



Homeland Security

March 7, 2011

MEMORANDUM FOR: Major P. (Phil) May, Regional Administrator
FEMA Region IV

FROM: C. David Kimble, Director
Eastern Regional Office

A handwritten signature in black ink that reads "C. David Kimble".

SUBJECT: *Beauvoir — Jefferson Davis Home and Presidential Library*
FIPS Code: 047-04580-00
FEMA Disaster No. 1604-DR-MS
Report No. DA-11-10

We audited public assistance funds awarded to Beauvoir (Jefferson Davis Home and Presidential Library), located in Biloxi, Mississippi. The objective of the audit was to determine whether Beauvoir accounted for and expended Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

As of May 18, 2010, Beauvoir had received a public assistance award of \$17.2 million from the Mississippi Emergency Management Agency (MEMA), a FEMA grantee, for damages related to Hurricane Katrina in August 2005. The award provided 100% FEMA funding for debris removal, emergency protective measures, and repair of buildings, equipment, and other facilities damaged as a result of the disaster. The award included 21 large projects and 25 small projects.¹ At the time of our audit, the projects were in various stages of completion and Beauvoir had not submitted final claims for project expenditures to MEMA.

Our audit focused primarily on \$14.5 million awarded under four large projects identified in the table below.

Project Number	Scope of Work	Amount Awarded	Amount Claimed
7425	Confederate Museum Building Replacement	\$1,685,149	\$1,565,256
8217	Brick Retaining Wall and Walkways	238,350	243,200
8921	Beauvoir Main House	3,783,572	2,796,998
10476	Jefferson Davis Presidential Library	8,822,484	1,368,117
Total		\$14,529,555	\$5,973,571

¹ Federal regulations in effect at the time of Hurricane Katrina set the large project threshold at \$55,500.

The audit covered the period from August 29, 2005, to May 18, 2010, during which Beauvoir claimed \$6 million under the four large projects.

We conducted this performance audit under the authority of 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 and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We reviewed judgmentally selected project cost documentation (generally based on dollar value); interviewed Beauvoir, MEMA, and FEMA personnel; reviewed Beauvoir's disaster grant accounting system and procurement policies and procedures; reviewed applicable federal regulations and FEMA guidelines; and performed other procedures considered necessary under the circumstances. We did not assess the adequacy of Beauvoir's internal controls applicable to its grant activities because it was not necessary to accomplish our audit objective. We did, however, gain an understanding of Beauvoir's grant accounting system and its policies and procedures for administering activities provided for under the FEMA award.

BACKGROUND

Beauvoir was the last home of Jefferson Davis and the site of his retirement. The house was built in 1852. The house looks out over the Mississippi Sound from the front porch and was named Beauvoir, which is French for beautiful view or beautiful to look at. The house was designated as a national historic landmark in November 1973.

RESULTS OF AUDIT

Beauvoir's grant accounting system accounted for expenditures on a project-by-project basis and provided a means to readily trace project expenditures to source documents, as required by federal regulations. However, we concluded that \$1,052,166 of project funding should be de-obligated because Beauvoir received insurance proceeds, grants, and donations from other sources to cover the authorized work.

According to Section 312 of the Stafford Act, FEMA funds cannot be used for expenditures recoverable from another federal program, insurance, or any other source. Also, federal regulation 44 CFR 206.250(c) states that actual and anticipated insurance recoveries shall be deducted from otherwise eligible costs. Furthermore, FEMA Policy 9525.3 (*Duplication of Benefits-Non-Government Funds*, October 30, 2000) states that grants and cash donations from non-federal sources designated for the same purpose as federal disaster funds generally are considered a duplication of benefits. In most cases, such funds can be used to pay any applicable non-federal share of costs of the grant and any excess could be used to reduce the total project cost.

- *Insurance Proceeds.* Beauvoir received \$1,323,996 in wind insurance proceeds from an insurance policy covering the Beauvoir Main House, Presidential Library, other structures, and contents. Of this amount, \$323,996 was received prior to a final legal insurance

settlement, and was deducted from the eligible project costs for which it was specified. The remaining \$1 million in wind insurance proceeds resulted from the final settlement and was a lump sum payment not associated with any specific project.

Beauvoir made an allocation of the final insurance proceeds among the assets affected by the disaster since it was not identified to specific FEMA-funded projects. However, the allocation resulted in only \$545,003 deducted from eligible FEMA project costs, and \$20,000 allocated to two structures, which were not eligible for FEMA funding. As a result, the remaining wind proceeds of \$434,997 remained with Beauvoir and were not utilized to reduce FEMA funding on other projects. Therefore, we question the \$434,997.

Beauvoir officials disagreed with our finding. They said the \$434,997 of remaining insurance proceeds should be used to cover artifacts that were lost or damaged, which were ineligible for FEMA funding. They said the original valuations of the artifacts were very low; therefore, the proceeds were needed to help cover the replacement of the damaged items. However, we disagree. Beauvoir received a separate \$1,237,054 in insurance proceeds for artifacts; therefore, the artifacts were already covered by a policy other than the one protecting the Main House, Presidential Library, other structures, and contents. Of those proceeds, only \$192,381 was deducted from eligible project costs, leaving the remaining \$1,044,673 to cover the replacement of artifacts.

- Grants and Donations. Beauvoir received and reported \$617,169 in grants and donations from sources other than FEMA for repairs to the main house, which is funded through Project 8921. However, project funding had not been reduced by these grants and donations as of our review. The \$617,169 is comprised of a \$300,000 “Save America’s Treasures” grant from the United States Department of the Interior, National Park Service; a matching grant of \$300,000 from the Mississippi Community Heritage Preservation Grant Program; and \$17,169 in private donations specifically for the main house restoration.

The “Save America’s Treasures” grant was approved prior to Hurricane Katrina, but following the storm and before funds were drawn, Beauvoir requested and was granted a scope change, which gave approval for the grant funds to be used for Katrina-related repairs. Beauvoir first received funds from this grant in April of 2007. In November 2006, Beauvoir requested a FEMA/MEMA decision on whether the funds in question would be considered duplicate funding. However, according to MEMA, no response was provided to Beauvoir regarding the inquiry. Beauvoir also requested that the Mississippi Community Heritage Preservation grant be applied to its cost share of this project. However, Katrina projects did not require a non-federal contribution, as they were ultimately funded at 100%. Beauvoir agreed with the \$17,169 donation portion of our finding, but disagreed with the \$600,000 related to the grants.

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IV, in coordination with MEMA:

Recommendation #1: De-obligate \$434,997 (federal share \$434,997) of project funding for damages covered by wind insurance proceeds and put those funds to better use.

Recommendation #2: De-obligate \$617,169 (federal share \$617,169) of duplicate funding from Project 8921 and put those funds to better use.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of our audit with Beauvoir, MEMA, and FEMA officials during our audit. We also provided written summaries of our findings and recommendations in advance to these officials and discussed them at the exit conference held on January 5, 2011. Beauvoir officials disagreed with our findings and recommendations as noted in the body of this report and stated they would withhold further comments until the final report has been issued.

Please advise this office by June 6, 2011, of the actions planned or taken to implement the recommendations, including target completion dates for any planned actions. To promote transparency, this final report and your response to this report, including your corrective actions planned, will be posted to our website, with exception of sensitive information identified by your office. Significant contributors to this report were Larry Arnold, John Skrmetti, and Rickey Smith. Should you have any questions, please contact me at (404) 832-6702, or your staff may contact Larry Arnold, Audit Manager, at (228) 822-0346.

cc: Mary Lynne Miller, Deputy Regional Administrator
Jesse Munoz, Director Recovery
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Beauvoir, Mississippi
FEMA Disaster No. 1604-DR-MS
Schedule of Projects Reviewed
August 29, 2005, through May 18, 2010

Project Number	Funds Put To Use
7425	\$0
8217	0
8921	617,169
10476 ²	434,997
Total	\$1,052,166

² There are multiple projects to which the \$434,997 of insurance proceeds could be assigned, in whole or in part. We listed it against Project 10476 for purposes of this exhibit. The decision as to which project(s) these insurance proceeds should be applied against should be coordinated between Beauvoir, MEMA, and FEMA.