

**FEMA Should Recover  
\$505,549 of \$3.3 Million in  
Public Assistance Grant  
Funds Awarded to DeKalb  
County, Georgia, for  
Damages from a September  
2009 Flood**





# DHS OIG HIGHLIGHTS

## ***FEMA Should Recover \$505,549 of \$3.3 Million in Public Assistance Grant Funds Awarded to DeKalb County, Georgia, for Damages from a September 2009 Flood***

**November 19, 2015**

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

DeKalb County, Georgia (County), received a \$3.3 million grant award from the Georgia Department of Emergency Management (Georgia), a Federal Emergency Management Agency (FEMA) grantee, for damages resulting from a September 2009 flood. Our audit objective was to determine whether the County accounted for and expended FEMA funds according to Federal requirements.

### **What We Recommend**

FEMA should deobligate \$93,620 of unneeded project funds and disallow \$411,929 of unsupported and ineligible costs. FEMA should also direct Georgia to monitor the County's performance to ensure it complies with Federal grant requirements.

#### **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**

The County did not account for FEMA funds on a project-by-project basis as Federal regulations and FEMA guidelines require. We also identified \$93,620 (Federal share \$70,215) of unneeded project funding that FEMA can deobligate and put to better use. Finally, the County's claim included \$411,929 (Federal share \$308,947) of unsupported or ineligible costs:

- \$404,556 of unsupported costs,
- \$5,301 of ineligible duplicate benefits, and
- \$2,072 of ineligible markups on contract costs.

These issues occurred primarily because the County (1) was not fully aware of FEMA accounting and Federal procurement requirements and (2) experienced a high turnover rate of key County administrative staff during the course of the grant. However, the grantee (Georgia) is responsible for ensuring that its subgrantee (the County) is aware of and complies with grant requirements, as well as for providing technical assistance and monitoring grant activities.

### **FEMA Response**

FEMA's written response is due within 90 days.



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Department of Homeland Security

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

November 19, 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: *FEMA Should Recover \$505,549 of \$3.3 Million in Public Assistance Grant Funds Awarded to DeKalb County, Georgia, for Damages from a September 2009 Flood*  
Audit Report Number OIG-16-09-D

We audited Public Assistance funds awarded to DeKalb County, Georgia (County). The County received a Public Assistance award of \$3.3 million from the Georgia Emergency Management Agency (Georgia), a Federal Emergency Management Agency (FEMA) grantee, for damages resulting from a September 2009 flood. We audited eight projects totaling \$1.4 million (see appendix B). The award provided 75 percent FEMA funding for debris removal, emergency protective measures, and permanent repairs to roads and other facilities. At the time of our audit, the County had not completed work on all projects in our audit scope and had not submitted final claims to Georgia for all project expenditures.

### Results of Audit

The County did not account for FEMA funds on a project-by-project basis as Federal regulations and FEMA guidelines require. We also identified \$93,620 (Federal share \$70,215) of unneeded project funding that FEMA can deobligate and put to better use. Finally, the County's claim included \$411,929 (Federal share \$308,947) of unsupported or ineligible costs:

- \$404,556 of unsupported costs,
- \$5,301 of ineligible duplicate benefits, and
- \$2,072 of ineligible markups on contract costs.



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These issues occurred primarily because the County (1) was not fully aware of accounting and Federal procurement requirements and (2) experienced a high turnover rate of key administrative staff during the course of the grant. However, the grantee (Georgia) is responsible for ensuring that its subgrantee (the County) is aware of and complies with grant requirements, as well as for monitoring grant activities.

### **Finding A: Project Accounting**

The County did not separately account for project expenditures as Federal regulations require. According to 44 Code of Federal Regulations (CFR) 206.205(b), grantees must account for large project expenditures on a project-by-project basis. FEMA's *Public Assistance Guide* (June 2007, p. 137) mandates the same requirement for subgrantees (applicants): "The importance of maintaining a complete and accurate set of records for each project cannot be over-emphasized. Good documentation facilitates the project formulation, validation, approval, and funding processes. All of the documentation pertaining to a project should be filed with the corresponding PW [project worksheets] and maintained by the applicant as the permanent record of the project."

The County set up a single account within its automated accounting system designated as the "flood disaster" account. However, the account contained only the disaster-related expenditures for which the County had received reimbursement from Georgia. The County also commingled eligible FEMA disaster expenditures with non-eligible expenditures in other accounts. Further, the County did not maintain any other records such as spreadsheets or project files that separately accumulated all project costs; the County only maintained project files for costs that it had claimed to Georgia. Therefore, to conduct our audit, we had to rely on direct assistance from County personnel to gather expenditure data for each project. We believe this accounting deficiency contributed to the findings in this report.

County officials agreed with this finding, saying that, because of staff turnover, the County did not use the disaster account as it had intended.

### **Finding B: Unneeded Project Funds**

FEMA should deobligate \$93,620 and put those funds to better use because the County no longer needs these funds to complete Project 1957. The County confirmed that its final costs for the project totaled \$153,400, which is \$93,620 less than the \$247,020 FEMA obligated to complete the work. The excess obligation remained because the County had completed the work on



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August 29, 2013, but did not claim the costs to Georgia or request a final inspection.

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.<sup>1</sup> 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 Federal funds and put them to better use.

County officials withheld comments on this finding pending further review of its documentation and receipt of the final report.

**Finding C: Supporting Documentation**

The County could not provide adequate documentation to support \$404,556 of contract, equipment, labor, and material costs. 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 adequately documented to be allowable.

- The County claimed \$260,186 for work it was to complete using contractors on the County's Lower Crooked Creek lift station—\$29,987 under Project 1058, and \$230,199 under Project 1823. County officials provided a contractor billing for a \$5.3 million capital project completed in May 2014 that they said included the remaining lift stations work under the two projects. However, the documentation was incomplete and did not provide the detail work and cost attributable to the work that FEMA authorized under the projects. Therefore, we could not determine which costs, if any, were applicable to the projects.

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<sup>1</sup> 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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- The County claimed \$90,903 for use of County-owned equipment under several projects using the FEMA Schedule of Equipment Rates. However, it did not provide documentation such as equipment usage records, foreman activity logs, or equivalent documentation to support the County's use of the equipment on FEMA-approved projects.
- The County claimed \$33,865 of labor costs for County personnel to complete work on the Lower Crooked Creek lift station under Project 1493. However, County officials did not provide actual payroll costs documenting the use of County personnel to complete the lift station. Therefore, we could not verify the actual costs applicable to the project.
- The County claimed \$19,602 of material costs under several projects (see table 1) that it did not support with adequate documentation. The County provided summary sheets for the material that identified summarized costs of materials. However it did not provide invoices or payment records to support the summary sheet information. Therefore, we could not validate the accuracy of the material costs.

We question the \$404,556 of unsupported costs as table 1 shows.

**Table 1: Unsupported Costs**

Project Number	Amount Awarded	Unsupported Costs				Total Questioned Costs
		Contract	Equipment	Labor	Material	
1058	\$ 79,856	\$ 29,987	0	0	0	\$ 29,987
1823	303,795	230,199	\$ 344	0	\$ 2,472	233,015
983	207,958	0	88,394	0	0	88,394
1141	92,685	0	0	0	1,918	1,918
1493	189,784	0	1,821	\$33,865	14,294	49,980
1957	264,398	0	344	0	918	1,262
<b>Total</b>	<b>\$1,138,476</b>	<b>\$260,186</b>	<b>\$90,903</b>	<b>\$33,865</b>	<b>\$19,602</b>	<b>\$404,556</b>

Source: FEMA project worksheets, County records, and Office of Inspector General (OIG) analyses

During audit field work, County officials said that the individual responsible for collecting and providing the supporting documentation had resigned from the County. They also said that they would continue to search for appropriate documentation to support the costs.

At the exit conference, County officials withheld comments pending receipt of the final report. Georgia officials said that they may be able to provide some of the supporting documentation during the audit resolution process.



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### **Finding D: Duplicate Benefits**

The County claimed \$5,301 of ineligible costs for labor and fringe benefits for mechanics to repair equipment the County used under Project 1493. The County also claimed \$1,821 for the use of County-owned equipment under Project 1493 based on the FEMA Schedule of Equipment Rates. The FEMA Schedule of Equipment Rates includes all costs of operation of the equipment such as depreciation, overhead, maintenance, field repairs, fuel, lubrication, tires, and all other costs related to the operation of the equipment.<sup>2</sup> Because the \$5,301 duplicates costs that the FEMA equipment rates include, it represents duplicate benefits the County is claiming for equipment. 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. Therefore, we question \$5,301 as duplicate benefits.

County officials agreed with this finding.

### **Finding E: Ineligible Markup on Contract Costs**

The County claimed \$2,072 for markups on contractor material costs. However, Federal procurement regulations prohibit the use of cost-plus-percentage-of-cost method of contracting (44 CFR 13.36(f)(4)).

Project 1823 authorized repairs to the County's Lower Crooked Creek sewage lift station. The County made emergency repairs to the lift station using a pre-disaster contract that it competitively bid in 2008 for general maintenance and repairs to County-owned sewage lift stations. The contract was generally a unit price type contract, but contained a percentage-of-cost element for parts and materials. The contractor billed the County \$60,944 under Invoice 55647 for repairs to the facility, which included \$16,869 for materials. However, the \$16,869 included the actual cost of the materials (\$14,797) plus a 14 percent markup on costs of \$2,072, which Federal procurement regulations prohibit. Therefore, we question the \$2,072 as an ineligible markup on costs.

County officials agreed with this finding.

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<sup>2</sup> 44 CFR 206.228(a)(1); and FEMA *Public Assistance Guide* (FEMA 322, June 2007, pp. 44 and 48–49).



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**Finding F: Grant Management**

The findings we discuss in this report occurred primarily because the County (1) was not fully aware of FEMA accounting and Federal procurement requirements and (2) experienced a high turnover rate of key County administrative staff during the course of the grant. However, the grantee (Georgia) is responsible for monitoring subgrant activities and ensuring that its subgrantee (the County) is aware of and complies with grant requirements.<sup>3</sup> Therefore, Georgia should monitor the County's performance and provide technical assistance to ensure compliance with Federal grant requirements.

Georgia officials disagreed that they provided inadequate monitoring. However, given the dollar percentage (15 percent) of findings we identified, we believe that Georgia could have done a better job of monitoring the County's compliance with FEMA grant requirements.

**Recommendations**

We recommend the Regional Administrator, FEMA Region IV:

**Recommendation 1:** Deobligate and put to better use \$93,620 (Federal share \$70,215) of unneeded Federal funding obligated for project work that the County completed (finding B).

**Recommendation 2:** Disallow \$404,556 (Federal share \$303,417) for unsupported costs unless the County provides adequate documentation to support the costs (finding C).

**Recommendation 3:** Disallow \$5,301 (Federal share \$3,976) of ineligible equipment costs that represent duplicate benefits (finding D).

**Recommendation 4:** Disallow \$2,072 (Federal share \$1,554) of ineligible markups on contract costs (finding E).

**Recommendation 5:** Direct Georgia to monitor the County's grant activities to ensure compliance with all Federal grant requirements (finding F).

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<sup>3</sup> 44 CFR 13.37(a)(2) and 44 CFR 13.40(a).



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

We discussed the results of our audit with County, Georgia, 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 August 27, 2015. County officials agreed with findings A, D, and E. County officials withheld comments for findings B and C pending receipt of the final report. We included County and Georgia officials' comments in the body of this report. FEMA officials opted to withhold their comments until after we issue our final report.

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](mailto: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 contributors to this report are David Kimble, Director; Felipe Pubillones, Audit Manager; Helen White, Auditor-in-Charge; and Calbert Flowers, 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.



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### Appendix A

#### Objective, Scope, and Methodology

We audited Public Assistance funds awarded to the County, FIPS Code 089-99089-00. 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 1858-DR-GA. The County received a Public Assistance award of \$3.3 million from Georgia, a FEMA grantee, for damages resulting from a September 2009 flood. The award consisted of 13 large projects and 112 small projects.<sup>4</sup>

We audited eight large projects totaling \$1.35 million (see appendix B, table 2). The audit covered the period from September 18, 2009, to September 26, 2014, during which the County claimed \$1.35 million for the projects in our scope.

We interviewed County, Georgia, and FEMA personnel; 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 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. 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. We did not perform a detailed assessment of the County's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective.

We conducted this performance audit between October 2014 and August 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 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>4</sup> Federal regulations in effect at the time of disaster set the large project threshold at \$64,200.



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**Appendix B**

**Potential Monetary Benefits**

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

<b>Project Number</b>	<b>FEMA Category of Work<sup>5</sup></b>	<b>Amount Awarded</b>	<b>Questioned Costs and Unused Funds</b>	<b>75 Percent Federal Share</b>	<b>Finding</b>
983	A	\$ 207,958	\$ 88,394	\$ 66,296	C
977	C	94,050	0	0	
1141	D	92,685	1,918	1,439	C
1058	F	79,856	29,987	22,490	C
1142	F	118,070	0	0	
1493	F	189,784	55,281	41,461	C,D
1823	F	303,795	235,087	176,315	C,E
1957	F	264,398	94,882	71,161	B,C
<b>Totals</b>		<b>\$1,350,596</b>	<b>\$505,549</b>	<b>\$379,162</b>	

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

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

<b>Type of Potential Monetary Benefit</b>	<b>Amounts</b>	<b>Federal Share</b>
Questioned Costs – Ineligible	\$ 7,373	\$ 5,530
Questioned Costs – Unsupported	404,556	303,417
Funds Put to Better Use	93,620	70,215
<b>Totals</b>	<b>\$505,549</b>	<b>\$379,162</b>

*Source: OIG analysis of findings in this report*

<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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