

**FEMA Should Recover  
\$1.78 Million of Public  
Assistance Grant Funds  
Awarded to the City of Duluth,  
Minnesota**





# DHS OIG HIGHLIGHTS

## ***FEMA Should Recover \$1.78 Million of Public Assistance Grant Funds Awarded to the City of Duluth, Minnesota***

**August 24, 2015**

### **Why We Did This**

The City of Duluth, Minnesota, (City) received a Public Assistance grant award of \$13.34 million from Minnesota's Department of Public Safety, Division of Homeland Security and Emergency Management (Minnesota), a Federal Emergency Management Agency (FEMA) grantee, for damages resulting from severe storms and flooding in June 2012.

### **What We Recommend**

FEMA should disallow \$1.78 million as ineligible costs (\$1,551,884 for improper contract costs and \$226,601 of unapplied insurance proceeds) and take steps to improve Minnesota's grant management.

#### **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**

The City did not follow Federal procurement standards in awarding \$3.08 million for 12 contracts—\$1.54 million for 8 non-exigent contracts and \$1.54 million for 4 exigent contracts. Although the City competitively awarded all but 3 of the 12 contracts we reviewed, it did not take required steps to provide opportunities to disadvantaged firms to bid on federally funded work, as Congress intended. Therefore, we question the \$1.54 million the City claimed for eight contracts for non-exigent work. We generally do not question costs for work when lives and property are at risk. Therefore, of the \$1.54 million the City claimed for exigent work, we question only \$8,566 in markups on the cost because one of the City's contractors billed on a prohibited cost-plus-percentage-of-cost basis.

These findings occurred, in part, because Minnesota, as the grantee, incorrectly advised the City to follow its own procurement procedures without further qualifying that those procedures must conform to applicable Federal procurement standards. It is the grantee's responsibility to ensure that its subgrantees are aware of and comply with Federal requirements.

FEMA should also complete its insurance review and allocate \$226,601 in applicable insurance proceeds to the City's projects to reduce the eligible costs.

### **FEMA's Response**

FEMA officials generally agreed with our findings and recommendations and have taken actions sufficient to resolve and close two of our three recommendations. 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)

August 24, 2015

MEMORANDUM FOR: Andrew Velasquez, III  
Regional Administrator, Region V  
Federal Emergency Management Agency

FROM: John V. Kelly  
Assistant Inspector General  
Office of Emergency Management Oversight

SUBJECT: *FEMA Should Recover \$1.78 Million of Public Assistance Grant Funds Awarded to the City of Duluth, Minnesota*  
Report Number OIG-15-132-D

We audited Public Assistance grant funds awarded to the City of Duluth, Minnesota (City). The Minnesota Department of Public Safety, Division of Homeland Security and Emergency Management (Minnesota), a Federal Emergency Management Agency (FEMA) grantee, awarded the City \$13.34 million for damages resulting from severe storms and flooding in June 2012. The award provided 75 percent FEMA funding. We audited 17 projects totaling \$6.32 million or about 47 percent of the total award (see appendix B, table 3). As of June 2, 2014, the cutoff date of our audit, the City had incurred approximately \$12 million in costs and completed most of its projects.

Our initial review of the 17 projects identified potential problems related to the City's contracts and procurement methodology. Therefore, we expanded the scope of our audit to include an additional 20 projects totaling \$1.37 million and reviewed only the contracts and procurement methodology related to those 20 projects. We also extended our audit cutoff date to October 31, 2014 (see appendix B, table 4).

### **Background**

The City of Duluth, located at the westernmost tip of Lake Superior, is built into a steep, rocky cliffside—almost mountainous for the Midwest. From June 14 to 21, 2012, the City received approximately 9 to 10 inches of rain in less than 18 hours shortly after being saturated with 4 to 6 inches of rainfall just days earlier. The heavy rainfall caused creeks to overflow and damage to the City's roads, bridges, and park facilities. In addition, the City's relatively short construction period from May to October greatly increased the City's need to make repairs before winter set in.



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**Figure 1. Damage to Skyline Parkway, Duluth, Minnesota**



Source: National Oceanic and Atmosphere Administration

### **Results of Audit**

The City did not always account for and expend FEMA grant funds according to Federal regulations and FEMA guidelines. The City did not follow Federal procurement standards in awarding \$3.08 million for 12 contracts: \$1.54 million for 8 non-exigent contracts and \$1.54 million for 4 exigent contracts. As a result, FEMA has no assurance that small and minority businesses, and women’s business enterprises had sufficient opportunities to bid on federally-funded work. In some instances, FEMA also has no assurance that costs were reasonable.

We are not questioning all of the \$3.08 million because the City awarded 4 of the 12 contracts for exigent work to restore the City’s functions to normal operations. However, we are questioning the following contract costs totaling \$1,551,884 (\$1,543,318 for non-exigent work and \$8,566 for exigent work):

- \$1,380,087 for seven contracts for non-exigent work the City awarded without taking affirmative steps to solicit small and minority businesses and women’s business enterprises (disadvantaged firms).



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- \$163,231 for one contract for non-exigent professional engineering services the City awarded without full and open competition. This contract also violated three other requirements: the City did not solicit disadvantaged firms, perform a cost or price analysis, or include required provisions in the contract.
- \$8,566 in markups on the cost of exigent work that one of the City's contractors billed on a prohibited cost-plus-percentage-of-cost basis.

FEMA should also complete its insurance review, allocate \$226,601 in applicable insurance proceeds to the City's projects to reduce the eligible costs, and disallow those costs as ineligible.

The improper procurements occurred, in part, because Minnesota, as the grantee, incorrectly advised the City to follow its own procurement procedures without further qualifying that those procedures must conform to applicable Federal procurement standards. It is the grantee's responsibility to ensure that its subgrantees are aware of and comply with Federal requirements.

### **Finding A: Improper Contracting**

The City did not follow Federal procurement standards in awarding \$3.08 million for 12 contracts—\$1.54 million for 8 non-exigent contracts and \$1.54 million for 4 exigent contracts. The City competitively awarded all but 3 of the 12 contracts we reviewed. However, the City did not take affirmative steps to solicit small and minority businesses and women's business enterprises for any of the 12 contracts and violated other procurement standards for several of the contracts.<sup>1</sup> As a result, FEMA has no assurance that disadvantaged firms had sufficient opportunities to bid on federally funded work. Further, in some instances, FEMA cannot be sure that costs were reasonable.

We are not questioning all of the \$3.08 million because the City awarded 4 of the 12 contracts for exigent work to restore the City's functions to normal operations (see table 1). However, we are questioning contract costs totaling \$1,551,884 (\$1,543,318 for non-exigent work and \$8,566 for exigent work).

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<sup>1</sup> We questioned costs only once though many contracts violated one or more of the procurement standards.



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Federal regulations at 44 Code of Federal Regulations (CFR) 13, in part, require that subgrantees—

1. conduct procurement transactions in a manner providing full and open competition (44 CFR 13.36(c)(1));
2. not use the “cost-plus-a-percentage-of-cost” and “percentage-of-construction-cost” methods (44 CFR 13.36(f)(4));
3. include required provisions in all their contracts (44 CFR 13.36(i));
4. take all necessary affirmative steps to assure the use of minority firms, women’s business enterprises, and labor surplus area firms when possible (44 CFR 13.36(e)(1)); and
5. perform a cost or price analysis in connection with every procurement action including contract modifications (44 CFR 13.36(f)(1)).

**Table 1: Violations of Procurement Standards**

Contract and Scope of Work	Number of Contracts	Contract Costs Incurred	Amount Questioned	Noncompliance with Procurement Standards 1-5 Listed Above				
				1	2	3	4	5
<b>Non-exigent, Permanent Work</b>								
Architectural and Engineering Work	1	\$ 163,231	\$ 163,231	X		X	X	X
Roads, Bridges & Embankments	<u>7</u>	<u>1,380,087</u>	<u>1,380,087</u>				X	
Subtotal Non-exigent Work	<u>8</u>	<u>1,543,318</u>	<u>1,543,318</u>					
<b>Exigent, Emergency Work*</b>								
Debris and Zoo	1	227,087	8,566	*	X	X	X	X
Storm & Sewer Lines	2	638,322	0			X	X	
Roads/Embankments	<u>1</u>	<u>672,999</u>	<u>0</u>	*			X	
Subtotal Exigent Work	<u>4</u>	<u>1,538,408</u>	<u>8,566</u>					
Grand Total	<u>12</u>	<u>\$3,081,726</u>	<u>\$1,551,884</u>					

*Source:* City documents and Office of Inspector General (OIG) analyses

\* The City awarded these four contracts under exigent circumstances; therefore, we questioned only the \$8,566 prohibited contract markups because Federal regulations often permit noncompetitive procurements during the exigent period.

**Non-exigent Work**

The City awarded eight contracts for non-exigent permanent work totaling \$1,543,318. We question all of these costs because the City did not take the required steps to assure the use of small businesses, minority firms, and women’s business enterprises whenever possible for any of the eight contracts. The required steps include placing qualified small and minority businesses and women’s business enterprises on solicitation lists and using the services and assistance of the Small Business Administration and the Minority Business Development Agency of the Department of Commerce to solicit and use these firms.



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City officials said they did not affirmatively solicit these types of disadvantaged firms because (1) Minnesota law does not require it; and (2) the City publicized projects in the local paper and posted projects to the City's website, which is available to everyone. Regardless, as a condition of the grant, Federal regulations require the City to take affirmative steps to solicit these types of businesses when procuring goods and services under federally funded work.

In addition, for one of the eight contracts—an architectural and engineering (A/E) contract for \$163,231—the City did not provide full and open competition, include required contract provisions, or perform cost or price analyses:

- Instead of soliciting competitive proposals, the City awarded the A/E contract to a firm it had done business with in the past. City officials did not think a competitive process for A/E services was necessary because Minnesota procurement law does not require competitive bids for professional or technical services.<sup>2</sup> In addition, City officials said there was no need to bid service-type contracts because qualifications, not price, justify the selection. Although Federal regulations allow subgrantees to select an A/E contractor based solely on qualifications, the subgrantee must conduct the procurement using full and open competition. Even when price is not a factor, full and open competition helps discourage and prevent favoritism, collusion, fraud, waste, and abuse.
- The City did not include required provisions in the A/E contract, such as a provision for administrative, contractual, or legal remedies where the contractor violates or breaches contract terms; provisions pertaining to FEMA's reporting, patent right, and copyright requirements; and a provision granting access to the contractor's books and records. These standard contract provisions document the rights and responsibilities of the parties and minimize the risk of contract misinterpretations and disputes. City officials said they were unaware of this requirement but that they plan to include the required provisions in all future contracts.
- Lastly, the City did not perform a cost or price analysis to determine cost reasonableness for the work needed. By not performing a cost or price analysis, the City increased the likelihood of unreasonable contract costs, misinterpretations, and errors in pricing relative to the scope of work.

As a result of our audit, City officials have taken action to ensure future compliance with Federal procurement standards. They also updated their

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<sup>2</sup> Minn. Stat. § 15.061 *Professional or Technical Services* (2013).



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purchasing policy to include reference to maintaining and soliciting from a list of qualified minority firms and women's business enterprises, and including all mandatory provisions within its contracts.

City Response: At the exit conference, City officials acknowledged that they did not award the A/E contract based upon a formal bid process, but contend the City did use a competitive process because it solicited engineering firms within the Duluth region by email. In addition, City officials also acknowledge their lack of active solicitation of disadvantaged firms (such as small and minority firms), but assert that FEMA should not disallow contract costs because the City used a "full and open sealed bid process" for procuring these contracts. According to City officials, they post jobs on the City's website as well as advertise them in the local paper to ensure all interested contractors, whether disadvantaged or not, have an equal opportunity to bid on city work; therefore, FEMA should not disallow the contract costs.

OIG Response: Generally, full and open competition means allowing all responsible sources to compete for contracts.<sup>3</sup> Federal regulations require subgrantees to advertise contract solicitations publicly. However, the City did not publicly advertise a solicitation for the A/E contract, but rather invited only certain engineering contractors within the Duluth region to bid. Nor did the City provide any evidence they had taken any federally required affirmative steps to assure the use of minority firms, women's business enterprises, and labor surplus area firms when possible. Therefore, our position remains unchanged.

### **Exigent Work**

The City awarded four contracts to perform exigent work totaling \$1,538,408 for debris removal; road, sewer, and storm line repairs; and cleanup and restoration of the City's public zoo. We consider the exigent period to be the time when immediate actions are required to protect life and property. When lives and property are at risk, we generally do not question costs for noncompliance with Federal procurement standards. However, in this case, we did question \$8,566 of markups on costs because one of the City's contractors billed on a prohibited cost-plus-a-percentage-of-cost basis.

The City awarded one time-and-material contract totaling \$227,087 for emergency cleanup and restoration work. However, the contractor marked up the actual costs of miscellaneous direct expenses totaling \$42,832 by 20 percent, or \$8,566. The direct expenses included travel, gas, equipment rental, per diem, and hotels. Federal regulations prohibit the cost-plus-a-percentage-of-cost method of contracting; therefore, we question the \$8,566 in prohibited markups on costs.

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<sup>3</sup> Federal Acquisition Regulations (FAR) Subpart 2.101, *Definitions*.





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By definition, time-and-material contracts provide for acquiring supplies or services based on (1) direct labor hours at specified fixed hourly rates that include wages, overhead, general and administrative expenses, and profit; and (2) materials at cost, including, if appropriate, material handling costs. Therefore, the time-and-material rates of this contractor were to include profit and overhead, yet this contractor charged markups of 20 percent on top of its agreed-upon time-and-materials rates. Marking up costs based on a percentage of costs provides a disincentive for the contractor to save costs because the higher the cost, the higher the profit.

In addition the City did not follow three other procurement standards in one or more of the four exigent contracts. The City did not (1) take the required affirmative steps to ensure the use of small businesses, minority-owned firms, and women's business enterprises whenever possible; (2) include required contract provisions; and (3) perform a required cost or price analysis. As noted previously, of the \$1,538,408 the City incurred for exigent work, we questioned only \$8,566 in prohibited markups. City officials agreed they had inadvertently used a prohibited cost-plus-a-percentage-of-cost contract because they were busy with the disaster.

### **Finding B: Duplicate Benefits (Costs Covered by Insurance)**

FEMA should complete its insurance review, finish allocating the \$226,601 in unapplied insurance proceeds, and disallow those costs as ineligible. The City received insurance proceeds totaling \$253,513 for disaster-related damages to its Lake Superior Zoo. However, FEMA reduced project costs for insurance proceeds by only \$27,635, leaving \$225,878 in unapplied insurance proceeds. According to the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, Section 312, *Duplication of Benefits*, no entity will receive assistance for any loss for which it has received financial assistance from any other program, insurance, or any other source. Further, Federal regulations at 44 CFR 206.250(c) require FEMA to deduct actual and anticipated insurance recoveries from otherwise eligible costs.

Because of our audit, FEMA completed a thorough review of the City's statement of loss against costs the City claimed and determined that FEMA should have allocated \$226,601 of the \$253,513 in insurance proceeds to City projects, and that the remaining \$26,913 was for unrelated costs. Because FEMA has completed its insurance review, allocated unapplied insurance proceeds to the total cost of the City's projects, and disallowed these costs as ineligible, we consider this finding and recommendation 2 to be resolved and closed and require no further action by FEMA.



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### Finding C: Grant Management

Minnesota, as grantee, should have been more thorough in monitoring the City on Federal grant contracting requirements. Federal regulations at 44 CFR 13.37(a)(2) and 13.40(a) require grantees to (1) ensure that subgrantees are aware of Federal regulations, (2) manage the operations of subgrant activity, and (3) monitor subgrant activity to ensure compliance. In fact, Minnesota incorrectly advised the City to follow its own procurement procedures without further qualifying that those procedures must at a minimum conform to applicable Federal procurement standards. Therefore, we recommend that FEMA educate Minnesota officials on Federal grant contracting requirements.

Early in this disaster, Minnesota officials advised the City that it should follow the same policies and procedures that it uses for procurements from its non-Federal funds. This advice is not accurate because the City should follow 44 CFR 13.36(b) through (i) that states, in part, “subgrantees will use their own procurement procedures, which reflect applicable state and local laws and regulations, **provided** that the procurements conform to applicable Federal law and the standards identified in this section [emphasis added].”<sup>4</sup> This misunderstanding has been a recurring problem with FEMA grant administration. In February 2014, we reported that FEMA had been disseminating inaccurate procurement information for several years.<sup>5</sup> FEMA has since taken proactive steps to resolve the problem.

We discussed this issue with Minnesota officials who said they would update their applicant briefing packet to incorporate 44 CFR 13.36 provisions. In addition, the City revised its purchasing policy on July 3, 2014, to (1) include compliance with 44 CFR 13.36; (2) maintain a list and solicit bids from qualified small and minority firms and women’s business enterprises; and (3) reference all federally required contract provisions.

State Response: Minnesota officials said their staff had attended presentations and received training for changes to 2 CFR and Federal procurement standards that included a presentation by FEMA’s Procurement Disaster Assistance Team in March 2015. In addition, as part of its program delivery, Minnesota began performing “transition briefs” to help identify and address program compliance issues applicants may encounter early in the disaster—as a follow-up to the applicant briefings.

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<sup>4</sup> 44 CFR 13.36(b)(1).

<sup>5</sup> *FEMA’s Dissemination of Procurement Advice Early in Disaster Response Periods*, OIG-14-46-D, issued February 28, 2014.



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OIG Response: Based on FEMA's and Minnesota's actions, we consider this finding and recommendation 3 to be resolved and closed and require no further action by FEMA.

### Recommendations

We recommend that the Regional Administrator, FEMA Region V:

**Recommendation 1:** Disallow as ineligible \$1,551,884 (\$1,163,913 Federal share) of contract costs, unless FEMA decides to grant an exception for all or part of the costs as 44 CFR 13.6(c) allows and determines the costs are reasonable (finding A).

**Recommendation 2:** Complete the insurance review, allocate \$226,601 (\$169,951 Federal share) of unapplied insurance proceeds to the total cost of the City's projects, and disallow these costs as ineligible (finding B). We consider this recommendation to be resolved and closed and require no further action by FEMA because—

- FEMA allocated \$226,601 of unapplied insurance proceeds to the total cost of the City's projects, and
- FEMA disallowed these costs as ineligible.

**Recommendation 3:** Take steps to educate Minnesota's Department of Public Safety Homeland Security and Emergency Management officials and direct them to work with City officials to ensure their understanding and compliance with the Federal procurement standards (finding C). We consider this recommendation to be resolved and closed and require no further action by FEMA because—

- FEMA provided procurement training to Minnesota officials,
- Minnesota officials attended presentations and received training on 2 CFR and Federal procurement standards, and
- Minnesota officials incorporated "transition briefings" as part of its program delivery to help identify and address program compliance issues.

### Discussion with Management and Audit Follow-up

We discussed the results of our audit with City and Minnesota officials during our audit. We provided a draft report to FEMA, Minnesota, and City officials and discussed it at exit conferences with FEMA officials on April 17, 2015, and with Minnesota and City officials on April 30, 2015, and April 22, 2015, respectively. We considered their comments in developing our final report and incorporated their comments as appropriate.



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Management Response: FEMA officials generally agreed with our findings and recommendations. Minnesota officials withheld comment until they can verify the accuracy of our findings. City officials generally agreed with the findings but strongly disagreed that FEMA should disallow costs for what they believed to be minor rule and regulation infractions.

OIG Response: FEMA has the authority to waive administrative requirements, which include Federal procurement standards, on a case-by-case basis (44 CFR 13.6(c)). However, FEMA also has the authority, and we believe the fiduciary duty, to enforce Federal statutes and regulations, which include *all* Federal procurement standards. Remedies for noncompliance available to FEMA include disallowance of “all or part of the cost of the activity or action not in compliance” (44 CFR 13.43(a)(2)). Federal regulations do not require that disadvantaged firms receive preference or favoritism—only that disaster assistance recipients take affirmative steps to assure they receive a chance to bid on the work. Finally, we consider this Federal requirement to be compelling. Consequently, we do not agree with the City’s characterization of its noncompliance as an infraction of a minor rule.

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 recommendation 1. Also, please include the contact information for responsible parties and any other supporting documentation necessary to inform us about the status of the recommendation. Please email a signed pdf copy of all responses and closeout requests to [Paige.Hamrick@oig.dhs.gov](mailto:Paige.Hamrick@oig.dhs.gov). Until we receive and evaluate your response, we will consider the recommendation open and unresolved.

The Office of Emergency Management Oversight major contributors to this report are Christopher Dodd, Director; Paige Hamrick, Director; Chiquita Washington, Acting Audit Manager; David B. Fox, Auditor-in-Charge; and Lena Stephenson-George, Auditor.

Please call me with any questions at (202) 254-4100, or your staff may contact Paige Hamrick, Director, Central Regional Office - North, at (214) 436-5200.



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**Appendix A**

**Objective, Scope, and Methodology**

We audited FEMA Public Assistance grant funds awarded to the City of Duluth, Minnesota, Public Assistance Identification Number 137-17000-00. Our audit objective was to determine whether the City accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines for FEMA Disaster Number 4069-DR-MN. Minnesota’s Department of Public Safety, Division of Homeland Security and Emergency Management, awarded the City \$13.34 million for damages resulting from severe storms and flooding during June 14, through June 21, 2012. The award provided 75 percent FEMA funding for 47 large projects and 116 small projects.<sup>6</sup>

We audited 17 projects (15 large and 2 small) totaling \$6.32 million, or 47 percent of the total award. The audit covered the period June 14, 2012, to October 31, 2014.<sup>7</sup> Table 2 shows the gross and net award amounts before and after reductions for insurance for all projects and for those in our initial audit scope. Because our initial review of the City’s contracting methodology identified potential problems, for contract and procurement purposes only, we expanded the scope of our audit to include an additional 20 projects totaling \$1.37 million the City awarded during this disaster, and extended our audit cutoff date to October 31, 2014.<sup>8</sup> We limited the scope of our audit to include only those contracts greater than the simplified acquisition threshold currently set at \$150,000. Tables 3 and 4 in appendix B, respectively, describe the initial 17 and additional 20 projects we audited and the amounts we questioned under each project.

**Table 2: Gross and Net Award Amounts**

	<b>Gross Award Amount</b>	<b>Insurance Reductions</b>	<b>Net Award Amount</b>
All Projects	\$13,449,843	(\$114,724)	\$13,335,119
Initial Audit Scope	\$6,409,956	(\$94,219)	\$6,315,737
Expanded Audit Scope	\$1,366,764	(\$0)	\$1,366,764

*Source: FEMA project worksheets*

<sup>6</sup> Federal regulations in effect at the time of the disaster set the large project threshold at \$66,400.

<sup>7</sup> We audited the gross amount of \$6.41 million awarded before reductions for insurance.

<sup>8</sup> Because there were no findings regarding the City’s inability to substantiate its costs, we did not perform a detailed testing of contract costs associated with the expanded audit scope.



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### Appendix A (continued)

We interviewed FEMA, Minnesota, and City officials; reviewed judgmentally selected project costs (generally based on dollar value); and performed other procedures considered necessary to accomplish our objective. As part of our normal audit procedures, we also notified the Recovery Accountability and Transparency Board of all contracts the City awarded under the grant to determine whether the contractors were debarred or whether there were any indications of other issues related to those contractors that would indicate fraud, waste, or abuse. As of the end of our fieldwork, the Recovery Accountability and Transparency Board's analysis of contracts was ongoing. When it is complete, we will review the results and determine whether additional action is necessary. We did not assess the adequacy of the City's internal controls applicable to grant activities because it was not necessary to accomplish our audit objective. However, we did gain an understanding of the City's method of accounting for disaster-related costs and its procurement policies and procedures.

We conducted this performance audit between June 2014 and April 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 our findings and conclusions based upon our audit objective. We conducted this audit by applying 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 3: Projects Audited and Questioned Costs (Initial Scope)**

<b>FEMA Project Number</b>	<b>FEMA Category of Work*</b>	<b>Net Award Amount</b>	<b>Questioned Costs (Finding A)</b>	<b>Questioned Costs (Finding B)</b>	<b>Total Questioned Costs</b>
223	C	\$ 473,291	\$ 0	\$ 0	\$ 0
292	G	340,844	231,946	0	231,946
604	C	181,798	77,015	0	77,015
605	F	556,222	169,495	0	169,495
623	C	24,981	0	0	0
723	E	30,200	0	0	0
733	C	59,172	0	0	0
788	C	513,127	0	0	0
856	G	404,363	0	0	0
857	G	348,472	0	0	0
859	C	170,378	0	0	0
862	C	384,064	0	0	0
892	C	716,888	0	0	0
897	F	568,805	0	0	0
907	C	767,436	0	0	0
912	A	525,696	0	0	0
913	B	250,000	8,566	0	8,566
Insurance to be Allocated		Various	0	226,601	226,601
<b>Totals</b>		<b>\$6,315,737</b>	<b>\$487,022</b>	<b>\$226,601</b>	<b>\$713,623</b>

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

\* FEMA classifies disaster-related work by type: debris removal (Category A), emergency protective services (Category B), and permanent work (Categories C through G).



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**Appendix B (continued)**

**Table 4: Projects Audited and Questioned Costs (Expanded Scope)**

<b>FEMA Project Number</b>	<b>FEMA Category of Work*</b>	<b>Net Award Amount</b>	<b>Questioned Costs** (Finding A)</b>	<b>Questioned Costs (Finding B)</b>	<b>Total Questioned Costs</b>
90	F	\$ 372,698	\$ 186,842	\$ 0	\$ 186,842
576	C	6,335	1,133	0	1,133
602	C	253,601	268,051	0	268,051
677	C	5,545	7,867	0	7,867
679	C	22,785	5,158	0	5,158
694	C	219,789	154,060	0	154,060
695	C	10,195	5,474	0	5,474
743	C	25,426	4,112	0	4,112
771	C	43,098	13,646	0	13,646
772	C	76,960	48,826	0	48,826
787	C	230,455	216,955	0	216,955
841	C	3,720	2,864	0	2,864
866	C	1,257	3,697	0	3,697
869	C	7,965	7,009	0	7,009
876	C	3,844	12,814	0	12,814
878	C	8,889	23,040	0	23,040
882	C	1,334	2,557	0	2,557
890	C	14,725	26,087	0	26,087
891	C	44,557	41,058	0	41,058
909	C	13,586	33,612	0	33,612
<b>Totals</b>		<b>\$1,366,764</b>	<b>\$1,064,862</b>	<b>\$ 0</b>	<b>\$1,064,862</b>

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

\*\* Until FEMA closes projects, the amount we question may exceed the amount FEMA awarded for that project.

**Table 5: Summary of Potential Monetary Benefits**

<b>Type of Potential Monetary Benefit</b>	<b>Amounts</b>	<b>Federal Share</b>
Questioned Costs – Ineligible	\$1,778,485	\$1,333,864
Questioned Costs – Unsupported	0	0
Funds Put to Better Use	0	0
<b>Totals</b>	<b>\$1,778,485</b>	<b>\$1,333,864</b>

*Source:* OIG analysis of report findings





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**Appendix C**

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**Appendix C (continued)**

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