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DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General
Atlanta Field Office – Audit Division
3003 Chamblee Tucker Rd
Atlanta, GA 30341

April 01, 2003

MEMORANDUM FOR: Kenneth O. Burris, Jr.
Regional Director, FEMA Region IV

FROM: Gary J. Barard
Audit Manager

SUBJECT: Gold Coast Railroad Museum
Miami, Florida
FEMA Disaster No. 955-DR-FL
Audit Report No. DA-02- 03

The Office of Inspector General (OIG) audited public assistance funds awarded to the Gold Coast Railroad Museum, Miami, Florida. The objective of the audit was to determine whether the Museum accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The Museum received an award of $5 million from the Florida Department of Community Affairs, a FEMA grantee, to remove debris, provide emergency protective measures, and repair facilities and property damaged as a result of Hurricane Andrew in August 1992. The award provided 100 percent FEMA funding for 15 large projects and 53 small projects[1]. Audit work was limited to the $4,783,429 claimed under the 15 large projects (see Exhibit).

The audit covered the period August 1992 to October 2002. During this period, the Museum received $4,603,156 of FEMA funds under the 15 large projects.

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit included tests of the Museum's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

The Museum's claim included questioned costs of $255,322 resulting from charges that were duplicate, excessive, unsupported and unauthorized, and for losses covered by insurance.

[1] According to FEMA regulations, a large project cost $40,000 or more and a small project costs less than $40,000.

A. Duplicate Charges. The Museum claimed $43,947 under Project 18389 for storage and $48,236 under Project 43230 for repairs. The Museum, however, claimed these same costs under Project 15814. The costs were allocable to Projects 18389 and 43230. Therefore, the OIG questions the duplicate claim of $92,183 under Project 15814.

B. Excessive and Unsupported Project Charges. The Museum's claim under several projects included $88,486 of excessive and unsupported charges, as follows:

- The Museum claimed contract costs of $204,107 ($69,626 under Project 14467 and $134,481 under Project 43228) for the repair of damaged railcars. The claim was calculated by deducting insurance proceeds of $200,000 from anticipated contract repair costs of $404,107. However, the Museum's records showed actual contract repair costs of $380,857. As a result, the Museum's claim should have been $180,857 ($380,857 less $200,000), or $23,250 less than the amount claimed. The OIG questions the $23,250 excess claim-- $10,854 under Project 43228 and $12,396 under Project 14467.

- The Museum's claim under Project 43228 also included $11,016 of excess charges to repair the Silver Crescent railcar. The Museum retained a contractor, under a fixed price contract, to perform the necessary repairs. However, the contractor requested, and the Museum approved, change orders totaling $11,016 for repair items that were already included in the scope of work of the fixed price contract. Therefore, the OIG questions the excess contract charges of $11,016.

- The Museum's claim of $50,098 under Project 18129 included $20,598 of excess charges. The Wolfsonian Foundation billed the Museum $50,098 for repairs to a railcar that it had loaned to the Museum. However, the Museum reimbursed the Foundation only $29,500. Museum officials said that the Foundation released the Museum from the remaining balance of $20,598. Accordingly, the OIG questions the $20,598 excess claim.

- The Museum claimed $251,227 under several projects, but had documentation (i.e., invoices, cancelled checks, etc.) to support only $217,605. Thus, the OIG questions the unsupported difference of $33,622, as follows:

Project	Amount Claimed	Amount Supported	Amount Questioned
06025	$ 67,397	$ 66,379	$ 1,018
14471	40,000	21,470	18,530
18387	63,312	55,000	8,312
18389	80,518	74,756	5,762
Total	$251,227	$217,605	$33,622

C. Unauthorized Project Charges. Projects 43228 and 14967 provided for the repair of railcars damaged as a result of the disaster. The Museum, however, claimed $33,442 under Project 43228 and $8,484 under Project 14467 for repairs to railcars that were not

included within the approved work statement. Moreover, these repair charges to the projects included the costs of general maintenance items and the costs of a 40-year inspection required for Amtrak passenger railcars that was specifically prohibited under the approved scope of work. Thus, the OIG questions these unauthorized project charges of $41,926

D. Losses covered by Insurance. The Museum received but failed to credit FEMA funded activities with $32,727 of insurance proceeds. The Museum claimed $411,073 to repair a damaged locomotive under Project 39426 and $80,518 to clean and restore damaged contents in the Presidential Magellan railcar under Project 18389. However, the Museum received proceeds of $15,738 under Project 39426 and $16,989 under Project 18389 from its insurance carrier to cover these losses. Contrary to federal regulation (44 CFR 206.250), the FEMA projects were not credited with these proceeds. Therefore, The OIG questions the $32,727.

RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the $255,322 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The results of the audit were discussed with FEMA, grantee, and Museum officials on November 6, 2002. Museum officials concurred with the findings.

Pursuant to FEMA Instruction 1270.1, please advise the Atlanta Field Office - Audit Division by ~~April~~ June 2, 2003, of actions taken to implement the OIG recommendation. Should you have questions concerning this report, please contact me or Felipe Pubillones, Jr. at (770) 220-5242.

Exhibit

Gold Coast Railroad Museum
FEMA Disaster No. 955-DR-FL
Schedule of Claimed and Questioned Costs
Large Projects

Project Number	Amount Awarded	Amount Claimed	Amount Questioned
06025	$ 67,397	$ 67,397	$ 1,018
14467	70,864	75,813	20,880
14471	40,000	40,000	18,530
14472	41,000	48,464	
15813	130,190	130,189	
15814	2,749,681	2,749,681	92,183
18129	50,098	50,098	20,598
18387	63,312	63,312	8,312
18389	80,518	80,518	22,751
39426	411,073	411,073	15,738
39453	70,663	70,663	
39559	339,890	339,890	
39634	449,000	449,000	
43230	58,887	58,887	
43228	103,483	148,444	55,312
Total	$4,726,056	$4,783,429	$255,322