



### 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 cost 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 \$3.2 million for damages from severe storms, tornadoes, straight-line winds and floods that occurred in February 2008.

### DHS Response

FEMA's written response is due within 90 days.

## FEMA Should Recover \$701,028 of Public Assistance Grant Funds Awarded to Memphis Light, Gas and Water Division - Severe Weather February 2008

### What We Determined

FEMA should recover \$701,028 of grant funds awarded to the Utility. While the Utility accounted for expenditures on a project-by-project basis as required by Federal regulation, its claim included \$692,390 for contracts that were not procured according to Federal procurement requirements and \$8,638 for ineligible force account labor and equipment charges.

### What We Recommend

We recommend that the Regional Administrator, FEMA Region IV:

- 1) Disallow \$692,390 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 requirements,
- 2) Instruct the 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.
- 4) Disallow the \$8,638 of ineligible force account equipment and labor charges.

### For Further Information:

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