

**The Knoxville Utilities Board
Effectively Managed FEMA
Public Assistance Grant Funds
Awarded for Damages from
Tornadoes and Severe Storms
in June 2011**





DHS OIG HIGHLIGHTS

The Knoxville Utilities Board Effectively Managed FEMA Public Assistance Grant Funds Awarded for Damages from Tornadoes and Severe Storms in June 2011

August 24, 2015

Why We Did This

The Knoxville Utilities Board (Utility) received a Public Assistance award of \$5.2 million from the Tennessee Emergency Management Agency (Tennessee), a Federal Emergency Management Agency (FEMA) grantee, for damages resulting from tornadoes and severe storms in June 2011. We audited projects totaling \$4.3 million to determine whether the Utility accounted for and expended FEMA funds according to Federal requirements.

What We Recommend

The report contains no recommendations.

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

For the projects we reviewed, the Utility properly accounted for and expended FEMA funds according to Federal requirements.

FEMA Response

Because the audit did not identify any issues requiring further action from FEMA, we consider this audit closed.




OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

August 24, 2015

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



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

SUBJECT: *The Knoxville Utilities Board Effectively Managed FEMA
Public Assistance Grant Funds Awarded for Damages
from Tornadoes and Severe Storms in June 2011*
Audit Report Number OIG-15-133-D

We audited Public Assistance funds awarded to the Knoxville Utilities Board (Utility). The Utility received a Public Assistance award of \$5.2 million from the Tennessee Emergency Management Agency (Tennessee), a Federal Emergency Management Agency (FEMA) grantee, for damages from tornadoes and severe storms in June 2011. The award provided 75 percent FEMA funding for debris removal, emergency protective measures, and permanent repairs to buildings, electric distribution systems, and other facilities. We audited four projects totaling \$4.3 million (see appendix A). At the time of our audit, the Utility had completed all work on all projects in our audit scope and had submitted final expenditure claims to Tennessee for those projects.

Results of Audit

For the projects we reviewed, the Utility properly accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines.

Discussion with Management and Audit Follow-up

We discussed the results of our audit with Utility, Tennessee, 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 June 10, 2015. Because the audit did not identify any issues requiring further action from FEMA, we consider this audit closed.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

The Office of Emergency Management Oversight contributors to this report are David Kimble, Director; Adrienne Bryant, Audit Manager; and Larry Jones, Auditor-in-Charge.

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 Public Assistance funds awarded to the Utility, FIPS Code 093-000F0-00. Our audit objective was to determine whether the Utility accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines for FEMA Disaster Number 4005-DR-TN. The Utility received a Public Assistance award of \$5.2 million from Tennessee Emergency Management Agency (Tennessee), a FEMA grantee, for damages resulting from tornadoes and severe storms in June 2011. The award consisted of five large projects and two small projects.¹

We audited three large and one small project totaling \$4.3 million (see table 1), for which the Utility claimed \$4.3 million. The audit covered the period June 25, 2011, to September 27, 2012.

We interviewed Utility, Tennessee, and FEMA personnel; gained an understanding of the Utility's method of accounting for disaster-related costs and its procurement policies and procedures; judgmentally selected and reviewed (generally based on dollar amounts) 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 under the circumstances 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 Utility awarded under the grant to determine whether the contractors were debarred or whether there were any indications of other issues related to them that would indicate fraud, waste, or abuse. As of the date of this report, 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 perform a detailed assessment of the Utility's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective.

¹ Federal regulations in effect at the time of disaster set the large project threshold at \$63,900.



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Appendix A (continued)

Table 1: Schedule of Projects Audited

Project Number	FEMA Category of Work²	Amount Awarded	Amount Claimed
Large Projects:			
49	A	\$224,790	\$224,790
109	B	\$107,676	\$107,676
191	F	\$ 3,952,660	\$ 3,952,660
Subtotal		\$ 4,285,126	\$ 4,285,126
Small Projects:			
155	E	\$39,755	\$39,755
Subtotal		\$ 39,755	\$ 39,755
Total		\$4,324,881	\$4,324,881

Source: FEMA project worksheets, Utility records, and Office of Inspector General analysis

We conducted this audit between October 2014 and June 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 that 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.

² 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 B

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