

**FEMA Should Recover \$2.75 Million  
of \$16.9 Million in Public  
Assistance Grant Funds Awarded to  
the Borough of Seaside Heights,  
New Jersey**





# DHS OIG HIGHLIGHTS

## ***FEMA Should Recover \$2.75 Million of \$16.9 Million of Public Assistance Grant Funds Awarded to Borough of Seaside Heights, New Jersey***

May 7, 2015

### **Why We Did This**

The Borough received a \$16.9 million grant award from the New Jersey Emergency Management Agency (New Jersey), a Federal Emergency Management Agency (FEMA) grantee, for Hurricane Sandy damages in October 2012. Our audit objective was to determine whether the Borough accounted for and expended FEMA funds according to Federal requirements.

### **What We Recommend**

FEMA should deobligate \$2 million in unneeded funds and disallow \$712,657 in questionable costs. FEMA should also direct New Jersey to remind the Borough to comply with the requirements of Federal procurement standards and the Single Audit Act.

#### **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**

Although the Borough of Seaside Heights, New Jersey (Borough) accounted for FEMA funds on a project-by-project basis, we identified \$2,038,893 of unneeded project funding that FEMA should deobligate and put to better use. In addition, the Borough did not comply with Federal procurement standards in awarding contracts for disaster work and claimed \$712,657 of questionable costs. The Borough also did not comply with the *Single Audit Act*, which requires non-Federal entities that expend \$500,000 or more in a year in Federal awards to obtain a single or program-specific audit for that year.

Generally, these findings occurred because Borough officials were unfamiliar with grant administrative requirements and New Jersey, as the grantee, did not proactively monitor the Borough's subgrant activities.

### **FEMA Response**

FEMA's written response is due within 90 days.



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Department of Homeland Security  
Washington, DC 20528

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May 7, 2015

MEMORANDUM FOR: Jerome Hatfield  
Regional Administrator, Region II  
Federal Emergency Management Agency

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

SUBJECT: *FEMA Should Recover \$2.75 Million of \$16.9 Million in Public Assistance Grant Funds Awarded to the Borough of Seaside Heights, New Jersey*  
Audit Report Number OIG-15-90-D

We audited Public Assistance grant funds awarded to the Borough of Seaside Heights, New Jersey (Borough). The Borough received a Public Assistance grant award of \$16.9 million from the New Jersey Office of Emergency Management (New Jersey), a FEMA grantee, for damages resulting from Hurricane Sandy, which occurred in October 2012. The award provided 90 percent FEMA funding for debris removal, emergency protective measures, and permanent repairs to buildings and facilities. We audited five large projects with awards totaling \$14.7 million (net of insurance) (see appendix A).

### **Results of Audit**

FEMA should recover \$2.75 million in grant funds awarded to the Borough. Although the Borough accounted for FEMA funds on a project-by-project basis, we identified \$2,038,893 of unneeded project funding that FEMA should deobligate and put to better use. In addition, the Borough did not comply with Federal procurement standards in awarding contracts for disaster work and claimed \$712,657 of questionable costs, which included:

- \$338,678 in unsupported equipment costs;
- \$250,000 in unauthorized towing costs;
- \$78,258 in unsupported fuel costs; and
- \$45,721 in duplicate benefits for costs that insurance covered.



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Finally, the Borough did not comply with the *Single Audit Act*,<sup>1</sup> which requires non-Federal entities that expend \$500,000 or more in a year in Federal awards to obtain a single or program-specific audit for that year. Generally, these findings occurred because Borough officials were unfamiliar with grant administrative requirements and New Jersey did not proactively monitor the Borough's subgrant activities.

### **Finding A: Funds Put To Better Use**

FEMA should deobligate \$2,038,893 of project funding and put those funds to better use because the Borough no longer needs the funding to complete project work. Federal appropriations laws and the Statement of Federal Financial Accounting Standards (SFFAS) require Federal agencies to record obligations in the accounting records on a factual and consistent basis throughout the government.<sup>2</sup> The overrecording and the underrecording of obligations are equally improper as both practices make it impossible to determine the precise status of Federal appropriations. When the precise amount is not known at the time that the obligation is incurred, agencies appropriately record an obligation based on the best estimate at the time. Agencies, however, must periodically adjust that obligation as more precise data on the liability become available. That is, the agency must increase or decrease obligated funds when probable and measurable information becomes known. Agencies must document both the initial recordings and the adjustments to recorded obligations.

Under Project 2904, FEMA obligated \$8,111,315 to restore the North and South sections of the Borough's damaged boardwalk to its pre-disaster condition. The repairs included, among other things, installation of boardwalk sections using treated wood and the replacement of several ticketing booths, light poles, wooden ramps, steel railing, and steel benches. The Borough completed the authorized work in February 2014 for \$6,464,993, or \$1,646,322 less than the amount FEMA obligated for the work.

Similarly, FEMA obligated \$3,770,330 under Project 3024 to restore the Borough's damaged electrical distribution system to its pre-disaster design, function, and capacity. The repairs, which involved more than 100 sites, included the replacement of cross arm and pole mounted transformer sites, induction meters, circuit breakers, generators, substations, and power lines. The Borough completed the authorized work in June 2013 for \$3,377,759, or \$392,571 less than the amount FEMA obligated for the work.

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<sup>1</sup> *The Single Audit Act of 1984*, as amended in 1996.

<sup>2</sup> *Government Accountability Office Principles of Federal Appropriations Law*, 3rd edition, Volume II, February 2006, Chapter 7, Section B: Criteria for Recording Obligations (31 U.S.C. § 1501).



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At the time of our audit, the \$2,038,893 (\$1,646,322 plus \$392,571) of excess project funding remained obligated under the two projects although the Borough had completed all authorized work. Therefore, FEMA should immediately deobligate the \$2,038,893 and put those funds to better use.

Borough and New Jersey officials withheld comments on this finding. FEMA officials said they would review the eligibility of costs the Borough claimed under the projects and deobligate any excess funding during the audit resolution process.

### **Finding B: Contracting Procedures**

For the five projects we audited, the Borough claimed contract costs totaling \$10,899,975, the majority of which was for exigent work (electrical repair and restoration). However, the Borough did not fully comply with Federal procurement standards when awarding the contracts. Federal procurement standards at 44 Code of Federal Regulations (CFR) 13.36 required the Borough, among other actions, to—

- conduct all procurement transactions in a manner providing full and open competition. Noncompetitive procurement may be used under certain circumstances, one of which is when the public exigency or emergency will not permit a delay resulting from competitive solicitation (44 CFR 13.36(c) and (d)(4)(i)(B)).
- use time-and-material contracts only after determining that no other contract is suitable, and only if the contract contains a ceiling price that the contractor exceeds at its own risk (44 CFR 13.36(b)(10)(i) and (ii)).
- perform a cost or price analysis in connection with every procurement action, including contract modifications, to determine the reasonableness of the contractor's proposed price (44 CFR 13.36(f)(1)).
- include specific provisions in its contracts, such as Equal Employment Opportunity compliance, compliance with labor laws, prohibition of "kickbacks," and access to records and record retention requirements (44 CFR 13.36(i)).

Further, Federal cost principles at 2 CFR 225, Appendix A, Section C.2, state that costs must be necessary and reasonable for efficient and reasonable performance and administration of the grant to be eligible under a Federal award.



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FEMA may grant exceptions to Federal procurement requirements to subgrantees on a case-by-case basis (44 CFR 13.6(c)).

Shortly after the disaster in October 2012, the Borough orally hired a contractor on a noncompetitive basis to restore the Borough's severely damaged electrical distribution system. The contractor subcontracted 100 percent of the electrical work to four subcontractors and invoiced the Borough a total of \$2,352,755 for work performed from October 31, 2012, to December 9, 2012. The contractor based these charges on the total number of labor and equipment hours and expenses (lodging, food, and miscellaneous). After several months of billing disputes between the Borough and the prime contractor, the Borough entered into a negotiated agreement on April 25, 2013. According to the agreement, the Borough would pay \$2,211,589 for the work, or 6 percent less than the \$2,352,755 the prime contractor originally billed. The Borough claimed the negotiated \$2,211,589 to Project 3024.

We concluded the need to restore electric power constituted exigent circumstances that warranted the use of a noncompetitive contract because lives and property were at risk. However, the Borough did not satisfy all Federal contracting requirements when it awarded the contract work, which may have resulted in unreasonable contract costs.

### No Written Contract

The Borough hired the prime contractor on an oral basis. As a result, it did not have a written contract or other written records detailing the contractor's authorized scope of work, contract cost ceilings, agreed-upon hourly labor and equipment rates, or the contracting provisions that Federal procurement regulations require. By not executing a written agreement that contained these contracting elements, the Borough did not properly protect the rights and responsibilities of the parties to minimize risks of misinterpretations, disputes, and improper billings. Further, as previously discussed, the lack of these contracting elements caused a billing dispute between the Borough and the prime contractor.

### No Cost or Price Analysis

The Borough could not provide evidence that it conducted a price or cost analysis to determine cost reasonableness. In fact, there was no evidence the contractor submitted labor and equipment price quotes to the Borough before the contractor began work. A cost or price analysis decreases the likelihood of unreasonably high or low prices, contractor misinterpretations, and errors in pricing relative to the scope of work. As a result of the Borough's actions, the hourly labor and equipment rates the prime contractor billed for subcontract work appear to be unreasonable. We noted that two electrical firms (Firm A and



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Firm B) that worked for the prime contractor as subcontractors provided rate proposals to the Borough for additional electrical work the Borough needed. The rates were for similar work during the same time period as when the firms worked for the prime contractor. Firm A presented the Borough with hourly labor and equipment rates while Firm B submitted the Borough a total combined daily rate for labor and equipment use. The hourly labor rates that Firm A submitted were already “fully-burdened” rates that included the employees’ actual pay, labor burden (taxes and fringe benefits such as insurance, retirement, and vacation pay), overhead, and profit. We compared the hourly overtime labor rate that Firm A charged the Borough for linemen to the overtime rate the prime contractor billed the Borough for linemen. Based on this comparison, the prime contractor’s rate was 265 percent higher than Firm A’s rate for the same type of worker. For instance, the prime contractor billed the Borough an overtime rate of \$172.50 per hour for lineman work while Firm A billed the Borough an overtime rate of \$65.00 per hour for the same work. While it is customary for a prime contractor to add markups for profit and overhead to the pass-through costs of subcontractors, a markup of 265 percent for profit and overhead appears unreasonable.

### No Contract Provisions

The Borough did not include all contract provisions that 44 CFR 13.36(i) require for the \$10.8 million of contracts we reviewed. Federal regulation 44 CFR 13.36(i) requires applicants to include specific provisions in their contracts, such as Equal Employment Opportunity compliance, compliance with labor laws, and prohibition of “kickbacks.” These contract provisions document the rights and responsibilities of the parties and minimize the risk of contract misinterpretations and disputes. Although the Borough did not include these provisions in its contracts, we did not identify any negative effects resulting from the omissions

### Summary

Our usual practice would be to question all contract costs that a subgrantee claims that do not comply with Federal and FEMA procurement requirements. However, in this particular case, we are not questioning any costs related to the Borough’s noncompliance with Federal contracting requirements because exigent circumstances warranted the Borough to take immediate steps to restore electrical power to protect lives and property. Further, although the Borough did not conduct a cost or price analysis on the contract prices before awarding the work, it later took action to negotiate a lower cost for the work at its completion. Finally, the billing disputes and litigation the Borough encountered after completion of the contract work emphasized to Borough officials the importance of taking prudent steps to ensure compliance with Federal procurement standards when contracting for disaster-related work to



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avoid risking the loss of Federal financial assistance. These steps include, but are not limited to: (1) obtaining written contracts detailing an authorized scope of work, (2) establishing reasonable, agreed-upon hourly labor and equipment rates, and (3) ensuring that all required Federal contracting provisions are included in the contracts.

Borough and New Jersey officials withheld comments pending receipt of this report. FEMA officials said they would review the costs for reasonableness during the audit resolution process.

### **Finding C: Unsupported Equipment Costs**

The Borough did not have adequate documentation to support \$338,678 of force account equipment costs claimed under several projects. Federal cost principles at 2 CFR Part 225, Appendix A, Section C.1.j., require that costs be adequately documented to be allowable under a Federal award.

The Borough provided us with summary cost sheets for police and public works equipment (vehicles and heavy equipment) it claimed that Borough employees used to complete work under each project. These summary cost sheets contained a description of the equipment, operator's name, dates of use and total hours used, and an hourly equipment rate. The Borough calculated its daily use of each piece of equipment using data from employee timesheets. For example, if an employee such as a police officer worked an 8-hour day, the Borough claimed 8 hours of use for a police vehicle assigned to the officer on that day at an hourly rate of \$16.25. However, this methodology assumes that FEMA reimburses the use of all equipment based on an hourly rate and that the employee used the equipment continuously throughout the day. According to FEMA's *Public Assistance Guide* (FEMA 322, June 2007, page 48), FEMA generally reimburses an applicant's use of automobiles and pick-up trucks based on mileage. For all other types of equipment, FEMA reimburses costs using an hourly rate. Standby time for applicant-owned equipment is not eligible; and, if an applicant uses equipment intermittently for the majority of the day, the applicant may claim use for the entire day if it submits adequate documentation. Equipment that an applicant uses for less than half a day is reimbursable only for the hours used.

The Borough did not maintain source documentation to support the specific use of the equipment. Such documentation could include equipment activity logs or similar records that identify mileage driven for vehicles, and the beginning and ending times the employees used the equipment. As a result, we could not validate the accuracy and eligibility of the equipment costs the Borough claimed. Therefore, we question the \$338,678 as table 1 shows.



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**Table 1: Unsupported Equipment Costs**

<b>Project Number</b>	<b>Department</b>	<b>Amount Claimed and Questioned</b>
2704	Police	\$ 264,555
3024	Public Works	60,475
997	Public Works	13,648
<b>Total</b>		<b>\$338,678</b>

Source: FEMA Project Worksheets, Borough Records, and Office of Inspector General (OIG) Analysis.

We recognize that the Borough incurred equipment costs to perform authorized project work. Therefore, we recommend FEMA and New Jersey work together to determine reasonable equipment costs to reimburse the Borough for equipment used to perform eligible work. Further, as a result of our review, the Borough developed a new force account equipment tracking system that should capture all required data for equipment use for future FEMA projects. At the completion of our fieldwork, this tracking system was pending approval from Borough council members.

Borough and New Jersey officials withheld comments pending receipt of this report. FEMA officials said they would review the costs for reasonableness during the audit resolution process.

**Finding D: Unauthorized Towing Costs**

The Borough claimed \$250,000 under emergency protective measures Project 2704 for towing vehicles from roadways to facilitate debris removal from Borough roads. However, the \$250,000 included charges for unauthorized activities. According to Federal cost principles at 2 CFR 225, Appendix A, Section C.1(c), the awarding agency must authorize costs to be allowable under Federal awards.

With the exception of six vehicles towed November 1–9, 2012, the Borough had all vehicles removed from within the Borough on October 31, 2012, by a towing company it had under contract before the disaster. The towing company invoiced the Borough \$344,820 for vehicle towing, storage fees ranging from \$465 to \$2,040 per vehicle, and a \$200 recovery charge for each towed vehicle. Borough officials said that they had concerns with the \$200 recovery charge and after negotiations the towing company agreed to remove most of the \$200 charges, which reduced total costs to \$250,000. The Borough claimed the \$250,000 to the FEMA award.



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However, the \$250,000 of towing costs included charges for unauthorized activities. According to the Borough Administrator, the towing company removed vehicles from private driveways, not just from the roads. The official told us the Borough's former emergency management coordinator directed the towing company to remove all vehicles within the Borough to mitigate any risks posed to residents from potential gas leak explosions. However, the project worksheet only authorized removal of vehicles from roadways to facilitate debris removal activities. Borough officials could not provide us with a breakdown of costs for vehicles removed from private driveways. Therefore, we question the entire \$250,000 because we could not validate eligible project costs.

We recognize the Borough incurred some towing costs to perform authorized project work. We also recognize that there may have been a legitimate need to remove all vehicles within the Borough for public safety reasons. Thus, if the project worksheet authorized the removal of vehicles from private driveways for safety reasons they may be an eligible activity given the conditions that existed after the disaster. Therefore, the Borough should provide evidence supporting the number of vehicles that met the project's original scope of work. The Borough may also consider working with New Jersey to request that FEMA modify the project's authorized scope of work to include reasonable towing costs for removing all vehicles within the Borough.

Borough officials did not agree with this finding, saying that they would look for additional support to show the costs are eligible and provide such documentation to FEMA at project closeout. FEMA and New Jersey officials withheld comments pending receipt of this report.

### **Finding E: Unsupported Fuel Costs**

The Borough's claim under emergency protective measures Project 2704 included \$78,258 of unsupported fuel costs. The Borough purchased fuel for several contractors and for rental cars of temporary employees and some police vehicles to assist with various activities such as citizen rescues, sheltering operations, and manhole repairs. However, the Borough did not maintain fuel usage records to separately identify fuel costs attributable to specific people, vehicles, or tasks. As a result, FEMA has no assurance that the Borough used the fuel for eligible work or that the Borough had not claimed the same fuel costs by way of contractors' invoices or force account equipment costs using FEMA equipment rates. FEMA equipment rates cover all ownership and operational costs including insurance, depreciation, fuel, tires, and maintenance costs. Accordingly, some of the \$78,258 of fuel costs may be duplicate costs the Borough claimed for force account equipment. Therefore, we question the \$78,258 as unsupported because the Borough's records



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cannot substantiate that the fuel was for eligible work and that the Borough had not already received compensation for the fuel through FEMA's equipment rates.

Borough officials did not agree with this finding, saying that they would look for additional support to show the costs are eligible and provide such documentation to FEMA at project closeout. FEMA and New Jersey officials withheld comments pending receipt of this report.

### **Finding F: Costs Covered by Insurance**

The Borough claimed \$45,721 under Project 2704 in duplicate benefits for costs that its insurance covered. Section 312 of the *Robert T. Stafford Disaster and Emergency Assistance Act*, as amended, states that no entity will receive assistance for any loss for which it has received financial assistance from any other program, insurance, or any other source.

At the time of our audit, a FEMA insurance specialist had not conducted a final review of insurance proceeds for vehicle repairs that the Borough received from its insurance carrier. We reviewed the Borough's insurance settlement statement, insurance policy, schedule of values that identified all damaged vehicles, and invoice amounts of vehicle repairs. From this analysis, we determined that insurance covered \$45,721 of vehicle repairs the Borough claimed under Project 2704. Therefore, we question the \$45,721 as ineligible costs.

Borough officials agreed with this finding and said they had mistakenly claimed the costs to the project. FEMA and New Jersey officials agreed with this finding.

### **Finding G: Single Audit Requirements**

The Borough did not comply with the *Single Audit Act's* requirements for annual audits of Federal awards. This Act and Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, help ensure that grant recipients spend Federal funds properly. The Circular states that non-Federal entities that expend \$500,000 or more in a year in Federal awards must obtain a single or program-specific audit for that year. The Single Audit is due 9 months after an entity's fiscal year end, which in the Borough's case is December 31. The Borough met the \$500,000 threshold for fiscal year 2013. Therefore, the Borough should complete and submit a Single Audit for 2013 by September 30, 2014. However, Borough officials could not provide evidence that it had a Single Audit for 2013. As a result, FEMA and New Jersey, as the grantee, did not have an opportunity to



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review the Single Audit report that might have detected the same conditions our audit identified. Borough officials stated that they were not aware of this requirement. However, the State-Applicant agreement that Borough officials signed to receive the FEMA grant indicated the requirement to comply with the *Single Audit Act*.

Borough and New Jersey officials agreed with this finding. FEMA officials withheld comment pending receipt of this report.

### **Finding H: Grant Management**

New Jersey did not proactively monitor the Borough's activities to ensure the Borough followed applicable Federal procurement regulations. The nature and extent of the Borough's noncompliance with FEMA grant requirements demonstrate that New Jersey should have done a better job of providing technical assistance and oversight of the Borough's grant activities. Federal regulations require grantees to (1) ensure that subgrantees are aware of Federal regulations, (2) manage the day-to-day operations of subgrant activity, and (3) monitor subgrant activity to ensure compliance.<sup>3</sup> Therefore, FEMA should direct New Jersey to monitor the Borough's grant activities and provide technical assistance to assist the Borough in improving its administration of subgrant activities. This should decrease the risk of the Borough losing additional FEMA funds.

FEMA and New Jersey officials withheld comments pending receipt of this report.

### **Recommendations**

We recommend the Regional Administrator, FEMA Region II:

**Recommendation 1:** Deobligate and put to better use \$2,038,893 (Federal share \$1,835,004) of unneeded Federal funding (finding A).

**Recommendation 2:** Direct New Jersey to remind the Borough of its requirement to comply with Federal procurement standards when acquiring goods and services under a FEMA award (finding B).

**Recommendation 3:** Review the contract costs the Borough claimed for electrical power restoration and disallow any unreasonable costs (finding B).

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<sup>3</sup> 44 CFR 13.37(a)(2) and 44 CFR 13.40(a).



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**Recommendation 4:** Disallow \$338,678 (Federal share \$304,810) of unsupported equipment costs the Borough claimed unless it provides documentation adequate to support the costs (finding C).

**Recommendation 5:** Disallow \$250,000 (Federal share \$225,000) of ineligible costs the Borough claimed for towing unless (1) the Borough can provide evidence supporting the number of vehicles that met the project's original scope of work, or (2) FEMA determines a threat to public safety existed and authorizes the costs under the project (finding D).

**Recommendation 6:** Disallow \$78,258 (Federal share \$70,432) of unsupported and potentially duplicate costs the Borough claimed for fuel (finding E).

**Recommendation 7:** Disallow \$45,721 (Federal share \$41,149) of ineligible, duplicate benefits the Borough claimed for vehicle repair costs that insurance covered unless the Borough can provide sufficient evidence that insurance did not cover the costs (finding F).

**Recommendation 8:** Direct New Jersey to remind the Borough of its responsibility to comply with the requirements of the *Single Audit Act* (finding G).

**Recommendation 9:** Direct New Jersey to monitor the Borough's grant activities and provide technical assistance to assist the Borough in improving its administration of subgrant activities (finding H).

### Discussion with Management and Audit Follow-up

We discussed the results of our audit with Borough, New Jersey, 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 February 3, 2015. We included the officials' comments, as applicable, 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 recommendation open and unresolved.



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Major contributions to this report are David Kimble, Director; Adrienne Bryant, Audit Manager; and Nadine F. Ramjohn, Senior Auditor.

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



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**Appendix A**

**Objective, Scope, and Methodology**

We audited Public Assistance grant funds awarded to the Borough, FIPS Code 029-66450-00). Our audit objective was to determine whether the Borough accounted for and expended FEMA funds according to Federal regulations and FEMA guidelines for Disaster Number 4086-DR-NJ. The Borough received a Public Assistance grant award of \$16.9 million from the New Jersey Office of Emergency Management (New Jersey), a FEMA grantee, for damages resulting from Hurricane Sandy, which occurred in October 2012. The award provided 90 percent FEMA funding for debris removal, emergency protective measures, and permanent repairs to buildings and facilities. The award consisted of 10 large projects.<sup>4</sup>

We audited five large projects with awards totaling \$14.7 million (see table 2). The audit covered the period October 24, 2012, to February 26, 2014, during which the Borough claimed \$13.4 million under the five projects in our audit scope. At the time of our audit, the Borough had completed work on the five large projects we audited, but had not submitted a final claim to New Jersey for all project expenditures.

**Table 2: Projects Audited and Questioned Costs**

<b>Project</b>	<b>Category of Work<sup>5</sup></b>	<b>Net Amount Awarded</b>	<b>Amount Questioned</b>	<b>Funds Put to Better Use</b>	<b>Federal Share</b>	<b>Finding</b>
997	A	\$ 641,679	\$ 13,648	\$ 0	\$ 12,283	C
2704	B	1,668,584	638,534	0	574,681	C, D, E, F
4980	C	539,641	0	0	0	
3024	F	3,770,330	60,475	392,571	407,741	A, C
2904	G	8,111,315		1,646,322	1,481,690	A
<b>Totals</b>		<b>\$14,731,549</b>	<b>\$712,657</b>	<b>\$2,038,893</b>	<b>\$2,476,395</b>	

*Source: FEMA Project Worksheets, Borough Records, and OIG Analyses.*

<sup>4</sup> Federal regulations in effect at the time of Hurricane Sandy set the large project threshold at \$67,500.

<sup>5</sup> FEMA classifies disaster-related work by type: debris removal (Category A), emergency protective measures (Category B), and permanent work (Categories C through G).



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### Appendix A (continued)

We conducted this performance audit between January 2014 and February 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. To conduct this audit, we applied the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

To accomplish our objectives, we interviewed Borough, New Jersey, and FEMA personnel; gained an understanding of the Borough's method of accounting for disaster-related costs and its procurement policies and procedures; judgmentally selected and reviewed (generally based on dollar amounts) 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 auditing procedures, we also notified the Recovery Accountability and Transparency Board of all contracts the Borough 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. We received a report from the Recovery Accountability and Transparency Board on November 25, 2014, and determined that no further action was necessary. We did not perform a detailed assessment of the Borough's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective.



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**Appendix B**

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