

**Gwinnett County, Georgia,  
Generally Accounted for  
and Expended FEMA  
Public Assistance Grant  
Funds According to  
Federal Requirements**





# HIGHLIGHTS

## ***Gwinnett County, Georgia, Generally Accounted for and Expended FEMA Public Assistance Grant Funds According to Federal Requirements***

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**February 20, 2015**

### **Why We Did This**

Gwinnett County, Georgia (County) received an award of \$6.3 million from the Georgia Emergency Management Agency (Georgia), a Federal Emergency Management Agency (FEMA) grantee, for damages resulting from a September 2009 flood. We audited projects totaling \$4.6 million to determine whether the County accounted for and expended FEMA funds according to Federal requirements.

### **What We Recommend**

FEMA should disallow \$87,208 of project costs that insurance covered and require Georgia to promptly reconcile payments it made to the County under the grant.

#### **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**

For the projects we reviewed, the County generally accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines. The County's claim did include \$87,208 of ineligible costs that insurance covered; however, this occurred because of a minor FEMA funding error. In addition, Georgia overpaid the County a total of \$871,129 under several projects. Although these overpayments to the County do not affect the amount of obligated Federal funds, the County should return the excess funds to Georgia to be put to better use.

### **FEMA Response**

FEMA's written response is due within 90 days.



OFFICE OF INSPECTOR GENERAL  
Department of Homeland Security  
Washington, D.C. 20528

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February 20, 2015

MEMORANDUM FOR: Robert Samaan  
Acting Regional Administrator, Region IV  
Federal Emergency Management Agency

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

SUBJECT: *Gwinnett County, Georgia, Generally Accounted  
for and Expended FEMA Public Assistance Grant  
Funds According to Federal Requirements*  
Audit Report Number OIG-15-37-D

We audited Public Assistance funds awarded to Gwinnett County, Georgia (County). The County received a Public Assistance award of \$6.3 million (net of insurance) from the Georgia Emergency Management Agency (Georgia), a Federal Emergency Management Agency (FEMA) grantee, for damages resulting from a September 2009 flood. We audited 57 projects totaling \$4.6 million (net of insurance) (see appendix A). At the time of our audit, the County had completed work on all projects in our audit scope and had submitted final claims to Georgia for expenditures under those projects.

### **Results of Audit**

For the projects we reviewed, the County generally accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines. The County's claim did include \$87,208 of ineligible costs that insurance covered; however, this occurred because of a minor FEMA funding error. In addition, Georgia overpaid the County a total of \$871,129 under several projects. Although these overpayments to the County do not affect the amount of obligated Federal funds, the County should return the excess funds to Georgia to be put to better use.



### Finding A: Duplicate Benefits

The County’s claim included \$87,208 in duplicate benefits for project costs that insurance covered. According to Section 312 of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended, no entity will receive assistance for any loss for which it has already received financial assistance from any other program, from insurance, or from any other source.

The County received insurance proceeds totaling \$425,321 from its insurance carrier for two large projects and two small projects. However, FEMA mistakenly credited the projects with only \$338,113 of the \$425,321 of proceeds, leaving a remaining balance of \$87,208. Therefore, we question the \$87,208 of project costs that insurance covered. Table 1 identifies the affected projects and insurance proceeds the County received.

**Table 1: Project Costs That Insurance Covered**

Projects	Awarded Amount	Insurance Proceeds Received	Insurance Deducted by FEMA	Project Costs That Insurance Covered
<b>Large Projects:</b>				
2010	\$ 139,585	\$ 49,922	\$ 48,922	\$ 1,000
2305	627,809	360,982	289,191	71,791
Subtotal	\$ 767,394	\$410,904	\$ 338,113	\$72,791
<b>Small Projects:</b>				
170	\$ 8,437	\$ 8,437	\$ 0	\$ 8,437
992	5,980	5,980	0	5,980
Subtotal	\$ 14,417	\$ 14,417	\$ 0	\$14,417
<b>Total</b>	<b>\$781,811</b>	<b>\$425,321</b>	<b>\$338,113</b>	<b>\$87,208</b>

Source: FEMA Project Worksheets, County Records, and Office of Inspector General (OIG) Analyses

We discussed this finding with FEMA Region IV officials on July 23, 2014. As a result of our discussion, FEMA officials are currently reviewing their allocation of the insurance proceeds the County received to make the appropriate adjustments to the project costs.

### Finding B: Excess Federal Funds

The County received \$871,129 of excess Federal funds under several projects. This consisted of \$585,185 for 12 large projects and \$285,944 for 38 small projects (see appendix A, Table 4: Projects with Excess Federal Payments). The excess payments primarily occurred because Georgia did not adjust payments it had made to the County after FEMA reduced project costs for damages the



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County's insurance covered. FEMA reduced project costs for the insurance coverage between February 2012 and April 2013, but as of July 2014, Georgia had not reconciled the overpayments. Federal regulation 44 Code of Federal Regulations (CFR) 13.20(a)(2) states a grantee's accounting procedures must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

Georgia officials said that they were aware of the excess payments, but had not reconciled the Federal share payments the County received because FEMA had not fully explained its basis for the insurance adjustments to them or County officials. They also said that some of the deductions appeared to be inaccurate and that it was not Georgia's practice to adjust subgrantee Federal share payments before it fully understood FEMA's basis for reducing eligible project costs. Georgia officials also said they had an oral agreement with the County stipulating that the County would not request FEMA reimbursements for other unfunded projects until Georgia reconciled all payments at grant closeout. Irrespective of this oral agreement and Georgia's payment practices, Georgia did not comply with the requirements of 44 CFR 13.20(a)(2) because its accounting of Federal funds disbursed on individual projects does not agree with the Federal cost share FEMA authorized. Therefore, Georgia should promptly reconcile payments the County received and recover any excess funds and put those funds to better use.

### **Recommendations**

We recommend the Acting Regional Administrator, FEMA Region IV:

**Recommendation 1:** Disallow \$87,208 (Federal share \$65,406) of ineligible costs that insurance covered (finding A).

**Recommendation 2:** Direct Georgia to promptly reconcile the County's payments under the Federal grant and recover and put to better use any excess funds the County received (finding B).



## **Discussion with Management and Audit Follow-up**

We discussed the results of our audit with County, Georgia, and FEMA officials during our audit. We also provided a draft report in advance to these officials and discussed it at the exit conference held on November 13, 2014. County officials chose to withhold their comments until after report issuance. We included Georgia officials' comments in the body of this report.

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

Major contributors to this report are David Kimble, Director; Felipe Pubillones, Audit Manager; Helen White, Auditor-in-Charge; and Calbert Flowers, Auditor.

Please call me with any questions at (202) 254-4100, or your staff may contact David Kimble, Director, Eastern Regional Office, at (404) 832-6702.



## Appendix A

### Objective, Scope, and Methodology

We conducted this performance audit between January 2014 and November 2014 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 the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. To conduct this audit, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We audited Public Assistance funds awarded to Gwinnett County, Georgia, (County) (FIPS Code 135-99135-00). Our audit objective was to determine whether the County accounted for and expended FEMA grant funds according to Federal regulations and FEMA guidelines. The County received a Public Assistance award of \$6.3 million (net of insurance) from Georgia, a FEMA grantee, for damages resulting from a September 2009 flood (Disaster Number 1858-DR-GA). The award provided 75 percent FEMA funding for debris removal, emergency protective measures, and permanent repairs to roads and other facilities. The award consisted of 20 large projects and 149 small projects.<sup>1</sup>

We audited 17 large projects and 40 small projects totaling \$4.6 million (net of insurance). The audit included a detailed review of 10 large projects totaling \$3.2 million and a limited review of 7 large projects and 40 small projects totaling \$1.4 million (see table 2).<sup>2</sup> We limited our review of the 7 large projects and 40 small projects to determining whether insurance covered the damages, the County completed the projects, and Georgia correctly paid the Federal share of FEMA funds. The audit covered the period from September 18, 2009, to December 19, 2013. The following tables provide additional information related to our audit scope:

Table 2: Gross and Net Award Amounts Reviewed

Table 3: Projects Audited and Questioned Costs

Table 4: Projects with Excess Federal Payments

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<sup>1</sup> Federal regulations in effect at the time of disaster set the large project threshold at \$64,200.

<sup>2</sup> As table 2 shows, we calculated gross and net award amounts (before and after adjustments) for the 57 projects in our audit scope. For the total award, we calculated the \$6.3 million net amount, but not the gross amount because of the large number of projects (20 large and 149 small) in the total award.



**Appendix A (continued)**

We interviewed County, Georgia, and FEMA personnel; gained an understanding of the County’s method of accounting for disaster-related costs and its procurement policies and procedures; judgmentally selected (generally based on dollar amounts) and reviewed project costs and procurement transactions for the projects in our audit scope; reviewed applicable Federal regulations and FEMA guidelines; and performed other procedures considered necessary to accomplish our audit objective. As part of our standard audit procedures, we also notified the Recovery Accountability and Transparency Board of all contracts the subgrantee 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 date of this report, 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 perform a detailed assessment of the County’s internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective.

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

	<b>Gross Award Amounts</b>	<b>Insurance Reductions</b>	<b>Net Award Amounts</b>
Full Audit Scope	\$4,129,471	\$902,716	\$3,226,755
Limited Audit Scope:			
- Large Projects	\$1,781,788	\$630,739	\$1,151,049
- Small Projects	14,417	0	14,417
- Other Small Projects	<u>596,142</u>	<u>410,418</u>	<u>185,724</u>
	<u>\$2,392,347</u>	<u>\$1,041,157</u>	<u>\$1,351,190</u>
<b>Total</b>	<b>\$6,521,818</b>	<b>\$1,943,873</b>	<b>\$4,577,945</b>

Source: FEMA Project Worksheets, County Records, and OIG Analyses





Appendix A (continued)

**Table 3: Projects Audited and Questioned Costs**

Project Number	FEMA Category of Work <sup>3</sup>	Net Amount Awarded	Amount Questioned	Excess Federal Cost Share Paid	Finding
<b>Full Audit Scope - Large Projects</b>					
453	F	\$ 66,716	\$ 0	\$ 0	
455	B	234,139	0	0	
991	G	112,888	0	0	
1060	C	319,582	0	0	
2127	C	450,735	0	37,180	B
2134	C	356,136	0	26,029	B
2137	C	353,568	0	71,821	B
2142	C	306,065	0	61,215	B
2177	C	399,117	0	46,154	B
2305	C	627,809	71,791	0	A
Subtotal		\$3,226,755	\$71,791	\$242,399	
<b>Limited Review - Large Projects</b>					
1930	C	\$ 174,255	\$ 0	\$ 91,765	B
2010	C	139,585	1,000	22,553	A, B
2011	C	77,170	0	53,134	B
2012	C	211,217	0	24,162	B
2016	C	174,721	0	29,914	B
2176	C	210,347	0	99,435	B
2155	C	163,754	0	21,823	B
Subtotal		\$1,151,049	\$1,000	\$342,786	
<b>Limited Review - Small projects (Insurance)</b>					
170	B	\$ 8,437	\$8,437	0	A
992	E	5,980	5,980	0	A
Subtotal		\$14,417	\$14,417	0	
<b>Limited Review - Other Small Projects (Federal Cost Share)<sup>4</sup></b>					
	C, D, G	185,724		285,944	B
<b>Grand Totals</b>		<b>\$4,577,945</b>	<b>\$87,208</b>	<b>\$871,129</b>	

Source: FEMA Project Worksheets, County Records, and OIG Analyses

<sup>3</sup> FEMA classifies disaster-related work by type: debris removal (Category A), emergency protective measures (Category B), and permanent work (Categories C through G).

<sup>4</sup> See table 4 for detail of the 38 other small projects for excess Federal cost share payments.



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Appendix A (continued)

Table 4: Projects with Excess Federal Payments

Project Number	FEMA Category of Work	Award Amount	Federal Share (75%)	Amount of Federal Funds Georgia Paid	Excess Payments
<b>12 Large Projects:</b>					
1930	C	\$ 174,255	\$ 130,691	\$ 222,456	\$ 91,765
2010	C	139,585	104,689	127,242	22,553
2011	C	77,170	57,877	111,011	53,134
2012	C	211,217	158,413	182,575	24,162
2016	C	174,721	131,041	160,955	29,914
2127	C	450,735	338,051	375,231	37,180
2134	C	356,136	267,102	293,131	26,029
2137	C	353,568	265,176	336,997	71,821
2142	C	306,065	229,549	290,764	61,215
2155	C	163,754	122,816	144,639	21,823
2176	C	210,347	157,760	257,195	99,435
2177	C	399,117	299,338	345,492	46,154
Subtotal		\$3,016,670	\$2,262,503	\$2,847,688	\$585,185
<b>38 Small Projects:</b>					
1544	C	\$ 1,508	\$ 1,131	\$ 4,669	\$ 3,538
1553	C	324	243	1,014	771
1554	C	4,711	3,533	5,905	2,372
1565	C	1,175	881	3,306	2,425
1597	C	895	672	2,825	2,153
1616	C	3,272	2,454	6,205	3,751
1727	C	805	603	2,842	2,239
1732	C	3,786	2,840	7,100	4,260
1735	C	1,021	765	2,384	1,619
1737	C	486	364	1,204	840
1759	C	466	349	1,311	962
1771	C	2,600	1,950	3,293	1,343
1780	C	1,374	1,031	2,194	1,163
1781	C	995	746	2,355	1,609
1783	C	8,976	6,732	7,176	444
1784	C	2,551	1,913	5,832	3,919
1796	C	663	497	1,445	948
2020	C	959	719	2,271	1,552
2025	C	1,154	866	3,571	2,705
2029	C	606	454	1,345	891
2030	C	672	504	1,665	1,161
2033	C	2,498	1,874	3,464	1,590



**Appendix A (Continued)**

**Table 4: Projects with Excess Federal Payments (Continued)**

Project Number	FEMA Category of Work	Award Amount	Federal Share (75%)	Amount of Federal Funds Georgia Paid	Excess Payments
2059	C	9,088	6,816	8,481	1,665
2060	C	2,916	2,187	3,529	1,342
2070	C	1,617	1,213	5,812	4,599
2073	C	2,480	1,860	6,257	4,397
2082	C	1,243	933	2,231	1,298
2113	C	18,777	14,083	38,266	24,183
2118	C	9,297	6,973	34,021	27,048
2139	C	4,025	3,019	6,002	2,983
2152	C	563	422	1,403	981
2161	C	1,686	1,265	1,939	674
2166	C	1,512	1,134	1,297	163
2289	C	53,440	40,080	138,866	98,786
2304	C	26,563	19,922	80,704	60,782
2210	D	3,220	2,415	15,313	12,898
1163 <sup>5</sup>	G	0	0	1,540	1,540
1767	G	7,800	5,850	6,200	350
Subtotal		\$ 185,724	\$ 139,293	\$ 425,237	\$ 285,944
<b>Grand Total</b>		<b>\$3,202,394</b>	<b>\$2,401,796</b>	<b>\$3,272,925</b>	<b>\$871,129</b>

Source: FEMA Project Worksheets, Georgia Records, and OIG Analyses

<sup>5</sup> Georgia made a payment to the County on this project, but FEMA subsequently zeroed out the project.



## **Appendix B**

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