

**The City of Birmingham,  
Alabama, Generally Managed  
FEMA Grant Funds for April  
2011 Tornadoes and Severe  
Storms Properly**





# DHS OIG HIGHLIGHTS

## *The City of Birmingham, Alabama, Generally Managed FEMA Grant Funds*

### *for April 2011 Tornadoes and Severe Storms Properly*

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**November 30, 2015**

## **Why We Did This Audit**

The City of Birmingham, Alabama (City), received a Public Assistance award of \$13.2 million from the Alabama Emergency Management Agency, a Federal Emergency Management Agency (FEMA) grantee, for damages resulting from tornadoes and severe storms in April 2011. We audited projects totaling \$11.3 million to determine whether the City accounted for and expended FEMA funds according to Federal requirements.

## **What We Recommend**

FEMA should disallow the \$257,344 of ineligible and/or unsupported costs.

### **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**

For the projects we reviewed, the City generally accounted for and expended FEMA Public Assistance grant funds according to Federal requirements. However, we did identify \$257,344 (Federal share \$231,610) of costs that FEMA should disallow. These costs consisted of \$200,471 of duplicate benefits, \$36,155 of unsupported costs, \$17,776 of ineligible equipment costs, and \$2,942 of ineligible labor costs. Also, the City's annual single audits did not cover the Federal funds the City expended for the FEMA award.

## **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 30, 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 City of Birmingham, Alabama, Generally  
Managed FEMA Grant Funds for April 2011  
Tornadoes and Severe Storms Properly  
Audit Report Number OIG-16-12-D*

We audited Public Assistance grant funds awarded to the City of Birmingham, Alabama (City). The City received a Public Assistance grant award of \$13.2 million (net of insurance) from the Alabama Emergency Management Agency (Alabama), a Federal Emergency Management Agency (FEMA) grantee, for damages from tornadoes and severe storms in April 2011. The award provided 90 percent FEMA funding for debris removal, emergency protective measures, and permanent repairs to buildings and other facilities. We audited 27 projects with net awards totaling \$11.3 million (see table 2, appendix B). At the time of our audit, the City had not completed work on all projects in our audit scope and, therefore, had not submitted a final claim to Alabama for all project expenditures.

### Results of Audit

For the projects we reviewed, the City generally accounted for and expended FEMA funds according to Federal requirements. However, we did identify \$257,344 (Federal share \$231,610) of costs that FEMA should disallow. These costs consisted of \$200,471 of duplicate benefits; \$36,155 of unsupported costs, \$17,776 of ineligible equipment costs, and \$2,942 of ineligible labor costs. Also, the City's annual single audits did not cover the Federal funds the City expended for the FEMA award.



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### Finding A: Duplicate Benefits

The City's claim included \$200,471 of duplicate benefits. Section 312 of the *Robert T. Stafford Disaster Relief 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. We question the \$200,471 (\$166,732 plus \$33,739) as follows:

- The City claimed \$3,375,491 under Project 671 for citywide debris removal activities its contractors performed from May 26, 2011, to February 11, 2012. During closeout of the City's debris removal projects, FEMA combined cost overruns the City incurred under nine debris removal projects into Project 671. However, during our review of contractor invoices that supported all of the City's debris removal activities, we identified \$166,732 of debris removal and monitoring charges in five projects that duplicated the same costs under Project 671. We question the \$166,732 of duplicate benefits the City claimed under the five projects as table 1 shows.

**Table 1: Duplicate Benefits**

Project Number	Date Range of Contract Work Performed	Activity	Duplicate Costs Claimed
401	5/26/2011	Monitoring	\$6,229
558	6/20/2011 to 6/26/2011	Debris Removal	11,218
560	6/06/2011 to 6/12/2011	Monitoring & Debris Removal	48,950
2027	6/27/2011 to 7/12/2011	Monitoring & Debris Removal	58,673
2349	5/26/2011 to 6/19/2011	Monitoring	41,662
<b>Total</b>			<b>\$166,732</b>

Source: FEMA project worksheets and City records

City officials said that because FEMA closed out multiple projects at the same time, it was difficult for them to determine the exact work captured on the specific projects because of the large volume of debris work. They said they intend to take a more active role to verify the accuracy of closeout work that FEMA and/or Alabama performs for all other open projects.

- The City claimed \$33,739 of costs under Project 2297 that insurance covered. Project 2297 authorized the demolition of private structures within the City's jurisdiction. FEMA completed its final inspection of the project on January 27, 2014, and awarded the City \$931,198 for the authorized work. We reviewed right-of-entry agreements the City



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obtained from the homeowners of the demolished properties and identified eight properties for which homeowners indicated they had \$33,739 of property insurance to cover demolition work. At the time of our audit, the City was attempting to collect from the homeowners and had recovered \$16,537 of the \$33,739 insurance proceeds due. We question the \$33,739 of duplicate benefits the City received.

City officials said that FEMA had combined Project Worksheets and netted payments for other projects for this disaster, and, therefore, they intended to deduct the actual insurance proceeds during final reconciliation of all projects at grant closeout. However, for proper accounting purposes, the City should have remitted the funds to FEMA as soon as practical because subgrantees must keep receipts and expenditures for each project separately.

### **Finding B: Supporting Documentation**

The City could not provide adequate documentation to show that it completed \$36,155 of permanent work FEMA authorized under small Project 872. According to 44 Code of Federal Regulations (CFR) 206.205(a), failure to complete small projects in accordance with FEMA's approved scope of work may require the subgrantee to refund Federal payments for the projects. Further, Federal cost principles (*Cost Principles for State, Local, and Indian Tribal Governments*) at 2 CFR Part 225, Appendix A, Section C.1.(j), require that costs be adequately documented to be allowable under a Federal award.

The City received \$36,155 of FEMA funding under Project 872 to make various repairs to sidewalks, curbs, driveways, and asphalt at 41 different locations throughout the City. City officials said that the City had completed the authorized work with City personnel. However, they could not provide adequate documentation for us to validate their assertion, such as before and after photos, work orders, or inspection reports that could be traced to the damage sites listed on the project worksheet. Therefore, we question the \$36,155.

City officials said that they were unable to locate the supporting documentation because the person responsible for maintaining the documentation is now deceased. They also said that the City has implemented procedures to prevent this from occurring in the future.



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### **Finding C: Ineligible Equipment Costs**

The City inadvertently claimed \$17,776 of excessive equipment costs for debris removal activities. The City claimed \$974,637 of equipment costs under Project 2028 using the FEMA Schedule of Equipment rates. However, we determined that \$17,776 (\$14,018 plus \$3,758) of the costs were excessive:

- The City claimed the same number of hours of use for multiple pieces of equipment that two crew members used to perform work under the project. However, the crew members would not have been able to simultaneously operate more than one piece of equipment. This error resulted in \$14,018 of excess costs.
- The City claimed \$9,153 of equipment costs for the use of a  $\frac{3}{4}$ -ton pickup truck. However the City mistakenly calculated its claim for use of the pickup truck using the FEMA rates for  $1\frac{1}{2}$  and  $1\frac{3}{4}$  ton pickup trucks. This error resulted in \$3,758 in excessive costs for use of the equipment.

City officials said that these findings occurred because the City lacked the proper procedures to accurately record equipment codes. Also, each daily equipment log contained the names of all crew members and all pieces of equipment the crew members shared. The officials believe this contributed to improper recording of equipment usage. They also said that the City has implemented new procedures to prevent these issues from occurring on future projects.

### **Finding D: Ineligible Labor Costs**

The City's claim under Project 2028 included \$2,942 of ineligible regular-time labor costs for City employees who performed debris removal activities. However, according to 44 CFR 206.228, straight or regular-time salaries and benefits of a grant recipient's permanent employees engaged in emergency work (emergency protective measures and debris removal) are not eligible for FEMA reimbursement.<sup>1</sup> Therefore, we question the \$2,942.

This finding occurred because the City incorrectly transferred labor hours from its payroll data to the FEMA labor summary sheet it used to compile and

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<sup>1</sup> The *Sandy Recovery Improvement Act of 2013* authorized an alternative procedures pilot program for debris removal that includes reimbursement for straight-time labor. However, the pilot program is voluntary and only available for disasters declared on or after June 28, 2013.



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support the City's labor claim. City officials said they have implemented new procedures to prevent this from occurring in the future.

### **Finding E: Single Audit Requirements**

The City did not comply with the *Single Audit Act's* requirements for annual audits of Federal awards.<sup>2</sup> This Act and Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, help ensure that grant recipients spend Federal funds properly. The Circular states that non-Federal entities that expend \$500,000 or more in a year in Federal awards must obtain a single or program specific audit for that year. The City did obtain annual single audits, but these audits did not include the Federal funds the City spent for the FEMA award (Disaster Number 1971). As a result, FEMA and Alabama, as the grantee, did not have an opportunity to review Single Audit report results that might have detected the same conditions our audit identified.

City officials said that this was an oversight, saying that the City used two different accounting systems for grant funding and it inadvertently failed to report the FEMA funds it received for the disaster to its audit firm.

### **Recommendations**

We recommend the Regional Administrator, FEMA Region IV:

**Recommendation 1:** Disallow \$200,471 (Federal share \$180,424) of ineligible duplicate benefits the City claimed unless the City provides documentation to show that a duplication of benefits did not occur (finding A).

**Recommendation 2:** Disallow \$36,155 (Federal share \$32,540) of unsupported costs unless the City can provide documentation adequate to support the costs (finding B).

**Recommendation 3:** Disallow \$17,776 (Federal share \$15,998) in excessive equipment costs (finding C).

**Recommendation 4:** Disallow \$2,942 (Federal share \$2,648) in ineligible regular-time labor costs (finding D).

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<sup>2</sup> The *Single Audit Act of 1984* (with amendment in 1996) and OMB Circular A-133 provide audit requirements for ensuring that recipients properly expend grant funds.



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**Recommendation 5:** Instruct Alabama to remind the City of its responsibility to comply with the requirements of the *Single Audit Act* (finding E).

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

We discussed the results of our audit with the City, Alabama, 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 September 17, 2015. We included the officials' comments, as applicable, in the body of this 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 requests 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 major contributors to this report are David Kimble, Director; Adrienne Bryant, Audit Manager; John Schmidt, Auditor-in-Charge; and Kim Lemon, 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 grant funds awarded to the City, Public Assistance Identification Number 073-07000-00. Our audit objective was to determine whether the City accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines for Disaster Number 1971-DR-AL. The City received a Public Assistance grant award of \$13.2 million (net of insurance) from the Alabama Emergency Management Agency (Alabama), a FEMA grantee, for damages resulting from severe storms, tornadoes, straight-line winds and flooding, which occurred in April 2011. The award provided 90 percent FEMA funding for debris removal, emergency protective measures, and permanent repairs to buildings and facilities. The award consisted of 20 large projects and 37 small projects.<sup>3</sup>

We audited 27 projects (15 large and 12 small) with net awards totaling \$11.3 million (see table 2, appendix B). The audit covered the period of April 15, 2011, to November 13, 2014. At the time of our audit, the City had not completed work on all the 27 projects we audited.

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

We conducted this audit between March 2015 and September 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

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<sup>3</sup> Federal regulations in effect at the time of disaster set the large project threshold at \$63,900.



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**Appendix A (continued)**

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 2: Schedule of Projects Audited**

<b>Project Number</b>	<b>FEMA Category of Work<sup>4</sup></b>	<b>Amount Awarded (Net of Insurance)</b>	<b>Amount Claimed</b>	<b>Questioned Amount</b>	<b>Finding</b>
<i>Large Projects:</i>					
401	A	\$923,572	\$923,572	\$6,229	A
561	A	66,455	66,455	0	
625	A	131,750	131,750	0	
671	A	3,375,491	3,375,491	0	
721	A	1,162,128	1,162,128	0	
1874	A	1,017,129	1,017,129	0	
2016	A	905,185	905,185	0	
2017	A	129,093	129,093	0	
2019	A	748,331	748,331	0	
2022	A	628,269	628,269	0	
2028	A	536,311	536,311	20,718	C,D
2119	E	69,982	6,998	0	
2120	E	110,835	11,084		
2297	B	931,198	931,198	33,739	A
2350	A	207,346	207,346	0	
<b>Subtotal</b>		<b>\$10,943,075</b>	<b>\$10,780,340</b>	<b>\$60,686</b>	
<i>Small Projects:</i>					
558	A	11,218	11,218	11,218	A
560	A	48,950	48,950	48,950	A
617	G	6,702	6,702	0	
872	C	36,155	36,155	36,155	B
1223	B	54,276	54,276	0	

<sup>4</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 B (continued)

**Table 2: Schedule of Projects Audited (cont.)**

Project Number	FEMA Category of Work	Amount Awarded (Net of Insurance)	Amount Claimed	Questioned Amount	Finding
1409	B	54,769	54,769	0	
1494	E	1,278	1,278	0	
46	E	35,763	35,763	0	
1687	E	8,514	8,514	0	
1888	G	7,720	7,720	0	
2027	A	58,673	58,673	58,673	A
2349	A	41,662	41,662	41,662	A
<b>Subtotal</b>		<b>\$365,680</b>	<b>\$365,680</b>	<b>\$196,658</b>	
<b>Total</b>		<b>\$11,308,755</b>	<b>\$11,146,020</b>	<b>\$257,344</b>	

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

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

Type of Potential Monetary Benefit	Amounts	Federal Share
Questioned Costs – Ineligible	\$ 221,189	\$ 199,070
Questioned Costs – Unsupported	36,155	32,540
Funds Put to Better Use	0	0
<b>Totals</b>	<b>\$257,344</b>	<b>\$231,610</b>

*Source:* OIG analysis of findings in this report



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**Appendix C**

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