



### Why This Matters

The Federal Emergency Management Agency (FEMA) provides public assistance to state, tribal, and local government, and certain types of private nonprofit organizations so that communities can quickly respond to and recover from major disasters or emergencies declared by the President. We perform audits of FEMA grantees and subgrantees to determine whether costs claimed under the awards are eligible and allowable under Federal regulations and FEMA guidelines. The Memphis Light, Gas and Water Division (Utility) received an award of \$7.9 million for damages resulting from severe weather that occurred in June 2009.

### DHS Response

FEMA's written response is due within 90 days.

## FEMA Should Recover \$2.2 Million of Public Assistance Grant Funds Awarded to Memphis Light, Gas and Water Division - Severe Weather, June 2009

### What We Determined

FEMA should recover \$2.2 million of grant funds awarded to the Utility. While the Utility accounted for FEMA funds on a project by project basis as required by Federal regulations and FEMA guidelines, its claim included \$2,192,069 for contracts that were not procured according to Federal requirements and \$26,395 for ineligible contract and force account charges.

### What We Recommend

We recommended that the Regional Administrator, FEMA Region IV:

- 1) Disallow \$2,192,069 of ineligible costs for contracts that were not procured in accordance with Federal procurement requirements, unless FEMA makes an affirmative decision that the contract costs are fair and reasonable, and waives the procurement requirement,
- 2) Instruct the Tennessee Emergency Management Agency (State) to reemphasize to the Utility its requirement to comply with Federal procurement regulations and FEMA guidelines when acquiring goods and services under FEMA awards,
- 3) Reemphasize to the State its requirement, as grantee, to adequately review costs claimed by subgrantees for compliance with applicable Federal procurement requirements and FEMA guidelines, and
- 4) Disallow the \$26,395 for ineligible contract equipment, force account equipment and labor charges.

### 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)