

**FEMA Should Recover  
\$413,074 of Public Assistance  
Grant Funds Awarded to  
Nashville-Davidson County,  
Tennessee, for a  
May 2010 Flood**





# DHS OIG HIGHLIGHTS

## *FEMA Should Recover \$413,074 of Public Assistance Grant Funds Awarded to Nashville-Davidson County, Tennessee, for a May 2010 Flood*

**November 29, 2018**

### **Why We Did This Audit**

Our objective was to determine whether the County accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines. The County received a net grant award of \$70.3 million for damages resulting from a May 2010 flood. We audited and reviewed 70 projects totaling \$26.6 million — 62 percent — of the \$43.1 million awarded for permanent work.

### **What We Recommend**

FEMA should disallow \$413,074 of unsupported and ineligible costs. FEMA should also direct Tennessee to continue monitoring the County's performance for compliance with Federal grant administration requirements.

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

Contact our Office of Public Affairs at (202) 981-6000, or email us at [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

### **What We Found**

The Tennessee Emergency Management Agency (Tennessee) did not ensure Nashville-Davidson County, Tennessee (County) always accounted for and expended grant funds according to Federal regulations and Federal Emergency Management Agency (FEMA) guidelines. Although FEMA is responsible for holding Tennessee accountable for proper grant administration, Tennessee, as the grantee, must monitor the activities of the subrecipient, the County, and ensure it is aware of and complies with grant requirements.

We determined the County was not fully aware of Federal grant administration requirements and FEMA Public Assistance Program guidelines. Specifically, for the projects we reviewed in the second phase of our two-phase audit, the County mostly accounted for FEMA funds project by project, as required. However, the County did not always follow regulations and guidelines when spending the funds. As a result, we identified \$413,074 in project costs that FEMA should disallow. These costs consist of \$402,552 in contract charges not supported by adequate documentation and \$10,522 in duplicate costs. Additionally, FEMA has not finished reviewing insurance proceeds and allocating them to the County's projects although doing so could reduce FEMA's project costs under this grant.

### **FEMA Response**

FEMA officials agreed with our findings and recommendations. FEMA's written response is included in appendix B.




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Department of Homeland Security

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

November 29, 2018

MEMORANDUM FOR: Gracia Szczech  
Regional Administrator, Region IV  
Federal Emergency Management Agency

FROM: Sondra F. McCauley   
Assistant Inspector General for Audits

SUBJECT: *FEMA Should Recover \$413,074 of Public Assistance Grant Funds Awarded to Nashville-Davidson County, Tennessee, for a May 2010 Flood*

Attached for your action is our final report, *FEMA Should Recover \$413,074 of Public Assistance Grant Funds Awarded to Nashville-Davidson County, Tennessee, for a May 2010 Flood*.

The report contains four recommendations. Your office concurred with all four recommendations. Based on FEMA's proposed actions, we consider all four recommendations open and resolved. FEMA expects to complete its proposed corrective actions to close recommendations 1 and 3 by November 30, 2018, and December 31, 2018, respectively. FEMA expects to complete its proposed actions to close recommendations 2 and 4 by February 27, 2019. Once your office has fully implemented each recommendation, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and the disposition of any monetary amounts. Please send your response or closure request to [OIGAuditsFollowup@oig.dhs.gov](mailto:OIGAuditsFollowup@oig.dhs.gov).

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Katherine Trimble, Deputy Assistant Inspector General for Audits, at (202) 981-6000.



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### Background

In 1963, the City of Nashville and Davidson County governments consolidated into one metropolitan unit of government, the Metro Government of Nashville-Davidson County (County) located in middle Tennessee. In early May 2010, unprecedented flooding affected the County and surrounding areas, damaging homes, businesses, and public facilities; and blocking roads with debris. The President signed a Major Disaster Declaration (DR-1909) on May 4, 2010, authorizing FEMA to support the state and local response and begin recovery efforts. Figure 1 shows an example of County roads damaged by the disaster.

**Figure 1: County Road Damages Before and After Repairs**



Source: FEMA and Office of Inspector General (OIG)

We audited a Public Assistance Program grant of \$70.3 million (net of insurance and other adjustments) awarded to the County by the Tennessee Emergency Management Agency (Tennessee) — a FEMA grantee — for damages resulting from a May 2010 flood. The award provided 90 percent FEMA funding and included \$27.2 million for emergency work, such as debris removal and emergency protective measures, and \$43.1 million for permanent restoration of damaged roads and facilities. Table 1 shows a summary of the total projects awarded.



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**Table 1: Summary of Total Projects Awarded to Nashville-Davidson County**

Activity	FEMA Description of Work	Number of Projects Awarded <sup>1</sup>		Net Amount Awarded (Millions)
		Large	Small	
Debris Removal	Emergency Work	10	53	\$ 7.1
Emergency Protective Measures	Emergency Work	22	85	20.1
<b>Subtotal</b>		<b>32</b>	<b>138</b>	<b>27.2</b>
Restoration of Damaged Roads and Facilities	Permanent Work	85	506	43.1
<b>Total (761 projects)</b>		<b>117</b>	<b>644</b>	<b>\$70.3</b>

Source: FEMA project worksheets

Because of the complexity of the projects and the dollar amount of the award, we divided the audit into two phases. During the first phase, we audited the \$27.2 million of costs the County was awarded for emergency work. Our first report questioned \$2,164,282 (Federal share \$1,947,853) of ineligible and unsupported costs.<sup>2</sup> In this second phase, we audited 8 large projects and 10 small projects with awards totaling \$23.8 million. We also conducted a limited review of 8 large projects and 44 small projects with awards totaling \$2.8 million to determine the accuracy and eligibility of contract costs. Appendix C, table 2, contains a list of all projects reviewed. We note that, at the time of our review, the County had not submitted final claims for all projects included in our audit scope.

## **Nashville-Davidson County Did Not Always Account for and Expend Grant Funds Appropriately**

According to Code of Federal Regulations (CFR) 44 CFR 13.37(a) and 13.40(a), grantees must evaluate and monitor subrecipients' compliance with applicable Federal requirements.<sup>3</sup> However, Tennessee did not ensure the County was fully aware of and followed Federal grant requirements. We identified \$413,074 of project costs that FEMA should disallow, including \$402,552 in contract charges not supported by adequate documentation and \$10,522 in duplicate costs. Additionally, FEMA has not finished reviewing insurance proceeds and allocating them to the County's projects although doing so could reduce FEMA's project costs under this grant.

<sup>1</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$63,200 [Notice of Adjustment of Disaster Grant Amounts, 74 Fed. Reg. 51,297 (Oct. 6, 2009)].

<sup>2</sup> *FEMA Should Recover \$2.2 Million of \$27.2 Million in Public Assistance Grant Funds Awarded to Nashville-Davidson County, Tennessee, for May 2010 Flood Emergency Work*, OIG-16-112-D, July 15, 2016.

<sup>3</sup> This report references regulations in effect at the time of the disaster.



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### **Inadequate Documentation to Support Costs**

According to Federal cost principles, costs must be adequately supported to be allowable under a Federal award.<sup>4</sup> The County did not have adequate documentation to support \$402,552 in contract charges for building repairs and cleanup, as well as restoration of County official documents damaged from floodwaters. As a result, we could not determine whether the costs were valid and eligible and we question the \$402,552 of unsupported costs.

We reviewed \$365,684 of contract costs the County claimed for building repairs and cleanup, and document restoration under 55 project worksheets. As support for its claim, the County provided an Excel spreadsheet that listed specific work site charges under each project worksheet. However, the County could not provide documentation reconciling or cross-indexing the contract charges for work sites on the spreadsheet to specific contractor invoices. According to County officials, the County tried to analyze contractor invoices to allocate charges to specific work site locations, but because of the volume of documents (78 invoices and more than 2,100 pages) decided it was not feasible or cost effective to do so. Instead, for each project worksheet, the County performed a high-level review of the invoice details and interviewed key personnel directly involved in the flood repairs to identify contractor charges. We could not trace the costs listed on the Excel spreadsheet to specific invoices to validate the accuracy and eligibility of the costs. Therefore, FEMA should disallow \$365,684, unless the County provides sufficient documentation to support its claim.

The County also claimed \$36,868 of contract costs for various emergency water department repairs under Project 5522. According to the contract terms and request for proposal, the contractor was to submit a quote sheet for each emergency repair job, listing the proposed cost based on hourly labor rates and material costs. However, as support for its claim, the County provided contractor invoices showing a single line item of cost for each repair job. The County provided no other documentation to support the line item costs. County officials said they did not request backup documentation because the work was within a defined boundary with a specific scope and, therefore, the contractor was not required to provide a quote sheet for the specific jobs. The contract and request for proposal required the contractor to submit such documentation prior to commencing work on the projects. Due to lack of supporting documentation, we could not validate the accuracy, eligibility, or reasonableness of the costs. Therefore, FEMA should disallow the \$36,868, unless the County provides sufficient documentation to support its claim.

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<sup>4</sup> 2 CFR 225, Appendix A, section C.1.j, *Cost Principles for State, Local, and Indian Tribal Governments*. This report references regulations in effect at the time of the disaster.



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According to County officials, the contract costs were for repair work performed within the first 20 to 25 days after the flood event and were necessary to return essential water operations to the County's community. The officials said it was more cost effective for the County to use lump sum quotes instead of time-and-materials quotes because of the specific scopes of work. However, the County's method of contracting for the repair work and contractors' billings are not consistent with the contract terms and conditions for emergency repairs. Furthermore, the County did not provide documentation to support soliciting lump sum quotes for the repairs.

### **Claims for Duplicate Project Costs**

The County claimed \$10,522 of costs under Project 5522 for damaged actuators the County repaired or replaced during May and June 2010. We identified the same actuator costs totaling \$10,522 that the County included in its claim under Project 5514. Therefore, we question \$10,522 of duplicate project costs under Project 5514.

According to County and Tennessee officials, they are reviewing the projects in question. County officials also said the County would not claim the \$10,522 of duplicate costs when submitting final costs to FEMA for closeout of Project 5514.

### **Incomplete Insurance Review by FEMA to Reduce Project Costs**

FEMA has not completed its insurance review of the County's projects or allocated applicable insurance proceeds to the County's projects to reduce project costs. According to Section 312 of the *Robert T. Stafford Disaster and Emergency Assistance Act*, as amended, no entity will receive assistance for any loss for which it has received financial assistance from any other program, insurance, or any other source. At the time of our fieldwork, FEMA had allocated about \$20.8 million of \$52 million in property insurance proceeds the County received from its insurance carrier. The \$52 million in insurance proceeds represents reimbursement for damages to both insured eligible and insured ineligible damages. Therefore, FEMA needs to complete its insurance review of the County's projects to determine how much of the remaining \$31.2 million should be applied to the County's projects to reduce eligible FEMA project costs under this grant. County officials said they would work closely with FEMA in allocating actual insurance proceeds during project closeouts.



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### Recommendations

**Recommendation 1:** We recommend the Regional Administrator, FEMA Region IV, instruct Tennessee to proactively monitor subgrantee activities of the County's open projects to ensure compliance with all Federal grant management requirements.

**Recommendation 2:** We recommend the Regional Administrator, FEMA Region IV, disallow as unsupported \$402,552 (Federal share \$362,296) of project costs unless the County provides adequate documentation to support its claim.

**Recommendation 3:** We recommend the Regional Administrator, FEMA Region IV, disallow as ineligible \$10,522 (Federal share \$9,470) of duplicate project costs under Project 5514 if the County submits the costs in its final claim at project closeout.

**Recommendation 4:** We recommend the Regional Administrator, FEMA Region IV, complete the insurance review and allocate the applicable insurance proceeds to the County's projects to reduce project costs.

### Management Comments and OIG Analysis

We discussed the results of our audit with County, Tennessee, and FEMA officials during our audit. We also provided a notice of findings and recommendations in advance to these officials and discussed it at an exit conference with County, Tennessee, and FEMA officials on May 22, 2018.

On August 22, 2018, FEMA Region IV officials provided a written response to a draft report, which is in appendix B. FEMA concurred with our recommendations and provided comments to the draft report. A summary of FEMA's response and our analysis follows. FEMA also provided technical comments to the report. We made changes to incorporate these comments, where appropriate.

**Response to Recommendation #1: Concur.** FEMA will instruct Tennessee to proactively monitor the County's open projects. Estimated completion date: November 30, 2018.

**OIG Analysis of FEMA's Response:** FEMA's proposed action meets the intent of the recommendation. The recommendation will remain open and resolved until FEMA provides documentation that it has completed the action.















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## Appendix C Potential Monetary Benefits

**Table 2: Projects Audited and Questioned Costs**

Project Number	FEMA Category of Work <sup>5</sup>	Type of Project	Amount Awarded	Amount Questioned	90 Percent Federal Share	Finding Description
<b>Projects Related to Full Audit Scope:</b>						
4333	E	Large	\$ 2,338,623	\$ 6,234	\$ 5,611	Unsupported
5037	C	Large	1,210,739	0	0	
5181	E	Large	1,915,930	0	0	
5486	F	Large	1,730,787	0	0	
5522	E	Large	10,528,454	36,868	33,181	Unsupported
5543	E	Large	1,930,451			
5549	E	Large	1,597,609	164,776	148,298	Unsupported
5593	F	Large	1,979,725	0	0	
0593	C	Small	57,015	0	0	
1691	C	Small	61,773	0	0	
2166	E	Small	55,464	0	0	
3445	C	Small	57,575	0	0	
4035	F	Small	58,881	0	0	
4294	C	Small	52,553	0	0	
4803	C	Small	62,109	0	0	
5139	C	Small	58,613	0	0	
5437	G	Small	60,077	6,488	5,839	Unsupported
5503	E	Small	53,554	1,979	1,781	Unsupported
<b>Subtotal (18 projects)</b>			<b>\$23,809,932</b>	<b>\$216,345</b>	<b>\$194,710</b>	

<sup>5</sup> 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)

Project Number	FEMA Category of Work <sup>6</sup>	Type of Project	Amount Awarded	Amount Questioned	90 Percent Federal Share	Finding Description
<b>Projects Related to Limited Testing of Contract Costs:</b>						
4721	G	Small	\$ 7,527	\$1,034	\$ 931	Unsupported
4686	G	Small	2,950	663	597	Unsupported
4508	E	Small	4,535	562	506	Unsupported
2654	G	Small	1,707	1,651	1,486	Unsupported
3443	E	Small	1,027	1,027	924	Unsupported
1908	G	Small	16,454	1,075	968	Unsupported
5368	E	Small	1,744	1,744	1,570	Unsupported
2977	E	Small	1,000	1,000	900	Unsupported
4659	E	Small	959	959	863	Unsupported
5512	E	Small	4,268	4,268	3,841	Unsupported
4494	B	Small	557	557	501	Unsupported
5385	E	Small	1,510	1,510	1,359	Unsupported
2389	E	Small	2,766	2,766	2,489	Unsupported
4394	B	Small	557	557	501	Unsupported
5436	G	Small	1,475	1,475	1,328	Unsupported
5426	E	Small	1,266	1,266	1,139	Unsupported
5443	E	Small	7,049	1,855	1,670	Unsupported
5546	B	Small	299	299	269	Unsupported
5431	E	Small	592	592	532	Unsupported
5233	E	Small	959	959	862	Unsupported
4496	B	Small	326	326	293	Unsupported
5336	E	Small	449	449	404	Unsupported
4524	E	Small	958	958	862	Unsupported
3908	G	Small	174	174	157	Unsupported
4910	G	Small	2,680	554	499	Unsupported
4323	B	Small	137	137	123	Unsupported
4930	E	Small	763	763	687	Unsupported
4498	E	Small	509	509	458	Unsupported
3479	B	Small	137	137	123	Unsupported
4533	E	Small	646	646	581	Unsupported
5338	E	Small	419	419	377	Unsupported
5381	G	Small	32,027	1,253	1,128	Unsupported
4614	G	Small	25,585	1,516	1,364	Unsupported
5321	G	Small	20,078	1,380	1,242	Unsupported
4580	G	Small	15,059	994	895	Unsupported
5127	G	Small	12,108	1,279	1,151	Unsupported
5353	E	Small	8,782	1,186	1,067	Unsupported
4906	E	Small	6,090	926	833	Unsupported

<sup>6</sup> 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)

Project Number	FEMA Category of Work	Type of Project	Amount Awarded	Amount Questioned	90 Percent Federal Share	Finding Description
<b>Projects Related to Limited Testing of Contract Costs (cont'd):</b>						
5442	C	Small	\$ 10,040	\$ 1,011	\$ 910	Unsupported
5337	C	Small	2,955	435	392	Unsupported
4525	G	Small	2,878	415	374	Unsupported
5422	G	Small	20,580	1,300	1,170	Unsupported
2534	B	Small	13,504	258	232	Unsupported
2635	G	Small	3,519	60	54	Unsupported
5550	E	Large	142,186	14,189	12,770	Unsupported
5405	E	Large	825,575	65,085	58,577	Unsupported
5210	G	Large	614,540	20,785	18,707	Unsupported
5435	C	Large	176,484	18,266	16,439	Unsupported
5386	E	Large	110,426	11,973	10,776	Unsupported
5365	G	Large	111,669	11,170	10,053	Unsupported
4706	G	Large	211,845	1,835	1,652	Unsupported
5514	E	Large	390,872	10,522	9,470	Duplicate
<b>Subtotal (52 projects)</b>			<b>\$ 2,823,201</b>	<b>\$196,729</b>	<b>\$177,056</b>	
<b>Total (70 projects)</b>			<b>\$26,633,133</b>	<b>\$413,074</b>	<b>\$371,766</b>	

*Source:* FEMA project worksheets, County records, and OIG analysis

**Table 3: Summary of Potential Monetary Benefits**

Type of Potential Monetary Benefit	Rec. No.	Amounts	Federal Share
Questioned Costs – Ineligible	3	\$ 10,522	\$ 9,470
Questioned Costs – Unsupported	2	402,552	362,296
Funds Put to Better Use		0	0
<b>Total</b>		<b>\$413,074</b>	<b>\$371,766</b>

*Source:* OIG analysis of findings in this report





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