

U.S. Department of Homeland Security  
Eastern Region  
Office of Emergency Management Oversight  
10 Tenth Street, Suite 750  
Atlanta, Georgia 30309



# Homeland Security

August 24, 2010

MEMORANDUM FOR: Major P. (Phil) May, Regional Administrator  
FEMA Region IV

FROM: C. David Kimble, Director  
Eastern Regional Office

SUBJECT: *City of Greenville, South Carolina*  
Public Assistance Identification Number: 045-30850-00  
FEMA Disaster No.1625-DR-SC  
Report Number DA-10-17

We performed an audit of public assistance funds awarded to the City of Greenville, South Carolina (City). The audit objective was to determine whether the City accounted for and expended Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The City received a public assistance grant award of \$2.7 million from the South Carolina Emergency Management Division (SCEMD), a FEMA grantee, for damages resulting from an ice storm in December 2005. The award provided 75% FEMA funding for 2 large projects and 4 small projects for emergency protective measures, debris removal activities, and repairs to roads and facilities.<sup>1</sup> The grant award was closed by SCEMD in September 2008.

We limited our review to \$2.7 million of costs claimed under the two large projects. The audit covered the period December 15, 2005, through September 19, 2008, during which the City claimed \$2.7 million and received \$2 million of FEMA funds under the two projects. The specifics for each project are presented in the table below.

Project Number	Amount Awarded	Amount Claimed
244	\$2,256,466	\$2,256,466
228	401,895	401,895
Total	\$2,658,361	\$2,658,361

<sup>1</sup> Federal regulations in effect at the time of the ice storm set the large project threshold at \$57,500.

We conducted this audit under the authority of 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 and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We reviewed the City's disaster grant accounting system and contracting policies and procedures; judgmentally selected project cost documentation (generally based on dollar value); interviewed City, SCEMD, and FEMA personnel; reviewed applicable federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our audit objective. We did not assess the adequacy of the City's internal controls applicable to its grant activities because it was not necessary to accomplish our objective. We did, however, gain an understanding of the City's method of grant accounting and its policies and procedures for administering the activities provided for under the FEMA award.

## RESULTS OF AUDIT

The City accounted for FEMA funds on a project-by-project basis according to federal regulations for large projects. However, the City's claim under Project 244 included \$98,774 (FEMA Share \$74,080) of questioned costs that resulted from an unapplied credit, excessive and duplicate charges, and math errors. In addition, the City did not fully comply with the State mutual aid agreement.

- A. Unapplied Credit. Project 244 provided for the collection, processing, and disposal of storm-generated debris collected from the City's rights-of-way. FEMA reimbursed the City for these activities, which also included debris hauled and processed from Greenville County. Greenville County reimbursed the City \$74,655 for such services, but the project costs were not credited for the payment.

According to U.S. Office of Management and Budget Circular A-87, Attachment A, Paragraph C.4, costs claimed under a federal award must be reduced by applicable credits. Examples of such transactions are purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. The Circular further provides that to the extent that such credits accruing to or received by the governmental unit relate to allowable costs, they shall be credited to the Federal award as either a cost reduction or cash refund, as appropriate. Therefore, we question the \$74,655 not credited to the FEMA project.

City officials agreed that their claim should have been reduced by the payment. The officials stated that FEMA was aware of the payment and that they relied on the FEMA inspector to make the necessary adjustment.

- B. Force Account Labor. The City's claim under Project 244 included salary costs for providing compensatory time in place of overtime pay for workers engaged in debris removal activities. The claim was based on overtime labor hours at a rate of 1.5 times the straight-time rates of the workers. According to FEMA's *Public Assistance Guide* (FEMA 322, October 1999, pages 36-37), the cost of compensatory time for overtime hours is eligible at a straight-time rate. Therefore, we question excess charges of \$15,544 related to the ineligible force account salaries and fringe benefits cost.

City officials did not concur with our finding. They said that they could not deviate from the Fair Labor Standards Act, and that FEMA should allow the charges. We informed them that FEMA policy was not requiring the City to deviate from what they may be required by law to pay their employees. The FEMA policy only limits what compensatory costs will be reimbursed by FEMA.

C. Duplicate Costs. The City's claim under Project 244 included \$4,724 of duplicate costs, as follows:

- A FEMA inspector identified a duplicate invoice in the amount of \$3,885. However, the inspector failed to adjust the claim by that amount. As a result, the City received reimbursement for the duplicate invoice. City officials stated that they were aware of the duplication identified by the inspector and had relied on FEMA to make the adjustment.
- The City's claim for overtime force account labor included \$839 of costs for duplicate dates listed on a spreadsheet used to accumulate costs. City officials agreed with the finding.

D. Math Errors. The City's claim under Project 244 included excessive force account equipment charges of \$3,236. This occurred because the City mistakenly used an hourly rate of \$31.00 instead of \$3.10 to calculate the costs for chain saw equipment. In addition, the city had a \$615 math error in its force account calculation. We question the \$3,851 of excess charges.

City officials agreed with the finding.

E. Mutual Aid Agreements. The State mutual aid agreement required the City to enter into individual mutual aid agreements identifying the costs to be charged by other municipalities. However, under Project 228, the City reimbursed municipalities for mutual aid for which it did not have agreements. We reviewed the costs charged by such municipalities and determined that the costs were reasonable. However, to ensure reasonableness and accuracy of future mutual aid costs, the City should fully comply with the terms of the State mutual aid agreement.

City officials said that they were not aware of the requirements we presented, but stated that they would revisit their review of the mutual aid agreement.

## RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IV, in coordination with the SCEMD:

**Recommendation # 1.** Disallow \$74,655 (FEMA Share \$55,991) of debris removal costs reimbursed to the City, but not applied to reduce project costs (Finding A).

**Recommendation # 2.** Disallow \$15,544 (FEMA Share \$11,658) of excessive compensatory time costs for force account labor (Finding B).

**Recommendation # 3.** Disallow \$4,724 (FEMA Share \$3,543) of duplicate costs (Finding C).

**Recommendation # 4.** Disallow \$3,851 (FEMA Share \$2,888) for math errors (Finding D).

**Recommendation # 5.** Inform the City, for future FEMA awards, to fully comply with the terms of the State mutual aid agreement to ensure maximum FEMA reimbursement of eligible mutual aid costs (Finding E).

## **DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP**

FEMA was notified of the audit results on June 23, 2010. The audit results were discussed with City and SCEMD officials on June 24, 2010. At the exit conference, City officials requested additional time to review and respond to our findings. On July 6, 2010, City officials provided written comments for our consideration. However, the response did not include any additional supporting documentation or comments to cause us to revise the findings.

City officials requested that consideration be given to waive the questioned costs under Findings A, B, and C (first bullet) because FEMA was aware of the issues and should have made the necessary adjustments during final inspection. However, 44 CFR 13.51 states that later disallowances and adjustments based on the closeout of a grant does not affect the federal agency's right to disallow costs and recover funds on the basis of a later audit or other review. It further states that the grantee is obligated to return any funds due because of later refunds, corrections, or other transactions. City officials' comments, as appropriate, have been incorporated into the body of this report.

Please advise me by October 22, 2010, of the actions taken or planned to implement the recommendations contained in this report, including target completion dates for any planned actions. Should you have any questions concerning this report, please contact me at (404) 832-6702 or Felipe Pubillones, Audit Manager, at (404) 832-6705. Key contributors to this report were Felipe Pubillones, Helen White, and Amos Dienye.

cc: Mary Lynne Miller – Deputy Regional Administrator  
Jesse Munoz—Director Recovery  
Valerie Rhoads—Branch Chief of PA  
Denise Harris—Regional Audit Coordination