



Homeland Security

August 1, 2005

MEMORANDUM

TO: Kenneth O. Burris, Jr.
Regional Director, FEMA Region IV

FROM: Gary J. Barard
Field Office Director

SUBJECT: City of Clarksville, Tennessee
FEMA Disaster No. 1262-DR-TN
Audit Report No. DA-24-05

The Office of Inspector General audited public assistance funds awarded to the City of Clarksville, Tennessee. The objective of the audit was to determine whether the City accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The City received an award of \$2.1 million from the Tennessee Emergency Management Agency, a FEMA grantee, to remove debris, provide emergency protective measures, and repair facilities damaged as a result of a tornado in January 1999. The award provided 75 percent FEMA funding for 9 large projects and 12 small projects.¹ The audit covered the period of January 1999 to January 2003. During this period, the City claimed \$2,128,960 and received \$1,596,720 of FEMA funds under the projects.

We performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included tests of the City's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

The City's claim included \$30,596 of questioned costs (FEMA share \$22,947) resulting from charges that were ineligible, for work not completed, covered by insurance, or excessive.

¹ Federal regulations in effect at the time of the disaster set large project threshold at \$47,800.

- A. Ineligible Project Charges. The City's claim included \$11,419 of ineligible project charges, as follows.
- FEMA policy (No. 9525.2) states that applicants can claim, with certain limitations, the value of donated resources (volunteer labor, donated equipment, and donated materials) used in the performance of eligible emergency work (Categories A and B). However, the City's claim under Project 744 included \$4,418 of prepared food local businesses donated to the City and \$6,000 of computer software a software company donated to local businesses, not the City. We question the \$10,418 claimed for these items because there was no evidence that they were used in the performance of emergency services work.
 - The City claimed \$1,001 of regular-time salaries and benefits for permanent employees (civil engineers, construction inspectors, and equipment operators) who performed emergency services work under debris removal Project 628. However, federal regulation (44CFR 206.228) states that the straight or regular-time salaries and benefits of permanent employees engaged in debris removal work are not eligible for FEMA assistance. Accordingly, we question the \$1,001.
- B. Small Project with Incomplete Work. The City received \$40,153 under small Project 745 to demolish 4 buildings that were declared unsafe. However, we determined that only 3 buildings were demolished at a total cost of \$31,820. City officials said that the City had no plans to demolish the remaining building. Federal regulation (44 CFR 206.205) states that failure to complete work under a small project may require the Federal payment to be refunded. Accordingly, we question \$8,333 awarded for work not performed.
- C. Costs Covered by Insurance. The Stafford Act prohibits the use of public assistance funds for damages covered by insurance. Grant recipients are responsible for pursuing insurance recoveries and crediting FEMA projects with all proceeds. However, under debris removal Projects 540 and 679, the City did not credit the projects with insurance proceeds of \$6,415. Accordingly, the \$6,415 is questioned—\$1,415 under Project 540 and \$5,000 under Project 679.
- D. Excess Administrative Charges. Under the Stafford Act, the City is entitled to an administrative allowance based on a statutory formula to cover the costs associated with requesting, obtaining, and administering FEMA awards. Federal regulation (44 CFR 206.228) limits funding for administrative costs to that allowance.

However, the City's claim included \$4,429 of labor charges (\$2,343 under Project 625 and \$2,086 under Project 628) for employees who performed surveys and damage assessment activities, and general and clerical support activities (i.e. answering telephones, typing, and making copies of documents). We question these charges because the surveys and damage assessment activities were done for the purpose of documenting the need for and requesting FEMA financial assistance and the clerical support activities were done to administer the FEMA award. Therefore, the \$4,429 of costs are covered by the statutory administrative allowance.

RECOMMENDATION

We recommend that the Regional Director, in coordination with the grantee, disallow the \$30,596 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the audit results with City, grantee, and FEMA officials on June 21, 2005. City officials concurred with the findings.

Please advise the Atlanta Field Office-Audit Division by October 3, 2005, of the actions taken to implement our recommendation. Should you have any questions concerning this report, please contact David Kimble or me at (770) 220-5242.

City of Clarksville, Tennessee
FEMA-Disaster 1262-DR-TN
Schedule of Claimed and Questioned Costs

Large Projects

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
628	\$ 244,823	\$ 244,823	\$ 3,087
744	46,373	46,373	10,418
772	378,468	378,468	0
786	395,996	395,996	0
545	291,814	291,814	0
625	148,872	148,872	2,343
629	107,039	107,039	0
630	114,053	114,053	0
541	<u>171,042</u>	<u>171,042</u>	<u>0</u>
Sub-Total	<u>\$1,898,480</u>	<u>\$1,898,480</u>	<u>\$15,848</u>

Small Projects

679	\$ 26,303	\$ 26,303	\$ 5,000
745	40,153	40,153	8,333
540	1,415	1,415	1,415
Others	<u>147,152</u>	<u>147,152</u>	<u>0</u>
Sub-Total	<u>\$ 215,023</u>	<u>\$ 215,023</u>	<u>\$ 14,748</u>
Total	<u>\$2,113,503</u>	<u>\$2,113,503</u>	<u>\$30,596</u>