



## CTAS FEMA Grant Accounting and Budgeting Issues

October 9, 2024

1. Summary of allowable costs under FEMA and access to guidance: <https://www.fema.gov/grants/mitigation/guide/part-13/b/3>
2. The Tennessee Comptroller's Office Division of Local Government Audit (LGA) recommends counties use the *County Uniform Chart of Accounts* major category #54430 Disaster Relief (part of Public Safety) for all governmental funds to record disaster related expenditures. This can include the General Fund #101, Road Fund #131, and General-Purpose School Fund #141.
3. The TN Comptroller's Office of LGA view is that all expenditures for disaster related activities are considered part of "Public Safety".
4. Disaster related expenditures and budget amendments should use the appropriate object codes including capital purchases for vehicles, equipment, and building improvements that exceed \$5,000 (object codes #701 to 799). If the individual item cost < \$5,000 it should be recorded as supplies and expenditures (object codes #401 to 499). Using the correct object codes could help in providing a more detailed reporting of expenditures and FEMA cost reimbursement billings.
5. FEMA claim reimbursements should go through TEMA since the county is considered a subrecipient of the State of Tennessee.
6. NACO has published a summary of the two types of FEMA grants: (a) FEMA Public Assistance (PA) for emergency declarations for debris removal and emergency responses and will reimburse up to 75% of eligible expenditures, and (b) FEMA Major Disaster declarations to cover certain approved projects such as roads, bridges, water facilities, buildings, equipment, utilities, and recreation facilities (known as permanent work). See the National Association of Counties (NACO) article, *Counting the Costs of Post-Disaster Reimbursement*, February 2024.
7. Filing insurance claims for damaged buildings, vehicles, and equipment should be the first source of funding. Insurance proceeds (revenue account #49700) and payments for replaced or repaired capital assets should be recorded in the appropriate major category (not #54430) so these types of capital asset purchases are not comingled with TEMA/FEMA grant reimbursement claims. The deductible portion paid should be recorded in the major



category #54430 Disaster Relief and the appropriate object code since this cost may be reimbursed by FEMA.

8. Capital assets that are damaged and/or replaced with insurance proceeds or billed through FEMA claims should be adjusted in the fixed asset and depreciation records. Capital assets that are junked or destroyed should have \$0 sales proceeds with a disposal date of the storm (Hurricane Helene 9/27/24) and entered in the fixed asset system so depreciation expense and the loss on disposals can be calculated for the fiscal year end. For capital assets that are partially damaged the asset's original cost and accumulated depreciation may need to be adjusted to reflect a partial loss. Expenditures used to replace or repair capital assets should be entered separately as a new asset in the fixed asset software.
9. The employee's time, or percentage, spent on disaster recovery cleanup (not normal regular duties) including salaries, overtime paid, fringe benefits, and employer payroll taxes should be recorded in major category #54430 Disaster Relief. Salaries paid to temporary or part-time personnel hired to work exclusively on debris clean up and disaster recovery may be considered an allowable FEMA reimbursable cost.
10. All FEMA cost claims will need supporting documentation of time sheets, over-time approval, paid invoices/purchase orders to include the 5 W's of: who, what, when, where and why. Supporting costs should be documented for submission to TEMA. Copies of all approved documented expenditures should be accumulated as costs are incurred and paid.
11. FEMA costs claims should be reconciled to the detailed expenditures and amounts that correspond to all supporting documentation.
12. Cash flow will be important since FEMA claims can take several years to collect. The county may need to budget their unassigned fund balances, utilize inter-fund borrowings and consider other short-term financing as necessary. The county may need to review their debt and loan covenants to determine if they can utilize interfund borrowings from Debt Service Funds (#151 to 159). Interest costs are unallowable for FEMA claims.
13. The county should record accounts receivable when billing FEMA/TEMA; however, the revenue may not be recognized unless it's anticipated the cash will be received (available) within 12 months after the current fiscal year end. If the FEMA claim is not anticipated to be received within one year after FYE then the credit side of the accounting entry should be recorded to #29990 Other Deferred/Unavailable Revenue. This can create a budget deficit and the statement of revenues, expenditures and changes in fund balances where the expenditures are reported in the current fiscal year before the revenues can be recognized in a subsequent fiscal year(s).



14. Documentation of timesheets and vendor's invoices should include a detailed description of the location, hours, type of equipment used (including equipment hours used) and pictures of the repairs that correspond to the disaster survey. This detail should include billings from other counties or cities.
15. County owned equipment can be charged as equipment rental cost using the FEMA rates. The equipment rental costs should be documented by day, number of hours, operator, and location.
16. For counties with non-fully centralized accounting systems (general law, or 1957 Acts w/out schools) the Mayor's Office will need to submit one consolidated FEMA billing claims for the county. FEMA will only NOT accept different billings from each major county department. This will require the Mayor, Road Superintendent and Director of Schools to communicate and coordinate the documentation for FEMA billings.
17. Document as much detailed information as possible. Use detailed descriptions such as debris removal on Maple Street near Main Street after Hurricane Helene. Keep pictures, document the damage and the response to the damage.
18. Establish files and back up files. You can expect to provide the details to several levels of review (your auditors, TEMA, and FEMA officials). For details not provided, FEMA may not reimburse these expenditures.
19. Have a conversation within your Administration and your legislative body on estimates of total storm related costs and get approval for some local funding (e. g. appropriate from fund balance) to start with.
20. If you are providing or receiving assistance to or from another jurisdiction, get an interlocal agreement approved by the legislative body. Keep track of the costs in the same manner – personnel, materials and equipment.
21. Plan on drafting a "subsequent event" note disclosure for the FYE June 30, audited financial statements. Something to the effect: "Subsequent to June 30, 20XX, the effects of the storm (Hurricane Helene or storm name) caused damage to our buildings, roads, bridges, utilities and debris. The recovery efforts are expected to be at least \$XYZ and take ABC months. The County is still performing damage assessments. The County is working closely with state and federal agencies for the recovery and will be seeking reimbursement for eligible expenditures."
22. If you have publicly traded debt (General Obligation Bond Issues) you should contact your Financial Advisor to make the appropriate disclosure of this significant event through the



EMMA website as part of your ongoing U.S. Securities and Exchange Commission requirements.

23. For the current fiscal year, you should review your capital asset records for asset impairments. For instance: roads, bridges, utilities and buildings damaged. There will need to be consideration if an impairment and loss will need to be recorded. Keep the damage assessment information available for your external auditors.

