



**T600**

**OIG: Frequent Audit Findings**

# OIG: Frequent Audit Findings

- Improper Contracting Practices
- Unsupported Costs
- Poor Project Accounting
- Excessive Equipment Charges
- Unapplied Credits
- Excessive Labor and Fringe Benefit Charges
- Duplication of Benefits
- Unrelated Project Charges
- Direct Administrative Costs
- Obtain and Maintain Insurance

# OIG: Frequent Audit Findings

## Improper Contracting Practices

Criteria: (2 CFR 200.318 - 326)

All non Federal entities (other than states) must comply with the following procurement standards:

- Conduct all procurement transactions in a manner providing full and open competition.
- Take all necessary affirmative steps to assure the use of minority businesses, women's business enterprises, and labor surplus area firms when possible
- Maintain oversight to ensure contractors perform to the terms/conditions/specifications of the contract/purchase orders
- Maintain written standards of conduct covering conflicts of interest and governing the performance of its employees who engage in the selection, award, and administration of contracts

**Don't use cost-plus-percentage-of-cost contract (2CFR 200.323(d))**

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## Improper Contracting Practices (cont'd)

Maintain records sufficient to detail the history of the procurement records include, but not limited to the following:

- rationale for procurement method and selection of contract type
- contractor selection or rejection and basis for contract price

### Time-and-material-type (T&M) contracts are:

- actual materials cost/labor hours charged at fixed hourly rates
- used only if no other contract is suitable: includes a ceiling cost

Perform a cost/price analysis with every procurement action in excess of the Simplified Acquisition Threshold including contract modifications

Negotiate profit as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed

**Don't use percent of-construction-cost contract (2CFR 200.323(d))**

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## Unsupported Costs

### Criteria: 2 CFR 200.403(g)

Requires sub-recipient to adequately document all cost claimed under Federal Programs.

## Poor Project Accounting

### Criteria: 2 CFR 200.302 & 44 CFR 206.205

Requires sub-recipient to maintain a system that:

- accounts for FEMA funds on a project-by-project basis
- discloses financial results for all FEMA-funded activities accurately, currently, and completely
- identifies funds received/disbursed and references source documentation (canceled checks, invoices, payroll, contracts)

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## Excessive Equipment Charges

(applicability may vary with hazard mitigation projects)

### Criteria: 44 CFR 206.228

Requires sub-recipients to use the FEMA schedule of equipment rates or their local rates, whichever are lower. Sub-recipients that do not have local established rates must use the FEMA equipment rates when claiming costs under a FEMA project.

## Unapplied Credits

### Criteria: 2 CFR 200.406

Credits accruing to or received by a non-Federal entity that relate to allowable costs must be credited to the Federal award either as a cost reduction or cash refund, as appropriate.

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## Excessive Labor and Fringe Benefit Charges

### Criteria: 2 CFR 200.403(c) & 44 CFR 206.228

Allowable costs must be consistent with policies and procedures that apply uniformly to both Federal awards and other activities of the non-Federal entity. Additionally, straight or regular-time salaries and benefits of permanent employees engaged in emergency work (emergency protective measures and debris removal) are not eligible for FEMA Public Assistance funding.

## Duplication of Benefits

### Criteria: Section 312 of the *Stafford Act*

A sub-recipient cannot receive disaster funding for activities covered by insurance benefits, other Federal programs, or any other source.

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## Unrelated Project Charges

### Criteria: 2 CFR 200.403(a) & 44 CFR 206.223

Charges to Federal grants must be necessary and reasonable for the performance of the Federal award.

To be eligible for FEMA funds sub-recipients must substantiate:

- items of work are required due to the major disaster event
- its claimed costs directly relate to the disaster
- a clear relationship between claimed costs and the scope of work recorded on a project worksheet

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## Direct Administrative Costs (DAC)

**Criteria:** 44 CFR 206 – 207.2, FEMA Disaster Policy 9525.9, *Management Costs and Direct Administrative Costs*. Clarifies the process through which the sub-recipient can request reimbursement for these costs.

- **Direct Administrative Costs:** Costs identified separately & assigned to a specific project
- **Indirect Costs:** Costs for a common/joint purpose benefiting more than one objective and not assignable to the objectives specifically benefited
- **Management Costs:** Reasonable indirect costs, administrative expenses, other expenses to administer and manage the Public Assistance grant that are not directly chargeable to a specific project
- **Pass-through funds:** The percentage or amount of management costs that the recipient determines it will make available to sub-recipients

**DAC Example: Cost of staff time to complete field inspection and prepare project.**

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## Obtain and Maintain Insurance

### Criteria: Section 311 Stafford Act & 44 CFR 206.252(d)

Requires applicants of disaster assistance to obtain and maintain such types and extent of insurance as may be reasonably available, adequate, and necessary, to protect against future loss to any property to be replaced, restored, repaired, or constructed with such assistance.

Federal regulations also require grant recipients to obtain and maintain insurance in the amount of eligible disaster assistance as a condition of receiving Federal funds.

Grant recipients may also seek an exemption from insurance requirements from their State insurance commissioner.

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## Pointers for Administering FEMA Grants

- Designate a person to coordinate the accumulation of records
- Establish separate accounts for recording revenue & expenditures
- Create separate identifiers for each distinct FEMA project
- Ensure final claim for projects reconciles with accounting system
- Ensure expenditures reference source documentation
- Ensure insurance coverage is credited to the FEMA project
- Check the availability of funding under other Federal programs
- Materials from existing inventories for FEMA projects are documented by inventory withdrawal and by usage records
- Ensure expenditures claimed for FEMA funded projects are:
  - reasonable and necessary and directly benefit the project
  - authorized under the scope of work