

**Montgomery County,
Maryland, Generally
Accounted for and Expended
FEMA Public Assistance Grant
Funds According to Federal
Requirements - Hurricane
Sandy Activities**





DHS OIG HIGHLIGHTS

Montgomery County, Maryland, Generally Accounted For and Expended FEMA Public Assistance Grant Funds According to Federal Requirements – Hurricane Sandy Activities

July 21, 2015

Why We Did This

Montgomery County, Maryland, (County) received a Public Assistance grant award of \$3.0 million from the Maryland Emergency Management Agency, a Federal Emergency Management Agency (FEMA) grantee, for damages resulting from Hurricane Sandy in October 2012. Our audit objective was to determine whether the County accounted for and expended FEMA funds according to Federal requirements.

What We Recommend

FEMA should disallow \$297,583 of ineligible costs the County claimed to the award.

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 County generally accounted for and expended FEMA funds according to Federal requirements. However, we did identify \$297,583 of ineligible costs—about 10 percent of the grant—the County claimed that FEMA should disallow. These costs consisted of \$278,169 of unsupported labor and equipment costs and \$19,414 of duplicate benefits.

FEMA Response

FEMA's written response is due within 90 days.




OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

July 21, 2015

MEMORANDUM FOR: Mary Ann Tierney
Regional Administrator, Region III
Federal Emergency Management Agency



FROM: John V. Kelly
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *Montgomery County, Maryland, Generally Accounted
For and Expended FEMA Public Assistance Grant
Funds According to Federal Requirements – Hurricane
Sandy Activities*
Audit Report Number OIG-15-116-D

We audited Federal Emergency Management Agency (FEMA) Public Assistance grant funds awarded to Montgomery County, Maryland (County). The County received a Public Assistance award of \$3.0 million from the Maryland Emergency Management Agency (Maryland), a FEMA grantee, for damages resulting from Hurricane Sandy in October 2012. The award provided 75 percent FEMA funding for debris removal and emergency protective measures. We audited two projects totaling \$3.0 million, or 100 percent of the award (see appendix B). At the time of our audit, the County had completed work on all projects and had submitted final expenditure claims to Maryland.

Results of Audit

The County generally accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines. However, we identified ineligible costs totaling \$297,583—about 10 percent of the grant—that FEMA should disallow. These costs consisted of \$278,169 of unsupported labor and equipment costs, and \$19,414 of duplicate benefits.

Finding A: Unsupported Costs

The County's claim included \$278,169 of unsupported labor and equipment costs. As a result, FEMA has no assurance that these costs are valid and eligible. Federal cost principles at 2 Code of Federal Regulations (CFR) Part 225, Attachment A, (C)(1)(j), require costs to be adequately documented to be



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allowable. Therefore, we question the following unsupported costs totaling \$278,169 (\$272,194 plus \$5,975):

- The County claimed \$397,124 of labor costs for its General Service Department employees who performed emergency protective measures work under Project 759. However, the County had labor records to support only \$124,930 or \$272,194 less than the amount claimed. County officials agreed with this finding, saying that this occurred because of an error County staff made in an Excel spreadsheet the County used to calculate the labor claim.
- The County claimed \$22,779 for various pieces of County-owned equipment that employees assigned to its Bethesda location used to complete work under debris removal Project 749. The County based its claim on 632 total hours of equipment use. However, the County's equipment usage records (i.e. daily crew cards a supervisor prepared, which included the operator's name, equipment type used, and hours worked) supported only 462 hours of use, or \$5,975 less than the amount claimed. County officials agreed with this finding.

Finding B: Duplicate Benefits

The County's claim included \$19,414 of duplicate equipment costs. Section 312 of the *Robert T. Stafford Disaster and Emergency Assistance Act*, as amended, states that no entity will receive assistance for any loss for which it has received financial assistance from any other program, insurance, or any other source.

The County claimed \$326,891 for use of County-owned equipment under Project 749. The County calculated its claim using the FEMA Schedule of Equipment Rates. These rates cover all costs of ownership and operation of the equipment, including depreciation, overhead, all maintenance, field repairs, fuel, lubricants, and tires. However, the County also claimed \$19,414 of labor costs under Project 759 for mechanics that made field repairs to equipment the County used to complete work under Project 749. These costs represent duplicate benefits because the equipment rates the County used already included the cost of maintenance and repairs. Therefore, we question as ineligible the \$19,414 of duplicate costs the County claimed under Project 759.

County officials agreed with this finding.



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Recommendations

We recommend that the Regional Administrator, FEMA Region III:

Recommendation 1: Disallow \$272,194 (Federal share \$204,146) of unsupported labor costs unless the County provides adequate documentation to support the costs (finding A).

Recommendation 2: Disallow \$5,975 (Federal share \$4,481) of unsupported equipment costs unless the County provides adequate documentation to support the costs (finding A).

Recommendation 3: Disallow \$19,414 (Federal share \$14,561) of duplicate equipment costs unless the County provides documentation to show the costs are eligible (finding B).

Discussion with FEMA and Audit Follow-up

We discussed the results of our audit with County, Maryland, 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 7, 2015. County officials agreed with our findings.

Within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include the contact information of responsible parties and any other supporting documentation necessary to inform us about the status of the recommendations. Please email a signed pdf copy of all responses and closeout request to Carl.Kimble@oig.dhs.gov. Until we receive and evaluate your response, we will consider the recommendations open and unresolved.

The Office of Emergency Management Oversight major contributors to this report are David Kimble, Director; Felipe Pubillones, Audit Manager; Mary Stoneham, Auditor-in-Charge; and Helen White, Senior Auditor.

Please call me with any questions at (202) 254-4100, or your staff may contact David Kimble, Director, Eastern Regional Office - South, at (404) 832-6702.



Appendix A

Objective, Scope, and Methodology

We audited FEMA Public Assistance grant funds awarded to the County, Public Assistance Identification Number 031-99031-00. Our audit objective was to determine whether the County accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines for FEMA Disaster Number 4091-DR-MD. Maryland awarded the County \$3.0 million for damages resulting from Hurricane Sandy in October 2012. The award consisted of two large projects.¹

We audited the two large projects totaling \$3.0 million, or 100 percent of the award (see table 1). The audit covered the period from October 26, 2012, to August 13, 2014, during which the County claimed \$3.0 million.

To accomplish our objective, we interviewed FEMA, Maryland, and County officials; gained an understanding of the County's method of accounting for disaster-related costs and its procurement policies and procedures; judgmentally selected (generally based on dollar values) 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. As part of our standard audit procedures, we also notified the Recovery Accountability and Transparency Board of all contracts the County awarded under the grant to determine whether the contractors were debarred or whether there were any indications of other issues related to those contractors that would indicate fraud, waste, or abuse. As of the end of our fieldwork, the Recovery Accountability and Transparency Board's analysis of contracts was ongoing. When it is complete, we will review the results and determine whether additional action is necessary. We did not assess the adequacy of the County's internal controls applicable to grant activities because it was not necessary to accomplish our audit objective.

We conducted this performance audit between October 2014 and May 2015 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

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$67,500.



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Appendix A (continued)

this audit, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.



Appendix B

Potential Monetary Benefits

Table 1: Projects Audited and Questioned Costs

Project Number	FEMA Category of Work²	Net Amount Awarded	Amount Questioned	Finding
749	A	\$ 1,886,887	\$ 5,975	B
759	B	1,105,205	291,608	A
Total		\$2,992,092	\$ 297,583	

Source: FEMA Project Worksheets and Office of Inspector General (OIG) Analysis.

Table 2: Summary of Potential Monetary Benefits

Type of Potential Monetary Benefit	Amounts	Federal Share
Questioned Costs – Ineligible	\$ 19,414	\$ 14,561
Questioned Costs – Unsupported	278,169	208,627
Funds Put to Better Use	0	0
Totals	\$297,583	\$223,188

Source: OIG Analysis of findings in this report.

² FEMA classifies disaster-related work by type: debris removal (Category A), emergency protective measures (Category B), and permanent work (Categories C through G).



Appendix C

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