costs, and Excessive Equipment Costs			Total Question Costs
		Ineligible Labor Costs	Ineligible Contract Costs	Excessive Equipment Costs	
0103	\$ 939,050	\$ 269,537	\$ 33,259	\$ 30,387	\$ 333,183
1717	1,057,324	0	7,775	0	7,775
4300	3,201,700	0	0	12,552	12,552
5180	214,400	0	16,344	0	16,344
Total	\$5,412,474	\$269,537	\$57,378	\$42,939	\$369,854

Source: OIG analyses of FEMA and Borough documentation

Ineligible Force Account Labor

The Borough’s claim for Project 0103 for emergency work included \$269,537 of ineligible labor costs. Specifically, the Borough claimed improperly \$202,234 as regular-time salaries and \$67,303 of ineligible overtime for Project 0103.

The Borough’s claim included \$202,234 of ineligible regular-time salaries. According to 44 CFR 206.228(a)(2), straight or regular-time salaries and benefits of a grant recipient’s permanent employees engaged in emergency work (emergency protective measures) are not eligible for FEMA reimbursement. This occurred because the Borough officials erroneously applied FEMA Fact Sheet 9580.215,⁵ Hurricane Sandy Debris Removal Force Account Labor Costs, allowances to ineligible emergency protective measures and not the eligible debris removal work as specified in FEMA guidance. Therefore, FEMA should disallow \$202,234 of force account labor costs as ineligible.

Finally, the Borough’s claim included \$67,303 of ineligible force account labor overtime. The Borough incorrectly calculated the claimed overtime hours by not applying the appropriate Borough departments’ overtime policies. Employees from several different Borough departments performed emergency work. However, each department has a different union contract with different overtime policies. For example, the contract for the police department requires officers to work more than 84 hours in a 2-week pay period to earn overtime compared to dispatchers, clerks, and other public works employees who must

⁵ FEMA Recovery Fact Sheet 9580.215 dated 11/5/2012 – *Hurricane Sandy: Debris Removal Force Account Labor Costs* authorized all FEMA public assistance recipients to claim regular time and benefits of its permanent employees who performed debris removal activities.



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work more than 80 hours in a 2-week period. We recalculated the hours using the correct contracts policies and determined the Borough incorrectly claimed regular time as overtime. Therefore, FEMA should disallow \$67,303 as ineligible force account labor overtime.

Ineligible Contract Costs

The Borough's claim included \$57,378 of ineligible contract costs for Projects 0103, 5180, and 1717. Specifically, the Borough's claim for Project 0103 included \$33,259, Project 5180 included \$16,344, and Project 1717 included \$7,775 of ineligible contract costs.

The Borough claimed ineligible contract labor costs for Project 0103 totaling \$23,065 under a mutual aid contract with the Township of Lyndhurst Police Department (Township) to assist with emergency services. The Township's overtime policy states that police officers must work more than 80 hours in a pay period to be eligible for overtime pay. Nonetheless, the Township charged the Borough at overtime rates for police officers that had not reached their 80 hours. Therefore, FEMA should disallow \$23,065 as ineligible contract costs.

The Borough's claim included \$6,194 of ineligible Direct Administrative Costs for Project 0103. Specifically, we identified a contractor charged \$135.71 an hour rather than the contract rate of \$129.25 an hour. A rate paid is inherently unreasonable if it exceeds the agreed upon rate. As a result, we questioned the additional \$6.46 per hour the contractor charged the Borough, and FEMA should disallow \$6,194 as prohibited markup contract costs.

The Borough also claimed \$4,000 of ineligible contract costs for Project 0103. Specifically, the Borough claimed \$4,000 for expenses incurred as part of a preexisting intergovernmental payment agreement, which it entered into with Ocean County in 2012. The \$4,000 was not eligible for FEMA reimbursement because the Borough was not able to show that the work was disaster related and the agreement predated the disaster. Further, the agreement obligated the Borough to pay the \$4,000 regardless of whether or not the disaster occurred. Therefore, FEMA should disallow \$4,000 as ineligible contract costs.

The Borough's claim for Project 5180 included \$16,344 for vehicle replacement costs it did not incur. The Borough's claim included deductibles that it did not incur for 7 of its 13 damaged vehicles. FEMA would reimburse deductibles if the Borough incurred them. Federal cost principles (*Cost Principles for State, Local, and Indian Tribal Governments*) at 2 CFR Part 225, Appendix A, C.1.a, requires that costs must be incurred and necessary for proper and efficient performance and administration of Federal awards. Therefore, FEMA should disallow \$16,344 as ineligible costs.



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The Borough’s claim included \$7,775 of ineligible Direct Administrative Costs for Project 1717. Specifically, a contractor charged \$135.71 an hour rather than the contract rate of \$129.25 an hour. A rate paid is inherently unreasonable if it exceeds the agreed upon rate. As a result, we questioned the additional \$6.46 per hour the contractor charged the Borough, and FEMA should disallow \$7,775 as prohibited markup contract costs.

Excessive Equipment Costs

The Borough’s claim included \$42,939 of excessive equipment costs; \$30,387 for Project 0103 and \$12,552 for Project 4300. This occurred because the Borough applied the wrong equipment rates from FEMA’s 2010 Schedule of Equipment Rates. As a result, we question \$42,940 as excessive equipment costs.

Specifically, for Project 0103 the Borough claimed \$20,103 of excessive equipment costs for several generators it used for emergency lighting and a jet ski it used for emergency transportation. For example, the Borough claimed \$70 per hour for a 187-kilowatt generator; however, FEMA’s 2010 Schedule of Equipment Rates allows only \$50 per hour, or \$20 less than the Borough claimed (see table 4).

Table 4: Excessive Equipment Claimed Costs

Equipment Description	Equipment Kilowatt	FEMA Cost Code	Hourly Costs Claimed	Hours claimed	Total Amount Claimed	Corrected FEMA Hourly rate	Adjusted Costs	Questioned Costs
Generator	187	8314	\$70.00	319	\$22,330	\$50.00	\$15,950	\$ 6,380
Generator	50	8312	22.00	319	7,018	17.00	5,423	1,595
Generator	106	8313	46.00	319	14,674	34.00	10,846	3,828
Generator	50	8312	22.00	319	7,018	17.00	5,423	1,595
Generator	275	8315	80.00	319	25,520	60.00	19,140	6,380
Generator	10	8310	4.10	319	1,308	3.25	1,037	271
Jet Ski	N/A	8131	18.50	12	222	14.00	168	54
Total				1,926	\$78,090		\$57,987	\$20,103

Source: OIG analyses of FEMA and Borough documentation

The Borough’s claim for Project 0103 also included \$6,465 of excessive costs for vehicles it used to control traffic. Specifically, the Borough used two different types of non-police vehicles⁶ as barricades and at checkpoints to control traffic during the disaster. The Borough incorrectly claimed \$25 per hour for a 1-ton pickup truck; FEMA rates only allow \$20 per hour. Furthermore, the Borough claimed \$30 per hour for a 1.5-ton pickup truck;

⁶ The Borough used 34 1-ton pick-up trucks and 16 1.5-ton pick-up trucks, for a total of 50 non-police vehicles.



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however, FEMA rates allow only \$25 per hour. We recalculated the costs using the FEMA-approved rates and identified a \$6,465 difference. Therefore, we question a total of \$6,465 as excessive equipment costs for the vehicles used as barricades and at checkpoints.

The Borough's claim for Project 0103 also included \$3,819 of excessive equipment costs. The Borough entered into a mutual aid contract with Township of Lyndhurst Police Department to patrol Borough streets and provide additional security. We determined that the Township incorrectly used FEMA equipment rates in its billing to the Borough. For example, it used an incorrect FEMA rate of \$17 per hour for a 20-kilowatt generator used for emergency lighting for 406 hours. The correct FEMA rate is only \$8 per hour. Additionally, the Borough claimed oil change costs of \$165 that FEMA already includes in its equipment rates. Therefore, we question \$3,819 as excessive equipment costs.

Finally, the Borough's claim for Project 4300 included \$12,552 of excessive equipment costs. For example, the Borough claimed \$61.50 per hour for a utility truck;⁷ however, according to the FEMA Schedule of Equipment Rates, FEMA allows only \$57.25 per hour for this type of equipment. Furthermore, the Borough erroneously claimed the use of 1-ton pickup truck for \$30 per hour; the FEMA rate allows only \$20 per hour. We recalculated the rates using the allowable FEMA rates. As a result, we question a total \$12,552 as excessive equipment costs.

Finding C: Supporting Documentation

The Borough's claim for Project 0103 included \$125,058 of unsupported costs for force account equipment. This occurred because the Borough could not support adequately \$125,058 of the costs that it claimed for vehicles used to patrol Borough streets during Hurricane Sandy. As a result, FEMA has no assurance that these costs are valid and eligible. Federal cost principles (*Cost Principles for State, Local, and Indian Tribal Governments*) at 2 CFR Part 225, Appendix A, C.1.j., require costs to be documented adequately to be allowable. In addition, 44 CFR 13.20(b)(2)(6) requires that grant recipients provide source documentation to support accounting records.

The FEMA Schedule of Equipment Rates, dated September 2010, identifies mileage as the basis for reimbursement for vehicle expenses used for patrolling the streets during an event and the rate schedule does not allow the use of hourly rates. According to a Borough official, the Borough lost its mileage data

⁷ The vehicle claimed was a 45,000 gross vehicle weight with a 45-foot aerial boom.
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because a computer server malfunctioned. Therefore, we could not verify the claimed costs and question \$125,058 as unsupported.

Finding D: Applicable Credits

The Borough did not reduce its claim by \$25,140 for the net proceeds it realized from the sale of copper wire and transformers for Project 4300, as required by Federal regulation. Borough officials said they did not reduce their claim because they were not aware of the requirement. The sales resulted from the repair and replacement of the Borough's electrical distribution systems. Federal regulations at 44 CFR 13.25(b) and g(1) state that income received or earned by a subgrantee during the grant period that is related to the grant-supported activity shall be deducted from the total allowable costs to determine the net allowable costs. In addition, FEMA Disaster Assistance Policy 9525.12 (*Disposition of Salvageable Materials*, July 18, 2008) holds that costs directly tied to the performance of eligible work are generally eligible for reimbursement, but applicants must reduce costs by all applicable credits, such as insurance proceeds and salvage values, and must cost-share any income with FEMA. As a result, we question \$25,140 as an applicable credit.

Finding E: Unneeded Funds

The Borough completed work on Projects 0103 and 3820 for \$680,871 less than FEMA obligated for the projects. Specifically, in December 2013, the Borough completed authorized work on Project 0103 for \$614,950 less than the \$1,554,000 FEMA estimated and funded for the project. However, these unused funds remained obligated at the time of our audit. Additionally, for Project 3820, the Borough confirmed it no longer needs \$65,921 of funds obligated to complete the project.

Federal Appropriations laws and the *Statement of Federal Financial Accounting Standards* (SFFAS) require Federal agencies to record obligations in the accounting records on a factual and consistent basis throughout the government.⁸ That is, the agency must increase or decrease obligated funds when probable or measurable information becomes known. The over-recording and under-recording of obligations are equally improper. Both practices make it impossible to determine the precise status of Federal appropriations. Therefore, FEMA should deobligate the \$680,871 of Federal funds and put those funds to better use.

⁸ U.S. Government Accountability Office (GAO), *Principles of Federal Appropriations Law*, Third Edition, Volume II, February 2006, chapter 7, Section B: *Criteria for Recording Obligations* (31 U.S.C. § 1501); 7 *Government Accountability Office-Policy and Procedures Manual* § 3.5.D; B-300480, April 9, 2003; and SFFAS Number 5, paragraphs 19, 24, 25, and 29.



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Finding F: Grant Management

New Jersey should have done more as FEMA’s grantee to ensure the Borough was aware of and complied with Federal grant requirements. 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, 44 CFR 13.37(a)(2) and 13.40(a) require grantees to (1) ensure that applicants are aware of Federal regulations, (2) manage subgrant activity, and (3) monitor subgrant activity to assure compliance. Therefore, it was New Jersey’s responsibility to ensure the Borough 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 Borough and verify that the Borough implements and adheres to Federal requirements.



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Recommendations

We recommend the Regional Administrator, FEMA Region II:

Recommendation 1: Disallow as ineligible \$2,659,824 (Federal share \$2,393,842) of duplicate benefits (finding A).

Recommendation 2: Disallow \$369,854 (Federal share \$332,869) of ineligible labor, equipment, and contract costs (finding B).

Recommendation 3: Disallow \$125,058 (Federal share \$112,552) of unsupported force account equipment costs the Borough claimed unless the Borough provides adequate documentation to support the costs (finding C).

Recommendation 4: Disallow \$25,140 (Federal share \$22,626) of project income that should be used to reduce Project 4300 (finding D).

Recommendation 5: Deobligate and put to better use \$680,871 (Federal share \$612,784) of unneeded Federal funding obligated for project work (finding E).

Recommendation 6: Direct New Jersey to provide additional technical assistance to the Borough and verify that the Borough adheres to Federal requirements to account for disaster-related expenses (finding F).

Discussion with Management and Audit Follow-up

We discussed the results of our audit with Borough, 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 February 22, 2017, with FEMA and New Jersey and Borough officials on February 24, 2017

FEMA Region II officials provided a written response on March 23, 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 recommendation by August 31, 2017. Therefore we consider the six 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.

The Office of Emergency Management Oversight major contributors to this report are William Johnson, Director; Anthony Colache, Audit Manager; and www.oig.dhs.gov



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Amos Dienne, Auditor-In-Charge, John Jadick, 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 Borough, Public Assistance Identification Number 029-39390-00. Our audit objective was to determine whether the Borough accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines for FEMA Disaster Number 4086 DR-NJ. New Jersey, a FEMA grantee awarded the Borough a total gross amount of \$13.2 million (\$12 million-net of Insurance recoveries) for damages resulting from Hurricane Sandy that occurred in October 2012. The award provided 90 percent FEMA funding for 11 large projects and 6 small projects for debris removal, emergency protective measures, and permanent repairs to buildings and facilities.

We audited 12 projects with awards totaling \$9.5 million (see appendix B, table 5). The audit covered the period from October 29, 2012, to June 9, 2015, during which the Borough claimed \$9.7 million under the 12 projects in our audit scope. At the time of our audit, the Borough had completed work on five large projects we audited, but had not submitted a final claim to New Jersey for all expenditures.

To accomplish our objective, we interviewed Borough, New Jersey, and FEMA personnel; gained an understanding of the Borough'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 did not perform a detailed assessment of the Borough's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective.

We conducted this performance audit between June 2015 and February 2016 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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Appendix B
Potential Monetary Benefits

Table 5: Questioned Costs and Funds Put to Better Use by Project

Project Number	Category of Work ⁹	Amount Awarded	Claimed Amount	Costs Questioned	Finding	Funds Put to Better Use (Finding E)
1717	A	\$ 1,031,730	\$ 1,057,324	\$ 23,849	A,B,	
0103	B	1,554,000	939,050	458,241	B,C	\$614,950
0043	B	227,147	227,147	44,649	A	
3981	C	339,422	339,422	159	A	
5180	E	15,000	214,400	123,611	A,B	
1273	F	37,767	37,767	30,913	A	
3820	F	65,921	65,921	0	0	65,921
4188	F	941,378	941,378	555,694	A	
4300	F	2,600,329	3,201,700	1,670,291	A,B,D	
1398	G	100,886	100,886	126,129	A	
3961	G	2,528,028	2,528,028	87,072	A	
4797	G	61,634	61,634	23,718	A	
Unallocated				35,550	A	
Totals		\$9,503,242	\$9,714,657	\$3,179,876		\$680,871

Source: OIG analyses of FEMA and Borough documentation

Table 6: Summary of Potential Monetary Benefits

Type of Potential Monetary Benefit	Amounts	Federal Share
Questioned Costs – Duplicate & Insurance	\$ 2,659,824	\$ 2,393,842
Questioned Costs – Ineligible Labor, Equip & Contracts	369,854	332,869
Questioned Costs – Unsupported	125,058	112,552
Questioned Costs – Project Income	25,140	22,626
Funds Put to Better Use	680,871	612,784
Totals	\$3,860,747	\$3,474,673

Source: OIG analyses of report findings

⁹ FEMA classifies disaster-related work by type: debris removal (Category A), emergency protective measures (Category B), and permanent work (Categories C through G).



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Appendix C (continued)

**Attachment: Management Response to Recommendations
Contained in Project No. G-15-034-EMO-FEMA**

Recommendation 1: Disallow as ineligible \$2,659,824 (Federal share \$2,393,842) of duplicate benefits (finding A).

Response: Concur. FEMA will review all insurance proceeds received by the Borough of Lavallette (Subgrantee) and amend the appropriate Project Worksheets (PWs) to reduce the project funding by all actual proceeds as applicable. FEMA will also review the documentation that supports the \$15,888 questioned as duplicate costs under PW 1717 and will adjust project funding as appropriate.

Estimated Completion Date (ECD): August 31, 2017.

Recommendation 2: Disallow \$369,854 (Federal share \$332,869) of ineligible labor, equipment, and contract costs (finding B).

Response: Concur. FEMA will review all questioned labor, equipment, and contract costs in detail. The State of New Jersey (Grantee) and the Subgrantee disagree with this finding on the basis that the draft report inaccurately quotes the provision in the Subgrantee's contract with the police department governing overtime, and request that FEMA review the contract and respond accordingly. FEMA agrees with this request and will review and respond.

ECD: August 31, 2017.

Recommendation 3: Disallow \$125,058 (Federal share \$112,552) of unsupported force account equipment costs the Borough claimed unless the Borough provides adequate documentation to support the costs (finding C).

Response: Concur. FEMA will review all questioned force account equipment costs in detail. The Grantee and Subgrantee disagree with this finding because the Subgrantee based its claim on a cost code for stationary police vehicles used as barricades, not on mileage. The Grantee and Subgrantee request that FEMA review the supporting documentation. FEMA agrees with this request and will review and respond.

ECD: August 31, 2017.

Recommendation 4: Disallow \$25,140 (Federal share \$22,626) of project income that should be used to reduce Project 4300 (finding D).

Response: Concur. FEMA will review Project 4300 thoroughly and reduce the obligated amount by any project income received by the Subgrantee.

ECD: August 31, 2017.

Recommendation 5: Deobligate and put to better use \$680,871 (Federal share \$612,784) of unneeded Federal funding obligated for project work (finding E).

Response: Concur. FEMA will review all projects in question thoroughly and deobligate any unneeded federal funding.



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Appendix C (continued)

ECD: August 31, 2017.

Recommendation 6: Direct New Jersey to provide additional technical assistance to the Borough and verify that the Borough adheres to Federal requirements to account for disaster related expenses (finding F).

Response: Concur. FEMA will direct the Grantee in writing to work with the Subgrantee in complying with all Federal grant requirements.

ECD: August 31, 2017.



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Appendix D
Report Distribution

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Appendix D (continued)

External

Director, Governor's Office of Recovery and Rebuilding, New Jersey
State Coordination Officer, New Jersey State Police, Homeland Security
Branch
State Auditor, New Jersey
Attorney General, New Jersey
Borough Administrator, Borough of Lavallette
Chief Financial Officer, Borough of Lavallette

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Office of Inspector General, Mail Stop 0305
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Washington, DC 20528-0305